Statement of Confidentiality

Some of the descriptive materials and related information in this proposal contain information that is considered proprietary, trade secret, or confidential to EDS. Following the guidance of RFP 30-DHHS-1228-08-R Section 30.27 Confidentiality Related to Competitive Bidding Process and Post-Award Vendor Business Records, we have identified the information that we consider proprietary, trade secret, or confidential by marking the top and bottom of each page containing such information **CONFIDENTIAL**. This information is submitted for use by the State of North Carolina Department of Health and Human Services (the State) and its designees with the express understanding that it will be held in strict confidence and will not be disclosed, duplicated, or used, in whole or in part, for any purpose other than evaluation of this proposal or otherwise in connection with the resulting contract. The release, use, or distribution of this information to organizations outside the State would subject EDS to harm and the loss of competitive advantage.

Table of Contents

Technical Proposal – Volume II

50.2.1 Section A—Transmittal Letter and Execution Page

RFP Reference: 50.2.1 Section A—Transmittal Letter and Execution Page, Pages 271-272

In compliance with the RFP, the following section contains the Transmittal Letter and Execution Page for this proposal, followed by the required signed forms, as itemized in the Transmittal Letter.

December 20, 2007

Ms. Susan W. Lewis
Department of Health and Human Services
DHHS Procurement and Contracting
801 Ruggles Drive, Hoey Building
Raleigh, NC 27603-2001

RE: Bid Number 30-DHHS-1228-08-R

Dear Ms. Lewis:

Knowledge. Commitment. Innovation. Results. These words describe EDS' pledge to the North Carolina Department of Health and Human Services (the State) and the new era in healthcare support that will start with the implementation of the Replacement Medicaid Management Information System (MMIS). In response to the request for proposal (RFP) for the Replacement MMIS, EDS proposes **interChange**, which was designed for n-tier technology and interactive, online claims processing for all claim types and meets the principles described in North Carolina's Statewide Technical Architecture. The flexible interChange platform is operational in five states and is being implemented in seven more. Initially, this single platform will serve the healthcare processing needs of the Division of Medical Assistance (DMA), the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (DMH), the Division of Public Health (DPH), and the Migrant Health Program in the Office of Rural Health and Community Care (ORHCC), but it brings the flexibility to support any or all of the remaining DHHS divisions. The Web-enabled features will transform the way State personnel, State stakeholders, providers, and recipients interact with the MMIS.

EDS has served DMA since 1977 and DMH since 2001. We consider ourselves an extension of the State, sharing your goal to "*enhance the quality of life of North Carolina individuals and families so that they have opportunities for healthier and safer lives....*" Our staff members in the Raleigh area are your fellow citizens and proud residents of North Carolina. Please accept this proposal as our expressed desire to continue serving you and the recipients of your healthcare programs.

In accordance with RFP section 50.2.1 Section A—Transmittal Letter and Execution Page, we provide the following information.

1. Itemization of all materials and enclosures forwarded in response to the RFP:

- Five (5) certified signed originals of the Technical Proposal
- Twenty-seven (27) copies of the Technical Proposal, each with a signature facsimile
- Ten (10) electronic copies of the Technical Proposal, each on a separate CD
- Twenty-two (22) DVD discs, each containing a copy of the Technical Proposal

2. Listing of all addenda

We acknowledge receipt of RFP 30-DHHS-1228-08-R Addendum 1 on 12/6/07.

We acknowledge receipt of RFP 30-DHHS-1228-08 Addendum 1 on 8/9/07, Addendum 2 on 8/17/07, Addendum 3 on 9/4/07, Addendum 4 on 9/11/07, Addendum 5 on 9/17/07, Addendum 6 on 9/24/07, Addendum 7 on 10/26/07, Addendum 8 on 10/26/07, Addendum 9 on 11/5/07, Addendum 10 on 11/28/07, Addendum 11 on 12/3/07, Addendum 12 on 12/5/07, and Addendum 13 on 12/5/07.

3. A statement confirming that the Offeror has read, understands, and agrees to all the provisions of the RFP, without qualification, including the addenda

EDS has read, understands, and agrees to all the provisions of the RFP without qualification, including any and all addenda.

4. through 8. Signed Attachments A, B, C, D, and H

The signed certifications from Appendix 30 (Attachments A, B, C, and D) and from Appendix 50 (Attachment H) follow the Transmittal Letter and Execution Page.

9. A statement that identifies the corporate entity that is the prime Vendor

Electronic Data Systems Corporation (EDS) is the prime Vendor.

10. A statement identifying any and all subcontractors

Health Information Designs (HID) will perform the Retrospective Drug Utilization Review (Retro-DUR) function. HID will provide the technology and the processing support for Retro-DUR.

SunGard will perform data capture, Optical Character Recognition/Intelligent Character Recognition (OCR/ICR), and data correction.

11. Exclusive responsibility statement for EDS

As the prime Vendor, EDS will assume sole and exclusive responsibility for all of the fiscal agent responsibilities and work indicated in this RFP (including any and all RFP addenda) without regard to whether the work is assigned to EDS or a subcontractor.

12. Interest in assuming the role of *system integrator* for the addition of other functional groups

EDS will gladly assume the role of system integrator for the addition of other functional groups to the Replacement MMIS.

13. The name, address, telephone number, and e-mail address of a contact person regarding the Proposal

John Fortuna, Client Sales Executive
Address: 4405 Cox Road, Glen Allen, VA, 23060
Office telephone: 1 804 965 7011
Cell phone: 1 804 640 9436
E-mail address: john.fortuna@eds.com

14. Completed and signed Execution Page (Page 1 of 3 of RFP Cover Page)

The completed and signed Execution Page follows this Transmittal Letter.

15. A statement that the offer is valid for a minimum of 330 days from the proposal's submission date

EDS' offer will remain valid for 330 days from the proposal's submission date.

Thank you for the opportunity to continue our long-standing relationship with North Carolina. I speak for the entire Raleigh-based EDS team and the newest members of our proposed team when I say we would be proud to continue serving the State of North Carolina. If you have questions regarding our proposal, please contact me or my representative, John Fortuna.

We look forward to working closely with you in this endeavor.

Sincerely,

Barbara Anderson

Vice President, EDS Government Health & Human Services

Donna R. Wyatt

Signature Notary Public

12/12/2007

Date

DONNA R. WYATT
MY COMMISSION EXPIRES
July 5, 2011

STATE OF NORTH CAROLINA **Department of Health and Human Services** DHHS Office of Procurement and Contracts	**REQUEST FOR PROPOSAL NO. 30-DHHS-1228-08-R** Proposal Due Date and Time: 2:00 p.m. ET, December 20, 2007 Contract Type: Agency Specific
Refer ALL Inquiries to: Susan Lewis Telephone No. 919-855-4086	Date Issued: July 27, 2007 (Revised December 5, 2007) Commodity: 920-Data Processing Services and Software North Carolina Replacement Medicaid Management Information System
E-Mail: Susan.Lewis@ncmail.net	Using Agency Name: Department of Health and Human Services
(See page 2 for delivery instructions.)	Agency Requisition No. N/A

OFFER AND ACCEPTANCE: This solicitation advertises the State's needs for the services and/or goods described herein. The State seeks proposals comprising competitive bids offering to sell the services and/or goods described in this solicitation. All proposals and responses received shall be treated as offers to contract. The State's acceptance of any proposal must be demonstrated by execution of the acceptance found below, and any subsequent Request for Best and Final Offer, if issued. Acceptance shall create a contract having the order of precedence among terms set forth in Section 30.3 of this RFP.

EXECUTION: In compliance with this Request for Proposal, and subject to all the conditions herein, the undersigned offers and agrees to furnish any or all services or goods upon which prices are bid, at the price(s) offered herein, within the time specified herein. By executing this bid, I certify that this bid is submitted competitively and without collusion.

Failure to execute/sign bid prior to submittal shall render bid invalid.

VENDOR: Electronic Data Systems Corporation		FEDERAL ID OR SOCIAL SECURITY NO. 75-2548221	
STREET ADDRESS: 5400 Legacy Drive		P.O. BOX:	ZIP:
CITY & STATE & ZIP: Plano, TX 75024		TELEPHONE NUMBER: 972 605 6000	TOLL FREE TEL. NO 1 800 566 9337
Will any work under this contract be performed outside the United States? Where will services be performed:		YES_____	NO X
TYPE OR PRINT NAME & TITLE OF PERSON SIGNING: Barbara Anderson Vice President, EDS Government Health & Human Services		FAX NUMBER: 972 605 9951	
AUTHORIZED SIGNATURE:	DATE: December 20, 2007	E-MAIL: barbara.anderson@eds.com	

Offer valid for three hundred and thirty (330) days from date of bid opening unless otherwise stated here: _____days.

ACCEPTANCE OF BID: If any or all parts of this bid are accepted, an authorized representative of NC DHHS shall affix his or her signature hereto and the documents identified in Section 30.3 of this RFP as comprising the Contract shall then constitute the written agreement between the parties. A copy of this acceptance will be forwarded to the successful Vendor(s).

FOR NC DHHS USE ONLY

Offer accepted and contract awarded this ____ day of _____, 20_____, as indicated on attached certification,

by _____ (Authorized representative of NC DHHS).

BID ADDENDUM

December 6, 2007

State of North Carolina
Department of Health & Human Services
Office of Procurement & Contract Services

FAILURE TO RETURN THIS BID ADDENDUM IN ACCORDANCE WITH INSTRUCTIONS MAY SUBJECT YOUR BID TO REJECTION

BID NUMBER: RFP 30-DHHS-1228-08-R

SERVICE: "NC Replacement Medicaid Management Information System"

ADDENDUM NUMBER: 1

Change to Appendix 50, Attachment A

PURCHASER: Susan W. Lewis

USING AGENCY: NC DHHS

OPENING/TIME: December 20, 2007 / 2:00 PM EST

INSTRUCTIONS:

1. Two (2) properly executed copies of this Addendum shall be included with your Proposal.
2. This Addendum contains changes in specifications.
3. Execute Addendum:

Bidder: Electronic Data Systems Corporation

Authorized Signature: _____ Date: December 20, 2007

Barbara Anderson

Name and Title (Typed or Printed): Vice President, EDS Government Health & Human Services

BID ADDENDUM

August 09, 2007

State of North Carolina
Department of Health & Human Services
Office of Procurement & Contract Services

FAILURE TO RETURN THIS BID ADDENDUM IN ACCORDANCE WITH INSTRUCTIONS MAY SUBJECT YOUR BID TO REJECTION

BID NUMBER: RFP 30-DHHS-1228-08

SERVICE: "NC Replacement Medicaid Management Information System"

ADDENDUM NUMBER: 1 Part I: Questions and Answers
Part II: Change in Specifications

PURCHASER: Susan W. Lewis

USING AGENCY: NC DHHS

OPENING/TIME: October 29, 2007, 2:00 PM

INSTRUCTIONS:

1. Two (2) properly executed copies of this Addendum are to be included with your proposal.
2. This Addendum contains questions from potential Offerors and DHHS's responses, changes in specifications, and extension of due date.
3. Execute Addendum:

Bidder: Electronic Data Systems Corporation

Authorized Signature: _____ Date: Dec. 20, 2007

Name and Title (Typed or Printed): Barbara Anderson
Vice President, EDS Government Health & Human Services

BID ADDENDUM

August 17, 2007

State of North Carolina
Department of Health & Human Services
Office of Procurement & Contract Services

FAILURE TO RETURN THIS BID ADDENDUM IN ACCORDANCE WITH INSTRUCTIONS MAY SUBJECT YOUR BID TO REJECTION

BID NUMBER: RFP 30-DHHS-1228-08

SERVICE: "NC Replacement Medicaid Management Information System"

ADDENDUM NUMBER: 2 Part I: Questions and Answers
Part II: RFP Changes

PURCHASER: Susan W. Lewis

USING AGENCY: NC DHHS

OPENING/TIME: October 29, 2007, 2:00 PM

INSTRUCTIONS:

1. Two (2) properly executed copies of this Addendum are to be included with your proposal.
2. This Addendum contains questions from potential Offerors and DHHS's responses, changes in specifications, and extension of due date.
3. Execute Addendum:

Bidder: Electronic Data Systems Corporation

Authorized Signature: _____ Date: Dec. 20, 2007

Name and Title (Typed or Printed): Barbara Anderson
Vice President, EDS Government Health & Human Services

BID ADDENDUM

September 4, 2007

State of North Carolina
Department of Health & Human Services
Office of Procurement & Contract Services

FAILURE TO RETURN THIS BID ADDENDUM IN ACCORDANCE WITH INSTRUCTIONS MAY SUBJECT YOUR BID TO REJECTION

BID NUMBER: RFP 30-DHHS-1228-08

SERVICE: "NC Replacement Medicaid Management Information System"

ADDENDUM NUMBER: 3

Part I: Questions and Answers
Part II: RFP Changes

PURCHASER: Susan W. Lewis

USING AGENCY: NC DHHS

OPENING/TIME: October 29, 2007, 2:00 PM

INSTRUCTIONS:

1. Two (2) properly executed copies of this Addendum shall be included with your Proposal.
2. This Addendum contains questions from potential Offerors and DHHS's responses, changes in specifications, and extension of due date.
3. Execute Addendum:

Bidder: Electronic Data Systems Corporation

Authorized Signature: _____ Date: Dec. 20, 2007

Name and Title (Typed or Printed): Barbara Anderson
Vice President, EDS Government Health & Human Services

BID ADDENDUM

September 11, 2007

State of North Carolina
Department of Health & Human Services
Office of Procurement & Contract Services

FAILURE TO RETURN THIS BID ADDENDUM IN ACCORDANCE WITH INSTRUCTIONS MAY SUBJECT YOUR BID TO REJECTION

BID NUMBER: RFP 30-DHHS-1228-08

SERVICE: "NC Replacement Medicaid Management Information System"

ADDENDUM NUMBER: 4

Part I: Questions and Answers
Part II: RFP Changes

PURCHASER: Susan W. Lewis

USING AGENCY: NC DHHS

OPENING/TIME: October 29, 2007, 2:00 PM

INSTRUCTIONS:

1. Two (2) properly executed copies of this Addendum shall be included with your Proposal.
2. This Addendum contains questions from potential Offerors and DHHS's responses and changes in specifications.
3. Execute Addendum:

Bidder: Electronic Data Systems Corporation

Authorized Signature: _____ Date: Dec. 20, 2007

Name and Title (Typed or Printed): Barbara Anderson
Vice President, EDS Government Health & Human Services

BID ADDENDUM

September 17, 2007

State of North Carolina
Department of Health & Human Services
Office of Procurement & Contract Services

FAILURE TO RETURN THIS BID ADDENDUM IN ACCORDANCE WITH INSTRUCTIONS MAY SUBJECT YOUR BID TO REJECTION

BID NUMBER: RFP 30-DHHS-1228-08

SERVICE: "NC Replacement Medicaid Management Information System"

ADDENDUM NUMBER: 5

Part I: Questions and Answers
Part II: RFP Changes

PURCHASER: Susan W. Lewis

USING AGENCY: NC DHHS

OPENING/TIME: October 29, 2007, 2:00 PM

INSTRUCTIONS:

1. Two (2) properly executed copies of this Addendum shall be included with your Proposal.
2. This Addendum contains questions from potential Offerors and DHHS's responses, changes in specifications, and extension of due date.
3. Execute Addendum:

Bidder: Electronic Data Systems Corporation

Authorized Signature: Barbara Anderson Date: Dec. 20, 2007

Name and Title (Typed or Printed): Barbara Anderson, Vice President, EDS Government Health & Human Services

BID ADDENDUM

September 24, 2007

State of North Carolina
Department of Health & Human Services
Office of Procurement & Contract Services

FAILURE TO RETURN THIS BID ADDENDUM IN ACCORDANCE WITH INSTRUCTIONS MAY SUBJECT YOUR BID TO REJECTION

BID NUMBER: RFP 30-DHHS-1228-08 Management Information System"

SERVICE: "NC Replacement Medicaid

ADDENDUM NUMBER: 6

Part I: Questions and Answers
Part II: RFP Changes

PURCHASER: Susan W. Lewis

USING AGENCY: NC DHHS

OPENING/TIME: October 29, 2007, 2:00 PM

INSTRUCTIONS:

1. Two (2) properly executed copies of this Addendum shall be included with your Proposal.
2. This Addendum contains questions from potential Offerors and DHHS's responses and changes in specifications.
3. Execute Addendum:

Bidder: Electronic Data Systems Corporation

Authorized Signature: _____ Date: Dec. 20, 2007

Barbara Anderson

Name and Title (Typed or Printed): Vice President, EDS Government Health & Human Services

BID ADDENDUM

October 26, 2007

State of North Carolina
Department of Health & Human Services
Office of Procurement & Contract Services

FAILURE TO RETURN THIS BID ADDENDUM IN ACCORDANCE WITH INSTRUCTIONS MAY SUBJECT YOUR BID TO REJECTION

BID NUMBER: RFP 30-DHHS-1228-08

SERVICE: "NC Replacement Medicaid Management Information System"

ADDENDUM NUMBER: 7

Part I: Questions and Answers
Part II: RFP Changes

PURCHASER: Susan W. Lewis

USING AGENCY: NC DHHS

OPENING/TIME: To be determined

INSTRUCTIONS:

1. Two (2) properly executed copies of this Addendum shall be included with your Proposal.
2. This Addendum contains questions from potential Offerors and DHHS's responses, changes in specifications, and extension of due date.
3. Execute Addendum:

Bidder: Electronic Data Systems Corporation

Authorized Signature: Barbara Anderson Date: Dec. 20, 2007

Name and Title (Typed or Printed): Barbara Anderson, Vice President, EDS Government Health & Human Services

BID ADDENDUM

October 26, 2007

State of North Carolina
Department of Health & Human Services
Office of Procurement & Contract Services

FAILURE TO RETURN THIS BID ADDENDUM IN ACCORDANCE WITH INSTRUCTIONS MAY SUBJECT YOUR BID TO REJECTION

BID NUMBER: RFP 30-DHHS-1228-08

SERVICE: "NC Replacement Medicaid Management Information System"

ADDENDUM NUMBER: 8

Part I: Questions and Answers
Part II: RFP Changes

PURCHASER: Susan W. Lewis

USING AGENCY: NC DHHS

OPENING/TIME: To be determined.

INSTRUCTIONS:

1. Two (2) properly executed copies of this Addendum shall be included with your Proposal.
2. This Addendum contains changes in specifications.
3. Execute Addendum:

Bidder: Electronic Data Systems Corporation

Authorized Signature: Barbara Anderson Date: Dec. 20, 2007

Name and Title (Typed or Printed): Barbara Anderson
Vice President, EDS Government Health & Human Services

BID ADDENDUM

November 5, 2007

State of North Carolina
Department of Health & Human Services
Office of Procurement & Contract Services

BID NUMBER: RFP 30-DHHS-1228-08 **SERVICE:** "NC Replacement Medicaid Management Information System"

ADDENDUM NUMBER: 9 - Extension of Due Date for Vendor Questions

PURCHASER: Susan W. Lewis **USING AGENCY:** NC DHHS

PURPOSE:

The due date for vendor questions regarding the updated terms and conditions included in Addendum 8 has been extended from November 9th until COB **November 14th, 2007**.

Barbara Anderson December 20, 2007
Vice President
EDS Government Health & Human Services

BID ADDENDUM

November 28, 2007

State of North Carolina
Department of Health & Human Services
Office of Procurement & Contract Services

FAILURE TO RETURN THIS BID ADDENDUM IN ACCORDANCE WITH INSTRUCTIONS MAY SUBJECT YOUR BID TO REJECTION

BID NUMBER: RFP 30-DHHS-1228-08

SERVICE: "NC Replacement Medicaid Management Information System"

ADDENDUM NUMBER: 10

Part I: Questions and Answers
Part II: RFP Changes

PURCHASER: Susan W. Lewis

USING AGENCY: NC DHHS

OPENING/TIME: To be determined.

INSTRUCTIONS:

1. Two (2) properly executed copies of this Addendum shall be included with your Proposal.
2. This Addendum contains changes in specifications.
3. Execute Addendum:

Bidder: Electronic Data Systems Corporation

Authorized Signature: _____ Date: Dec. 20, 2007

Name and Title (Typed or Printed): Barbara Anderson
Vice President, EDS Government Health & Human Services

BID ADDENDUM

December 3, 2007

State of North Carolina
Department of Health & Human Services
Office of Procurement & Contract Services

FAILURE TO RETURN THIS BID ADDENDUM IN ACCORDANCE WITH INSTRUCTIONS MAY SUBJECT YOUR BID TO REJECTION

BID NUMBER: RFP 30-DHHS-1228-08

SERVICE: "NC Replacement Medicaid Management Information System"

ADDENDUM NUMBER: 11

Part I: Questions and Answers
Part II: RFP Changes

PURCHASER: Susan W. Lewis

USING AGENCY: NC DHHS

OPENING/TIME: To be determined.

INSTRUCTIONS:

1. Two (2) properly executed copies of this Addendum shall be included with your Proposal.
2. This Addendum contains changes in specifications.
3. Execute Addendum:

Bidder: Electronic Data Systems Corporation

Authorized Signature: _____ Date: Dec. 20, 2007

Name and Title (Typed or Printed): Barbara Anderson
Vice President, EDS Government Health & Human Services

BID ADDENDUM

December 5, 2007

State of North Carolina
Department of Health & Human Services
Office of Procurement & Contract Services

FAILURE TO RETURN THIS BID ADDENDUM IN ACCORDANCE WITH INSTRUCTIONS MAY SUBJECT YOUR BID TO REJECTION

BID NUMBER: RFP 30-DHHS-1228-08

SERVICE: "NC Replacement Medicaid Management Information System"

ADDENDUM NUMBER: 12

PURCHASER: Susan W. Lewis

USING AGENCY: NC DHHS

OPENING/TIME: To be determined.

INSTRUCTIONS:

1. Two (2) properly executed copies of this Addendum shall be included with your Proposal.
2. **This Addendum replaces Addendum 6.**
3. Execute Addendum:

Bidder: Electronic Data Systems Corporation

Authorized Signature: _____ Date: Dec. 20, 2007

Name and Title (Typed or Printed): Barbara Anderson
Vice President, EDS Government Health & Human Services

BID ADDENDUM

December 5, 2007

State of North Carolina
Department of Health & Human Services
Office of Procurement & Contract Services

FAILURE TO RETURN THIS BID ADDENDUM IN ACCORDANCE WITH INSTRUCTIONS MAY SUBJECT YOUR BID TO REJECTION

BID NUMBER: RFP 30-DHHS-1228-08

SERVICE: "NC Replacement Medicaid Management Information System"

ADDENDUM NUMBER: 13

Part I: Questions and Answers
Part II: RFP Changes

PURCHASER: Susan W. Lewis

USING AGENCY: NC DHHS

OPENING/TIME: December 20, 2007 / 2:00 PM EST

INSTRUCTIONS:

1. Two (2) properly executed copies of this Addendum shall be included with your Proposal.
2. This Addendum contains changes in specifications.
3. Execute Addendum:

Bidder: Electronic Data Systems Corporation

Authorized Signature: Barbara Anderson Date: Dec. 20, 2007

Name and Title (Typed or Printed): Barbara Anderson, Vice President, EDS Government Health & Human Services

Contract #
(EDS Corp.)

DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF *(FILL IN DIVISION NAME)*

CERTIFICATION REGARDING LOBBYING

Certification for Contracts, Grants, Loans and Cooperative Agreements

The undersigned certifies, to the best of his or her knowledge and belief, that:

1. No Federal appropriated funds have been paid or will be paid by or on behalf of the undersigned to any person for influencing or attempting to influence an officer or employee of any Federal, State, or local government agency, a member of Congress, a member of the General Assembly, an officer or employee of Congress, an officer or employee of the General Assembly, an employee of a member of Congress, or an employee of a member of the General Assembly in connection with the awarding of any Federal or State contract, the making of any Federal or State grant, the making of any Federal or State loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal or State contract, grant, loan, or cooperative agreement.
2. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any Federal, State, or local government agency, a member of Congress, a member of the General Assembly, an officer or employee of Congress, an officer or employee of the General Assembly, an employee of a member of Congress, or an employee of a member of the General Assembly in connection with the awarding of any Federal or State contract, the making of any Federal or State grant, the making of any Federal or State loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal or State contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.
3. The undersigned shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including subcontracts, sub-grants, and contracts under grants, loans, and cooperative agreements) and that all sub-recipients shall certify and disclose accordingly.
4. This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure.

Notwithstanding other provisions of Federal OMB Circulars A-122 and A-87, costs associated with the following activities are unallowable.

PARAGRAPH A

1. Attempts to influence the outcomes of any Federal, State, or local election, referendum, initiative, or similar procedure, through in kind or cash contributions, endorsements, publicity, or similar activity;

2. Establishing, administering, contributing to, or paying the expenses of a political party, campaign, political action committee, or other organization established for the purpose of influencing the outcomes of elections;
3. Any attempt to influence: (i) The introduction of Federal or State legislation; or (ii) the enactment or modification of any pending Federal or State legislation through communication with any member or employee of the Congress or State legislature (including efforts to influence State or local officials to engage in similar lobbying activity), or with any government official or employee in connection with a decision to sign or veto enrolled legislation;
4. Any attempt to influence: (i) The introduction of Federal or State legislation; or (ii) the enactment or modification of any pending Federal or State legislation by preparing, distributing, or using publicity or propaganda, or by urging members of the general public or any segment thereof to contribute to or participate in any mass demonstration, march, rally, fundraising drive, lobbying campaign, or letter writing or telephone campaign; or
5. Legislative liaison activities, including attendance at legislative sessions or committee hearings, gathering information regarding legislation, and analyzing the effect of legislation, when such activities are carried on in support of or in knowing preparation for an effort to engage in unallowable lobbying.

The following activities as enumerated in Paragraph B are excepted from the coverage of Paragraph A.

PARAGRAPH B

1. Providing a technical and factual presentation of information on a topic directly related to the performance of a grant, contract, or other agreement through hearing testimony, statements, or letters to the Congress or a State legislature, or subdivision, member, or cognizant staff member thereof, in response to a documented request (including a Congressional Record notice requesting testimony or statements for the record at a regularly scheduled hearing) made by the recipient member, legislative body or subdivision, or a cognizant staff member thereof, provided such information is readily obtainable and can be readily put in deliverable form, and further provided that costs under this section for travel, lodging, or meals are unallowable unless incurred to offer testimony at a regularly scheduled Congressional hearing pursuant to a written request for such presentation made by the chairman or ranking minority member of the committee or subcommittee conducting such hearing
2. Any lobbying made unallowable by subparagraph A (3) to influence State legislation in order to directly reduce the cost or to avoid material impairment of the organization's authority to perform the grant, contract, or other agreement
3. Any activity specifically authorized by statute to be undertaken with funds from the grant, contract, or other agreement

PARAGRAPH C

1. When an organization seeks reimbursement for indirect costs, total lobbying costs shall be separately identified in the indirect cost rate proposal and thereafter treated as other unallowable activity costs in accordance with the procedures of subparagraph B (3).
2. Organizations shall submit, as part of the annual indirect cost rate proposal, a certification that the requirements and standards of this paragraph have been complied with.
3. Organizations shall maintain adequate records to demonstrate that the determination of costs as being allowable or unallowable pursuant to this section complies with the requirements of this circular.
4. Time logs, calendars, or similar records shall not be required to be created for purposes of complying with this paragraph during any particular calendar month when: (1) the employee engages in lobbying (as defined in subparagraphs (a) and (b)) 25 percent or less of the employee's compensated hours of employment during that calendar month, and (2) within the preceding five-year period, the

organization has not materially misstated allowable or unallowable costs of any nature, including legislative lobbying costs. When conditions (1) and (2) are met, organizations are not required to establish records to support the allowability of claimed costs in addition to records already required or maintained. Also, when conditions (1) and (2) are met, the absence of time logs, calendars, or similar records will not serve as a basis for disallowing costs by contesting estimates of lobbying time spent by employees during a calendar month.

5. Agencies shall establish procedures for resolving in advance, in consultation with OMB, any significant questions or disagreements concerning the interpretation or application of this section. Any such advance resolution shall be binding in any subsequent settlements, audits or investigations with respect to that grant or contract for purposes of interpretation of this circular, provided, however, that this shall not be construed to prevent a contractor or grantee from contesting the lawfulness of such a determination.

PARAGRAPH D

Costs incurred in attempting to improperly influence either directly or indirectly, an employee or officer of the Executive Branch of the Federal Government to give consideration or to act regarding a sponsored agreement or a regulatory matter are unallowable. Improper influence means any influence that induces or tends to induce a Federal employee or officer to give consideration or to act regarding a federally sponsored agreement or regulatory matter on any basis other than the merits of the matter.

Signature

Barbara Anderson
Vice President, EDS Government
Health & Human Services

Title

Electronic Data Systems Corporation
Agency/Organization

December 20, 2007
Date

Note
Certification signature should be same as Contract signature.

Contract #
(EDS Corp.)

DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF *(FILL IN DIVISION NAME)*

CERTIFICATION REGARDING DEBARMENT, SUSPENSION, INELIGIBILITY, AND VOLUNTARY EXCLUSION—LOWER-TIER COVERED TRANSACTIONS

Certification for Contracts, Grants, Loans and Cooperative Agreements

1. By signing and submitting this proposal, the prospective lower-tier participant is providing the certification set out below.
2. The certification in this clause is a material representation of the fact upon which reliance was placed when this transaction was entered into. If it is later determined that the prospective lower-tier participant knowingly rendered an erroneous certification, in addition to other remedies available to the Federal Government, the department or agency with which this transaction originated may pursue available remedies, including suspension and/or debarment.
3. The prospective lower-tier participant will provide immediate written notice to the person to which the proposal is submitted if at any time the prospective lower-tier participant learns that its certification was erroneous when submitted or has become erroneous by reason of changed circumstances.
4. The terms "covered transaction," "debarred," "suspended," "ineligible," "lower-tier covered transaction," "participant," "person," "primary-covered transaction," "principal," "proposal," and "voluntarily excluded," as used in this clause, have the meanings set out in the Definitions and Coverage sections of rules implementing Executive Order 12549. You may contact the person to which this proposal is submitted for assistance in obtaining a copy of those regulations.
5. The prospective lower-tier participant agrees by submitting this proposal that, should the proposed covered transaction be entered into, it shall not knowingly enter any lower-tier covered transaction with a person who is debarred, suspended, determined ineligible, or voluntarily excluded from participation in this covered transaction unless authorized by the department or agency with which this transaction originated.
6. The prospective lower-tier participant further agrees by submitting this proposal that it will include this clause titled "Certification Regarding Debarment, Suspension, Ineligibility, and Voluntary Exclusion—Lower-Tier Covered Transaction," without modification, in all lower-tier covered transactions and in all solicitations for lower-tier covered transactions.
7. A participant in a covered transaction may rely upon a certification of a prospective participant in a lower tier covered transaction that it is not debarred, suspended, ineligible, or voluntarily excluded from covered transaction, unless it knows that the certification is erroneous. A participant may decide the method and frequency of which it determines the eligibility of its principals. Each participant may, but is not required to, check the Non-procurement List.
8. Nothing contained in the foregoing shall be construed to required establishment of a system of records in order to render in good faith the certification required by this clause. The knowledge and information of a participant is not required to exceed that which is normally possessed by a prudent person in the ordinary course of business dealings.

9. Except for transactions authorized in paragraph 5 of these instructions, if a participant in a covered transaction knowingly enters into a lower-tier covered transaction with a person who is suspended, debarred, ineligible, or voluntarily excluded from participation in this transaction, in addition to other remedies available to the Federal Government, the department or agency with which this transaction originated may pursue available remedies, including suspension, and/or debarment.

   a) The prospective lower-tier participant certifies, by submission of this proposal, that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any Federal department or agency.

   b) Where the prospective lower-tier participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.

	Barbara Anderson Vice President, EDS Government Health & Human Services
Signature	Title
Electronic Data Systems Corporation	December 20, 2007
Agency/Organization	Date

Note
Certification signature should be same as Contract signature.

Contract #
(EDS Corp.)

DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF *(FILL IN DIVISION NAME)*

CERTIFICATION REGARDING DRUG-FREE WORKPLACE REQUIREMENTS

Certification for Contracts, Grants, Loans and Cooperative Agreements

I. By execution of this Agreement the Contractor certifies that it will provide a drug-free workplace by:

A. Publishing a statement notifying employees that the unlawful manufacture, distribution, dispens ing, possession, or use of a controlled substance is prohibited in the Contractor's workplace and specifying the actions that will be taken against employees for violation of such prohibition;

B. Establishing a drug-free awareness program to inform employees about:

(1) The dangers of drug abuse in the workplace;

(2) The Contractor's policy of maintaining a drug-free workplace;

(3) Any available drug counseling, rehabilitation, and employee assistance programs; and

(4) The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace;

C. Making it a requirement that each employee engaged in the performance of the agreement be given a copy of the statement required by Paragraph A;

D. Notifying the employee in the statement required by Paragraph A that, as a condition of employ ment under the agreement, the employee will:

(1) Abide by the terms of the statement; and

(2) Notify the employer of any criminal drug statute conviction for a violation occurring in the workplace no later than five (5) days after such conviction;

E. Notifying the Department within ten (10) days after receiving notice under subparagraph D(2) from an employee or otherwise receiving actual notice of such conviction;

F. Taking one of the following actions, within thirty (30) days of receiving notice under subparagraph D(2), with respect to any employee who is so convicted:

(1) Taking appropriate personnel action against such an employee, up to and including termina- tion; or

(2) Requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other appropriate agency; and

G. Making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs A, B, C, D, E, and F.

The site(s) for the performance of work done in connection with the specific agreement are listed below:

1 2610 Wycliff Road, Suite 401

(Street address)

Raleigh, Wake, NC 27607

(City, county, state, zip code)

2 5400 Legacy Drive

(Street address)

Plano, Collin, TX 75024

(City, county, state, zip code)

The Contractor will inform DHHS of any additional sites for performance of work under this agreement.

False certification or violation of the certification shall be grounds for suspension of payment, suspension or termination of grants, or government-wide Federal suspension or debarment (Section 4 CFR Part 85, Section 85.615 and 86.620).

Signature	Barbara Anderson Vice President, EDS Government Health & Human Services Title
Electronic Data Systems Corporation Agency/Organization	December 20, 2007 Date

Note

(Certification signature should be same as Contract signature.)

Contract #

(EDS Corp.)

DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF *(FILL IN DIVISION E)*

CERTIFICATION REGARDING ENVIRONMENTAL TOBACCO SMOKE

Certification for Contracts, Grants, Loans and Cooperative Agreements

Public Law 103-227, Part C-Environmental Tobacco Smoke, also known as the Pro-Children Act of 1994 (Act), requires that smoking not be permitted in any portion of any indoor facility owned or leased or contracted for by an entity and used routinely or regularly for the provision of health, day care, education, or library services to children under the age of 18, if the services are funded by federal programs either directly or through state or local governments, by federal grant, contract, loan, or loan guarantee. The law does not apply to children's services provided in private residences, facilities funded solely by Medicare or Medicaid funds, and portions of facilities used for inpatient drug or alcohol treatment. Failure to comply with the provisions of the law may result in the imposition of a civil monetary penalty of up to $1,000 per day and/or the imposition of an administrative compliance order on the responsible entity.

By signing and submitting this application, the Contractor certifies that it will comply with the requirements of the Act. The Contractor further agrees that it will require the language of this certification be included in any sub-awards which contain provisions for children's services and that all subgrantees shall certify accordingly.

Signature	Barbara Anderson Vice President, EDS Government Health & Human Services Title
Electronic Data Systems Corporation Agency/Organization	December 20, 2007 Date

Note

Certification signature should be same as Contract signature.

BASELINE REPRESENTATION

Electronic Data Systems Corporation (Offeror) hereby represents to the North Carolina Department of Health and Human Services (NC DHHS) that the Medicaid Management Information System (MMIS) software that Offeror proposes to demonstrate to NC DHHS in response to RFP 30-DHHS-1228-08-R is a baseline software solution within the description set forth in Section 50 of RFP 30-DHHS-1228-08-R.

Signature: _____

Barbara Anderson
Vice President, EDS Government
Title: Health & Human Services

Date: December 20, 2007

NORTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES
BUSINESS ASSOCIATE ADDENDUM TO REPLACEMENT MMIS CONTRACT

This Business Associate Agreement is ancillary to the Replacement MMIS Contract to which it is attached. This Agreement shall become effective upon the State's fully executed acceptance of the Contractor's bid with respect to the Replacement MMIS Contract. For purposes of this Addendum, the term "Business Associate" refers to the Contractor; the term "Covered Entity" refers to the healthcare component of the NC DHHS on whose behalf the Contractor is performing covered functions.

1. Background

Covered Entity and Business Associate are parties to a contract entitled "Replacement MMIS Contract" (the Contract), whereby Business Associate agrees to perform certain services for or on behalf of Covered Entity.

Covered Entity is an organizational unit of the North Carolina Department of Health and Human Services (the Department) that has been designated in whole or in part by the Department as a health care component for purposes of the HIPAA Privacy and Security Rules.

The relationship between Covered Entity and Business Associate is such that the Parties believe Business Associate is or may be a Business Associate within the meaning of the HIPAA Privacy and Security Rules.

The Parties enter into this Business Associate Addendum to the Contract with the intention of complying with the HIPAA Privacy and Security Rules provision that a Covered Entity may disclose electronic protected health information or other protected health information to a Business Associate and may allow a Business Associate to create or receive electronic protected heath information or other protected health information on its behalf if the covered entity obtains satisfactory assurances that the business associate will appropriately safeguard the information.

2. Definitions

Unless some other meaning is clearly indicated by the context, the terms below shall have the following meaning in this Agreement.

A. "Electronic Protected Health Information" shall have the same meaning as the term "electronic protected health information" in 45 CFR 160.103, limited to the information created or received by Business Associate from or on behalf of Covered Entity.

B. "HIPAA" means the Administrative Simplification Provisions, Sections 261 through 264, of the Federal Health Insurance Portability and Accountability Act of 1996, Public Law 104-191.

C. "Individual" shall have the same meaning as the term "individual" in 45 CFR160.103 and shall include a person who qualifies as a personal representative in accordance with 45 CFR 164.502(g).

D. "Privacy and Security Rules" shall mean the Standards for Privacy of Individually Identifiable Health Information and the Security Standards for the Protection of Electronic Protected Health Information set out in 45 CFR part 160 and part 164, subparts A and E.

E. "Protected Health Information" shall have the same meaning as the term "protected health information" in 45 CFR 160.103, limited to the information created or received by Business Associate from or on behalf of Covered Entity.

F. "Required By Law" shall have the same meaning as the term "required by law" in 45 CFR 164.103.

G. "Secretary" shall mean the Secretary of the United States Department of Health and Human Services or designee.

H. "Security Incident" shall have the same meaning as the term "security incident" in 45 CFR 164.304.

I. Unless otherwise defined in this Agreement, terms used herein shall have the same meaning as those terms have in the Privacy and Security Rules.

3. Obligations of Business Associate

A. Business Associate agrees to not use or disclose electronic protected health information or other protected health information other than as permitted or required by this Agreement or as required by law.

B. Business Associate agrees to implement administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of the electronic protected health information and other protected health information that it creates, receives, maintains, or transmits on behalf of Covered Entity, as required by the Privacy and Security Rules.

C. Business Associate agrees to mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a use or disclosure of electronic protected health information or other protected health information by Business Associate in violation of the requirements of this Agreement.

D. Business Associate agrees to report to Covered Entity: (i) any use or disclosure of electronic protected health information or other protected health information not provided for by this Agreement of which it becomes aware; and (ii) any security incident of which it becomes aware.

E. Business Associate agrees to ensure that any agent, including a subcontractor, to whom it provides electronic protected health information and/or other protected health information received from, or created or received by Business Associate on behalf of Covered Entity: (i) agrees to be bound by the same restrictions and conditions that apply through this Agreement to Business Associate with respect to such information; and (ii) agrees to implement reasonable and appropriate safeguards to protect such information.

F. Business Associate agrees to provide access, at the request of Covered Entity, to electronic protected health information and other protected health information in a Designated Record Set to Covered Entity or, as directed by Covered Entity, to an individual in order to meet the requirements under 45 CFR 164.524.

G. Business Associate agrees, at the request of Covered Entity, to make any amendment(s) to electronic protected health information and other protected health information in a Designated Record Set that Covered Entity directs or agrees to pursuant to 45 CFR 164.526.

H. Unless otherwise prohibited by law, Business Associate agrees to make internal practices, books, and records, including policies and procedures concerning electronic protected health information and other protected health information, relating to the use and disclosure of electronic protected health information and other protected health information received from, or created or received by Business Associate on behalf of Covered Entity, available to the Covered Entity, or to the Secretary, in a time and manner designated by the Secretary, for purposes of the Secretary determining Covered Entity's compliance with the Privacy and Security Rules.

I. Business Associate agrees to document such disclosures of electronic protected health information and other protected health information related to such disclosures as would be required for Covered Entity to respond to a request by an individual for an accounting of disclosures of electronic-protected health information and other protected health information in accordance with 45 CFR 164.528, and to provide this information to Covered Entity or an individual to permit such a response.

4. Permitted Uses and Disclosures

Except as otherwise limited in this Agreement or by other applicable law or agreement, if the Contract permits, Business Associate may use or disclose electronic protected health information and other protected health information to perform functions, activities, or services for, or on behalf of, Covered Entity as specified in the Contract, provided that such use or disclosure:

A. would not violate the Privacy and Security Rules if done by Covered Entity; or

B. would not violate the minimum necessary policies and procedures of the Covered Entity.

Except as otherwise limited in this Agreement or by other applicable law or agreements, if the Contract permits, Business Associate may use electronic protected health information and other protected health information as necessary for the proper management and administration of the Business Associate or to carry out the legal responsibilities of the Business Associate.

Except as otherwise limited in this Agreement or by other applicable law or agreements, if the Contract permits, Business Associate may disclose electronic protected health information and other protected health information for the proper management and administration of the Business Associate, provided that:

- disclosures are required by law; or
- Business Associate obtains reasonable assurances from the person to whom the information is disclosed that it will remain confidential and will be used or further disclosed only as required by law or for the purpose for which it was disclosed to the person, and the person notifies the Business Associate of any instances of which it is aware in which the confidentiality of the information has been breached.

Except as otherwise limited in this Agreement or by other applicable law or agreements, if the Contract permits, Business Associate may use electronic protected health information and other protected health information to provide data aggregation services to Covered Entity as permitted by 45 CFR 164.504(e)(2)(i)(B).

Notwithstanding the foregoing provisions, Business Associate may not use or disclose electronic protected health information or other protected health information if the use or disclosure would violate any term of the Contract or other applicable law or agreements.

5. Term and Termination

Term: This Agreement shall be effective as of the effective date stated above and shall terminate when the Contract terminates.

Termination for Cause: Upon Covered Entity's knowledge of a material breach by Business Associate, Covered Entity may, at its option:

- provide an opportunity for Business Associate to cure the breach or end the violation, and terminate this Agreement and services provided by Business Associate, to the extent permissible by law, if

Business Associate does not cure the breach or end the violation within the time specified by Covered Entity;

- □ immediately terminate this Agreement and services provided by Business Associate, to the extent permissible by law; or
- □ if neither termination nor cure is feasible, report the violation to the Secretary as provided in the Privacy and Security Rules.

Effect of Termination: Except as provided in paragraph (2) of this section or in the Contract or by other applicable law or agreements, upon termination of this Agreement and services provided by Business Associate, for any reason, Business Associate shall return or destroy all electronic protected health information and other protected health information received from Covered Entity, or created or received by Business Associate on behalf of Covered Entity. This provision shall apply to electronic protected health information and other protected health information that is in the possession of subcontractors or agents of Business Associate. Business Associate shall retain no copies of the electronic protected health information or other protected health information.

In the event that Business Associate determines that returning or destroying the electronic protected health information or other protected health information is not feasible, Business Associate shall provide to Covered Entity notification of the conditions that make return or destruction not feasible. Business Associate shall extend the protections of this Agreement to such electronic protected health information and other protected health information and limit further uses and disclosures of such electronic protected health information and other protected health information to those purposes that make the return or destruction infeasible, for so long as Business Associate maintains such electronic protected health information and other protected health information.

6. General Terms and Conditions

This Agreement amends and is part of the Contract.

Except as provided in this Agreement, all terms and conditions of the Contract shall remain in force and shall apply to this Agreement as if set forth fully herein.

In the event of a conflict in terms between this Agreement and the Contract, the interpretation that is in accordance with the Privacy and Security Rules shall prevail. In the event that a conflict then remains, the Contract terms shall prevail so long as they are in accordance with the Privacy and Security Rules.

A breach of this Agreement by Business Associate shall be considered sufficient basis for Covered Entity to terminate the Contract for cause.

7. Signatures

Electronic Data Systems Corporation	Barbara Anderson Vice President, EDS Government Health & Human Services.
Covered Entity	Business Associate

50.2.2 Section B—Proposal Submission Requirements Checklist

RFP Reference: 50.2.2 Section B—Proposal Submission Requirements Checklist, Page 272

In compliance with RFP section 50.2.2, this section contains our completed Replacement MMIS Proposal Submissions Requirements Checklist, provided in Appendix 50, Attachment A of the RFP.

Replacement MMIS Proposal
Submission Requirements Checklist

This appendix identifies the requirements for the Proposal responding to RFP 30-DHHS-1228-08-R. Failure to respond in whole or in part to a specific requirement may result in rejection of the Proposal during the evaluation process.

Proposal Submission Requirements	Acknowledgement "Yes" or "No"	For NC DHHS Use Only
1. (RFP Section 50.1) Was the Technical Proposal submitted by the date and time specified in the RFP Cover Letter?	Yes	
2. (RFP Section 50.1) Was the Technical Proposal package(s) labeled as indicated in the RFP Cover Letter?	Yes	
3. (RFP Section 50.1) Are number of originals, copies, and electronic versions of the Technical Proposal as indicated in the RFP Cover Letter included?	Yes	
4. (RFP Section 50.1) Are the originals clearly marked as such?	Yes	
5. (RFP Section 50.1) Did the Offeror include a table of contents in its proposal?	Yes	

Proposal Submission Requirements	Acknowledgement "Yes" or "No"	For NC DHHS Use Only
6. (RFP Section 50.1) Did the Offeror use 8-1/2 X 11 paper and 12-point font, single-spaced with 6 point spacing between rows?	Yes	
7. (RFP Section 50.2) Is the Technical Proposal comprised of the following eleven (11) separate sections, individually tabbed, in the following sequence: • Section A—Transmittal Letter and Execution Page (Page 1 of 2 of RFP Cover Page) • Section B—Proposal Submission Requirements Checklist • Section C—Executive Summary • Section D—Proposed Solution Details • Section E—Project Management Plan • Section F—Operations Management Approach • Section G—Contract Data Requirements List (CDRL) • Section H—Security Approach • Section I—Turnover Approach • Section J—Corporate Capabilities • Section K—Oral Presentations and Demonstrations	Yes	
8. (RFP Section 50.2) Did the Offeror provide the Subsection Number preceding its response explaining its fulfillment in the Technical Proposal?	Yes	
9. (RFP Section 50.2.1) Was a Transmittal Letter and Execution Page (Page 1 of 3 of RFP Cover Page) included in the Proposal as Section A?	Yes	

Proposal Submission Requirements	Acknowledgement "Yes" or "No"	For NC DHHS Use Only
10. (RFP Section 50.2.1) Is the Transmittal Letter within the limit of three (3) pages, excluding the attached copies of the required certifications and representations from the Appendices and excluding the attached copies of the RFP Addenda issued by the State?	Yes	
11. (RFP Section 50.2.1) Is the Transmittal Letter on official business letterhead of the prime Vendor and signed by an individual authorized to legally bind the company?	Yes	
12. (RFP Section 50.2.1) Does the Transmittal Letter include the 15 items listed?	Yes	
13. (RFP Section 50.2.2) Was a completed Proposal Submission Requirements Checklist included in the Proposal as Section B?	Yes	
14. (RFP Section 50.2.3) Was an Executive Summary included in the Technical Proposal as Section C?	Yes	
15. (RFP Section 50.2.3) Is the Executive Summary within the limit of fifteen (15) pages?	Yes	
16. (RFP Section 50.2.3) Is the completed High-Level System Functionality Matrix (Appendix 50, Attachment B) included in the Technical Proposal as a part of Section C?	Yes	
17. (RFP Section 50.2.4.1) Is the Proposed System Solution and Solution for DDI included in the Technical Proposal as Section D?	Yes	
18. (RFP Section 50.2.4.1.1) Is the Overview of System Solution and Solution for Design,	Yes	

Proposal Submission Requirements	Acknowledgement "Yes" or "No"	For NC DHHS Use Only
Development and Installation included in Section D?		
19. (RFP Section 50.2.4.1.1) Is the Overview of System Solution and Solution for Design, Development and Installation within the limit of 500 pages?	Yes	
20. (RFP Section 50.2.4.1.2) Is the Software Development and Systems Engineering Methodology included in Section D?	Yes	
21. (RFP Section 50.2.4.1.2) Is the Software Development and Systems Engineering Methodology within the limit of 50 pages?	Yes	
22. (RFP Section 50.2.4.1.3) Is the Data Conversion and Migration Approach included in Section D?	Yes	
23. (RFP Section 50.2.4.1.3) Is the Data conversion and Migration Approach within the limit of 20 pages?	Yes	
24. (RFP Section 50.2.4.1.4) Is the Deployment/Rollout Approach included in Section D?	Yes	
25. (RFP Section 50.2.4.1.4)Is the Deployment/Rollout Approach within the limit of 20 pages?	Yes	
26. (RFP Section 50.2.4.1.5) Did the Offeror complete appendix 50, Attachment C, Part I, DDI Requirements Matrix, as required?	Yes	

Proposal Submission Requirements	Acknowledgement "Yes" or "No"	For NC DHHS Use Only
27. (RFP Section 50.2.4.1.6) Did the Offeror complete Appendix 50, Attachment C, Part II, Adjusted Function Point Count, as required?	Yes	
28. (RFP Section 50.2.4.2.1) Did the Offeror describe how it plans to meet the Operations Requirements outlined in RFP section 40 in its Section D?	Yes	
29. (RFP Section 50.2.4.2.1) Is the Proposed Solution for Operations within the limit of 150 pages?	Yes	
30. (RFP Section 50.2.4.3) Is the Offeror's Statement of Work included in Section D?	Yes	
31. (RFP Section 50.2.4.3) Is the Offeror's Statement of Work formatted per Appendix 50, Attachment D?	Yes	
32. (RFP Section 50.2.4.4) Is the Offeror's Training Approach provided in Section D?	Yes	
33. (RFP Section 50.2.4.4) Is the Offeror's Training Approach limited to 20 pages?	Yes	
34. (RFP Section 50.2.5) Did the Offeror include a Project Management Plan?	Yes	
35. (RFP Section 50.2.5) Is the Project Management Plan within the limit of 50 pages excluding the IMP and IMS and other elements of this Plan with page limitations assigned?	Yes	
36. (RFP Section 50.2.5.1) Did the Offeror submit its Integrated Master Plan?	Yes	

Proposal Submission Requirements	Acknowledgement "Yes" or "No"	For NC DHHS Use Only
37. (RFP Section 50.2.5.2) Did the Offeror submit its Integrated Master Schedule?	Yes	
38. (RFP Section 50.2.5.3) Did the Offeror describe its Master Test Process and Quality Assurance Approach?	Yes	
39. (RFP Section 50.2.5.3) Is the Master Test Process and Quality Assurance Approach within the limit of 20 pages?	Yes	
40. (RFP Section 50.2.5.4.1) Did the Offeror provide its comprehensive Organizational Chart for DDI and a description of its organization?	Yes	
41. (RFP Section 50.2.5.4.1) Did the Offeror propose the positions and staff to be designated as key personnel for DDI and provide its Corporately Certified Position descriptions for the key personnel and resumes and references for any key personnel currently identified?	Yes	
42. (RFP Section 50.2.5.4.1) Did the Offeror limit its Organization Chart for DDI to 2 pages?	Yes	
43. (RFP Section 50.2.5.4.1) Did the Offeror limit its position descriptions to 1 page each and its resumes, including references, to 3 pages each?	Yes	
44. (RFP Section 50.2.5.4.2) Did the Offeror provide its comprehensive Organizational Chart for Operations?	Yes	
45. (RFP Section 50.2.5.4.2) Did the Offeror	Yes	

Proposal Submission Requirements	Acknowledgement "Yes" or "No"	For NC DHHS Use Only
propose the positions and staff to be designated as key personnel for Operations and provide its Corporately Certified Position descriptions for the key personnel and resumes and references for any key personnel currently identified?		
46. (RFP Section 50.2.5.4.2) Did the Offeror limit its Organization Chart for Operations to 2 pages?	Yes	
47. (RFP Section 50.2.5.4.2) Did the Offeror limit its position descriptions for Operations to 1 page each and its resumes, including references, to 3 pages each?	Yes	
48. (RFP Section 50.2.5.5) Did the Offeror describe its communications approach?	Yes	
49. (RFP Section 50.2.5.5) Did the Offeror limit its Communications Approach to 15 pages?	Yes	
50. (RFP Section 50.2.5.6) Did the Offeror submit its Risk and Issue Management Plan?	Yes	
51. (RFP Section 50.2.5.6) Did the Offeror limit its Risk and Issue Management Plan to 30 pages?	Yes	
52. (RFP Section 50.2.5.7) Did the Offeror submit an Initial Risk Assessment, including known risks associated with the implementation of the proposed solution?	Yes	
53. (RFP Section 50.2.5.7) Did the Offeror limit its Initial Risk Assessment to no more than 1 page per identified risk?	Yes	

Proposal Submission Requirements	Acknowledgement "Yes" or "No"	For NC DHHS Use Only
54. (RFP Section 50.2.5.8) Did the Offeror submit its Change Management Approach?	Yes	
55. (RFP Section 50.2.5.8) Did the Offeror limit its Change Management Approach to 20 pages?	Yes	
56. (RFP Section 50.2.6) Did the Offeror provide its Operations Management Approach in Section F?	Yes	
57. (RFP Section 50.2.6) Did the Offeror limit its Operations Management Approach to 30 pages?	Yes	
58. (RFP Section 50.2.6.1) Did the Offeror include its Change and Configuration Management approach for Operations in its Change Management Approach (see RFP Section 50.2.5.8)	Yes	
59. (RFP Section 50.2.6.2) Did the Offeror's Risk and Issue Management Plan include Operations as well as Systems and DDI? (see RFP Section 50.2.5.6)	Yes	
60. (RFP Section 50.2.6.3) Did the Offeror submit its Business Continuity/Disaster Recovery Approach?	Yes	
61. (RFP Section 50.2.6.3) Did the Offeror limit its Business Continuity/Disaster Recovery Approach to 15 pages?	Yes	
62. (RFP Section 50.2.6.4) Did the Offeror include a description of its approach for Ongoing Training in its Training Approach (see RFP Section 50.2.4.4)	Yes	

Proposal Submission Requirements	Acknowledgement "Yes" or "No"	For NC DHHS Use Only
63. (RFP Section 50.2.6.5) Did the Offeror include a description of its communications approach for Operations in its Operations Management Approach (see RFP Section 50.2.6)	Yes	
64. (RFP Section 50.2.7) Did the Offeror provide the CDRL, updated with additional data requirements in Section G?	Yes	
65. (RFP Section 50.2.8) Did the Offeror describe its approach to security in Section H of the Technical Proposal?	Yes	
66. (RFP Section 50.2.8) Did the Offeror limit its Security Approach to 30 pages?	Yes	
67. (RFP Section 50.2.9) Did the Offeror describe its Turnover Approach in its Technical Proposal, Section I?	Yes	
68. (RFP Section 50.2.9) Did the Offeror limit its Turnover Approach to 20 pages?	Yes	
69. (RFP Section 50.2.10) Is the response to Corporate Capabilities included in the Proposal as Section J?	Yes	
70. (RFP Section 50.2.10) Is the response to Corporate Capabilities within the limit of 40 pages?	Yes	
71. (RFP Section 50.2.10.) Are the five (5) sections specified in RFP Section 50.2.10.2 for Corporate Capabilities included in Section J?	Yes	
72. (RFP Section 50.2.11) Did the Offeror	Yes	

Proposal Submission Requirements	Acknowledgement "Yes" or "No"	For NC DHHS Use Only
acknowledge in Section K that it understands and agrees to perform the requirements of the Oral Presentations and System Demonstrations?		
73. (RFP Section 50.2.11.2) Did the Offeror identify the state(s) where its "baseline system" is installed?	Yes	
74. (RFP Section 50.2.11.2) Did the Offeror sign the statement in Appendix 50, Attachment H representing that its baseline system for the system demonstration complies with the description of a "baseline" solution as described in this RFP Section?	Yes	

50.2.3 Section C–Executive Summary

RFP Reference: 50.2.3 Section C–Executive Summary, Pages 272-273

North Carolina is facing one of the most challenging economic periods in its history. The rising cost of medical care, the growing number of recipients in the State's healthcare programs, and the need to contain expenses is placing enormous pressure on the State to work harder, smarter, and more cost-effectively than ever before. Healthcare providers are feeling the same strain. Lower reimbursements and higher costs have created an environment where timely payments are necessary to pay the bills and stay in business.

You have responded to this challenge by developing a strategy to improve operational efficiencies. This strategy will establish clear performance standards intended to improve overall program efficiency, strengthen program integrity, and enable maximum levels of federal funding. With improved access to data, the ability to make required changes to policy rapidly and efficiently, real-time claims adjudication, and the ability to accurately forecast projected expenses, you will have a powerful suite of MMIS tools to accomplish your goals and meet your financial challenges.

EDS, your Medicaid fiscal agent for three decades, is responding to this challenge by offering **interChange**—the nation's leading Medicaid Management Information System (MMIS) application—supported by a project team that includes personnel with North Carolina Medicaid experience and interChange implementation experience.

EDS' interChange, already operational in Pennsylvania, Kansas, Oklahoma, Tennessee, and Kentucky and CMS-certified in the first four of these states (Kentucky's certification should occur in 2008), is the best choice for North Carolina. It closely matches the State's business requirements, satisfies statewide technical architecture standards, and provides a flexible system with an architecture that allows changes to be deployed quickly, accurately, and efficiently.

This combination of proven technology and experienced people provides the change that North Carolina is asking for. By enabling change that is securely based on proven technology, experienced people, and project management practices designed for large-scale projects, we are bringing a low-risk, innovative solution that will serve the North Carolina Department of Health and Human Services (the State) for many years to come.

Our Understanding of the Project

RFP Reference: 50.2.3 Section C–Executive Summary, Paragraph 2, Page 273

The services provided by the State are vitally important to millions of people throughout North Carolina, as demonstrated by the following facts:

- The program serves one out of every eight citizens of North Carolina, or about 18.5 percent of the total population.
- More than 1.6 million individuals received a service during the most recently completed state fiscal year.
- The two largest eligibility categories—Pregnant Women and Children and Aid to Families With Dependent Children—protect and nurture North Carolina families.
- Two of the most vulnerable categories—the elderly and the disabled—comprise 12.5 percent and 15.9 percent of total recipients, respectively.
- Nearly 17,000 Medicaid recipients receive home healthcare.
- An average of 80,000 Medicaid recipients receive dental services through the program each month.
- More than 340,000 individuals (duplicated count) were helped by the programs and services sponsored by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (DMH).

As these numbers indicate, the State's health and human services programs improve the health and quality of life for program recipients. EDS—with 30 years of service to the Division of Medical Assistance (DMA) and seven years of service to DMH—understands the vital role of the State's programs in the lives of North Carolinians. We know that the systems, services, and people we provide are of critical importance to the efficient administration of these services, and we take our responsibility seriously.

In the new contract, the fiscal agent's role will be even more critical, as the State prepares to implement a multi-payer system that will support the Division of Public Health (DPH) and the Migrant Health Program in the Office of Rural Health and Community Care (ORHCC), in addition to DMA and DMH. **With this expansion, the State is in fact procuring a "DMMS" (Department Medical Management System) that will support these four divisions and be able to support others in the future.** Selecting the right vendor will be a critical factor in the project's success.

As we will demonstrate in this executive summary, throughout our technical proposal, and in the oral presentations and system demonstrations, we bring a deep understanding of the programs to be served by the Replacement MMIS.

Summary of Technical Proposal Contents

RFP Reference: 50.2.3 Section C—Executive Summary, Paragraph 2, Page 273

We summarize the contents of our proposal in the following sections:

- Understanding That the Procurement Is for a Multi-Payer MMIS
- Understanding of the Requirement to Allow for Additional Divisions
- Understanding of the Procurement Library
- EDS Commitments to the State
- Overall Approach to Implementation and Operations
- Proposed System's High-Level Functionality

Understanding That the Procurement Is for a Multi-Payer MMIS

RFP Reference: 50.2.3 Section C—Executive Summary, Bullet 1, Page 273

The Replacement MMIS' multi-payer technical and operational structure will allow the State to successfully administer multiple benefit programs through one environment. The common environment will be used to manage the claims processing and reimbursement to support health coverage plans for DMA, DMH, DPH, and ORHCC.

The State's definition of a multi-payer MMIS is clear. For the Replacement MMIS, multi-payer means an MMIS with multiple payment sources and multiple programs for services that cross various lines of State business and can be paid from one claim.

EDS is fully aware of the complex nature of the multi-payer design, and we know that "multi-payer" must not be confused with "multi-program." In 2001, we collaborated with the State to implement North Carolina's multi-payer claims processing concept. As a result of this implementation, DMH became the first additional payer of the MMIS+, and we learned valuable lessons in modifying an MMIS to support additional State programs. Through this experience, we understand that the Legacy MMIS+ is a multi-payer system for DMA and DMH.

However, the current approach will be greatly expanded with the implementation of the Replacement MMIS and the extension of multi-payer capabilities to include two additional State divisions, DPH and ORHCC. The following list identifies critical factors that must be considered when designing a multi-payer system for the distinctive benefit plans managed by the four divisions:

- Providers will not be familiar with the multitude of State-defined benefit plans available within the system and therefore will be unable to determine the best benefit plan for claim submission. EDS' solution will allow the system to receive a single claim from the provider and then automatically determine recipient eligibility and assign the benefit plan based on a State-defined hierarchy of benefit plans according to the specific payer.
- Recipient enrollment may occur in multiple eligibility systems. The Replacement MMIS must be able to consolidate it into a single recipient in the paying system.
- Benefit programs are funded in different ways and have different budgets. The Replacement MMIS must verify that the budget has sufficient funds to pay the claims it is responsible for, draw down funds from the identified budget, and pay back funds to budgets on an adjustment or cash receipt.

- The Replacement MMIS must make sure security exists to protect the recipients' protected health information (PHI) by only permitting viewing and updating of recipients and recipient claims based on users' roles and the defined payer group.

The Replacement MMIS must accommodate these—and other—complex technical and program issues.

EDS understands the State's need to implement a system that not only will meet today's needs, but one that is expandable and adaptable for additional State benefit plans. Our proposed Replacement MMIS will support this future need. Our technical and operational environment will give the four stated payers and future payers the flexibility to define coverage and processing rules for their benefit plans, which could be consistent with or different from other plans depending on their own policies and programs. Each payer's business requirements will dictate the level of consistency or uniqueness necessary in defining their rules in the multi-payer environment. Processing rules may vary among payers, yet the system and operational interface with providers, recipients, and critical State systems will be coordinated and consistent for the four divisions and any future payers served by the Replacement MMIS.

Understanding of the Requirement to Allow for Additional Divisions

RFP Reference: 50.2.3 Section C—Executive Summary, Bullet 2, Page 273

The State's investment in our solution will provide benefits throughout the life of the contract as additional divisions are added. Our interChange-based Replacement MMIS will have the flexibility to add functions and processing for additional State divisions, as well as other healthcare programs.

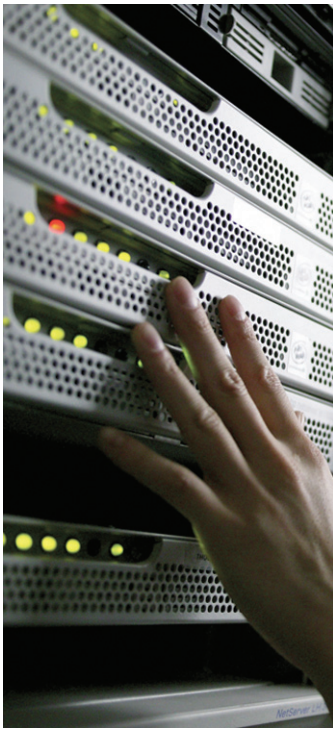
The EDS design team has architected a solution that will modify the baseline MMIS to support the processing needs of all four divisions. While this will require some modifications and configuration to our baseline interChange product to meet specific North Carolina business requirements, our product meets the majority of the requirements. This proves that interChange brings the flexibility to support the work of any of the State's component divisions. By following the software development and systems engineering methodology and the change management approach described in our responses to RFP sections 50.2.4.1.2 and 50.2.5.8, we will be able to expand the Replacement MMIS' capability to support additional divisions.

Understanding of the Procurement Library

RFP Reference: 50.2.3 Section C—Executive Summary, Bullet 3, Page 273

We have received and reviewed the Procurement Library information, and we are aware that updates will continue to be made available. We have used the data and information provided to supplement our knowledge of current operations.

EDS Commitments to the State



RFP Reference: 50.2.3 Section C—Executive Summary, Bullet 4, Page 273

The State has a plan to bring the most technologically advanced system available in the market to North Carolina. The Replacement MMIS will improve service to providers and recipients, reduce administrative costs, maximize federal funding, and prepare for the future to consolidate multiple divisions under one multi-payer system. We welcome this challenge, and we commit to the following:

- Delivering an on-time implementation
- Delivering an on-budget implementation
- Delivering personnel who bring experience with interChange and with DMA and DMH programs
- Delivering a corporate commitment to the success of this project
- Keeping pace with Medicaid Information Technology Architecture (MITA) principles as they are developed
- Delivering the most advanced multi-payer system in the MMIS market

These commitments to the State are demonstrated by our long-term presence in North Carolina, our people, and our investment in interChange.

Commitment: Long-Term Presence

EDS has been supporting state government in North Carolina for three decades, providing stable employment and job opportunities for nearly 300 people on the DMA and DMH accounts. Our commitment to the State is as strong now as ever, as we plan to commit additional resources needed to install and operate the multi-payer Replacement MMIS, while maintaining the same level of service excellence in current operations that you have come to expect from EDS.

Commitment: People

Our commitment is shown in the project staff we are dedicating to the Design, Development, and Implementation (DDI) Phase and Operations Phase of the Replacement MMIS project. This leadership team combines two critical factors required to lower risk and enable success: 1) Familiarity with North Carolina systems, policies, and procedures and 2) significant interChange implementation expertise.

The DDI staff blends the best of our current staff with interChange experts. The local team, which brings extensive understanding of Medicaid and Mental Health policy, will be supported by the corporate resources of EDS and the nationwide network of interChange personnel.

We have increased the key positions and also are proposing other important leadership resumes. In our response to RFP section 50.2.5.4, we are providing resumes for the following key staff:

- Account Manager Melissa Robinson
- Implementation Manager Dean Taunton
- Operations/Claims Processing Manager Tammy Wheeler
- Medical Director Margaret Martin, M.D.
- Pharmacy Director Sharon Greeson, R.Ph.
- Dental Director David Brooks, D.D.S, M.S.

Key Personnel Qualifications

Melissa Robinson, Account Manager

We are pleased to propose Melissa Robinson as the account manager for the new contract. A veteran member of EDS' North Carolina team, Melissa brings the following qualifications:

- 14 years of North Carolina leadership, including her current position as the deputy account manager
- Experience in all aspects of account management for the North Carolina multi-payer environment
- Key player in the development of the multi-payer Legacy MMIS+
- Strong, positive working relationship with her peers at DMA and DMH
- In-depth understanding of program policy, with specialized understanding of the finance subsystem and the buy-in, drug rebate, and Health Check programs
- Key player in recent critical modifications: Preadmission Screening and Annual Resident Review (PASARR), National Provider Identifier (NPI), and Health Insurance Portability and Accountability Act (HIPAA)
- Wealth of experience in working with the State to modify, update, and expand MMIS services through added services, contract extensions, and amendments

Dean Taunton, Implementation Manager

Dean returns to North Carolina, bringing experience with interChange implementations in Kentucky and Tennessee. Dean brings the following qualifications:

- Eight years of technical leadership positions at EDS Medicaid projects in North Carolina, Kentucky, and Tennessee
- Implementation manager for interChange in Kentucky, directing activities of more than 220 technical personnel and successfully managing and delivering 443,000 hours of effort in 27-month implementation
- Project manager for development of the interChange .NET interface
- Five years of experience with the North Carolina Legacy MMIS+, with leadership roles in key implementations including the Customer Information Control System (CICS)-to-Web interface, the implementation of a new data center, and the HIPAA remediation
- 18 years of design, development, and leadership experience with the United States Navy

Tammy Wheeler, Operations/Claims Processing Manager

Tammy is another North Carolina veteran, proposed for this key leadership position that will take advantage of her experience and leadership skills on the new contract. Tammy's qualifications include the following:

- 28 years of service—her entire professional career—devoted to the North Carolina Medicaid Program
- Progressively responsible leadership positions, from clerk to supervisor to medical policy manager
- Experience with the North Carolina program, which covers electronic and paper claims management with direct responsibility in medical policy, reference and adjustments, and experience in provider services and systems

Margaret Martin, M.D., Medical Director

Dr. Martin joined the EDS team in 2006 and brings the credentials and established reputation for this influential position. Her qualifications include the following:

- 30 years of professional medical experience
- Experience as current Medicaid director, responsible for assessing Medicaid claims for approval or denial and approving or denying prior approval requests for covered surgical procedures
- Licensed to practice medicine and certified by the Pediatric Board in North Carolina since 2000

Sharon Greeson, R.Ph., Pharmacy Director

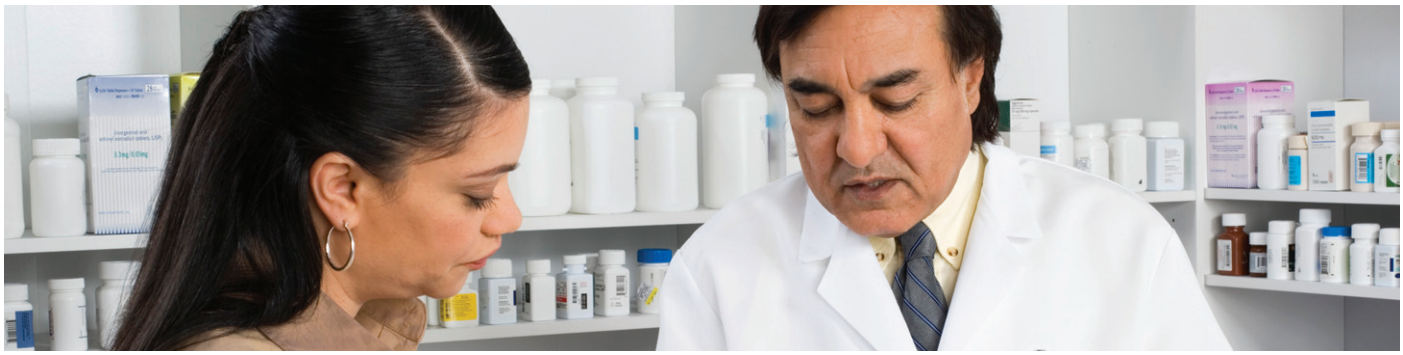
With long-term experience as EDS' staff pharmacist and as a pharmacist in North Carolina, Sharon is the perfect choice as pharmacy director. Her qualifications include the following:

- 23 years of pharmacy experience in North Carolina
- 11 years as the staff pharmacist on EDS' North Carolina project team
- Management of the drug rebate program, including invoicing, receipt of checks, and dispute resolution
- Development of pharmacy-related cost-avoidance edits for the Medicare Part D plans, claims that should be covered under hospice, pharmacy TPL cost avoidance, and Medicare cost-avoidance, leading to millions of dollars in savings each year
- Responsible for defining, developing, and implementing many changes for the pharmacy program, such as the online Point-of-Sale (POS) system and prospective drug utilization review (Pro-DUR)

David Brooks, D.D.S, M.S., Dental Director

Dr. Brooks is joining the EDS team, bringing nearly three decades of dental experience in North Carolina. His qualifications include the following:

- 29 years of dental experience in North Carolina
- Licensed to practice dentistry in North Carolina since 1976
- Past president of Dental Foundation of North Carolina and board member for seven years



Our experience has shown that it takes much more than the key leaders to consistently deliver high quality customer service. For a project of this size and complexity, it also takes the other leaders on the project team who are not considered "key" in contract terms but who are critical to project success. For this reason, we are naming and providing resumes for additional leadership and technical positions in both DDI and operations positions. Many of these professionals, listed in the following table, Additional Leader Qualifications, are people with whom you work each day, and your feedback over the years has demonstrated that you trust and value them.

Additional Leader Qualifications

Mike Frost, Senior Technical Analyst and SME for MMIS and Multi-Payer
Mike Frost brings experience and proven leadership ability to the Replacement MMIS operations. He has 19 years of experience with three government healthcare programs: Medicare Part B and North Carolina's Medicaid and Mental Health programs. As a technical leader during the Integrated Payment and Reporting System (IPRS) development and implementation, he guided the work of 25 systems engineers and developed and learned the new system by designing, developing, testing, and implementing it. His well-rounded background has been enhanced with leadership roles in critical projects such as the HIPAA implementation and the Data Base/2 (DB2) conversion. He also managed the schedule and resources for several highly visible projects that support the State's program reform: Direct Provider Enrollment and Enhanced Services.
Stacey Barber, Senior Technical Analyst and SME for HIPAA
Stacey brings 12 years of experience designing complex MMIS solutions, including nearly 10 years' knowledge of HIPAA Administrative Simplification. With her in-depth HIPAA and North Carolina Medicaid experience, she will provide HIPAA expert-level advice, planning, and recommendations about the effects of HIPAA changes as federal changes are initiated.
Terry Hensley, Database Administrator
Terry brings eight years of experience in creating and maintaining databases, along with 21 years of systems engineering experience and 17 years of technical North Carolina MMIS experience. Well-known and respected by DMA, he is actively involved in creating and maintaining database schemas and scripts to yield better response times and streamline workload.
Tim Sullivan, Technical Director/Systems Programming Manager
Tim brings 17 years' experience managing or performing software engineering activities, of which more than 11 years were dedicated to performing MMIS DDI. As the systems manager for the Legacy MMIS+, he provided leadership to critical projects such as DB2, the remediation of the system for HIPAA compliance, PASARR, modifications to Part B processing, and the development of the PS&R Reporting.

Scott Lowry, Senior Systems Architect
Scott comes to the North Carolina DDI directly from the interChange implementation for Kentucky, where he was the implementation solution architect. He brings more than 20 years of experience working with software development teams in complex, large-scale system implementations.
Anthony Perkins, Senior State Business Liaison
Anthony brings five years of experience with the North Carolina program in analysis, programming, and operations. As a business analyst for the State, he monitors, maintains, and implements policy initiatives for mental health and substance abuse reform.
Sharlene Bryant, Prior Approval Manager
Sharlene is an excellent example of the depth and breadth of experience EDS brings to the North Carolina leadership team. She brings 23 years of technical support for EDS' federal and state healthcare clients, including 13 years with our Medicaid projects, mostly in North Carolina. She was one of the first choices for the IPRS project team when that major project was starting up. She was a key resource for the Integrated Payment and Reporting System (IPRS), Y2K, HIPAA, and DB2 implementations, as well as other successful projects.
Chris Ferrell, Provider/Recipient Relations Manager
Chris brings nine years of experience with the provider services team and, before that, experience with a wider perspective of the insurance industry, with licenses in life, health, and property and casualty. He frequently presents at conferences and meets with DMA. He has developed internal training programs for call center staff and started rehearsals for seminars for travel representatives. He has developed a strong bond with DMA and the provider community through his seminars, onsite visits, and weekly DMA meetings.
Jamie Herubin, Finance Manager
Jamie brings seven years of business analysis and financial operations experience in support of federal and state technology systems. In his current role, he makes sure every area of the IPRS Operations Department, including Adjustments, File Maintenance, Provider Services, ECS, and Security, provide exceptional support to DMH and the local management entities (LMEs).

Commitment: Corporate Focus on interChange

EDS is committed to the healthcare industry in the United States and worldwide. For our state healthcare clients, we have made the commitment to focus resources on the ongoing development of interChange. A product development team of more than 240 personnel (including leaders, architects, developers, and testers) develop and maintain the interChange baseline MMIS, working to keep interChange current with the needs of the Medicaid programs across the country. The results of their ongoing work are seen in the various releases of interChange, which are made available to operational accounts as well as new instances of interChange. In addition, the EDS Global Testing Organization is providing test personnel and methods to support all phases of the intensive testing process in DDI. EDS has identified interChange as the MMIS we will bid on all projects, and we are committed to its ongoing development and deployment.

The baseline product also will keep pace with the requirements of MITA. The common and recurring themes in health-care administration today—sharing information and technology and standardizing data—are the foundation for MITA. The implementation of these principles is a critical factor in the ongoing enhancement of interChange, and the architecture we are bringing to North Carolina supports these concepts.

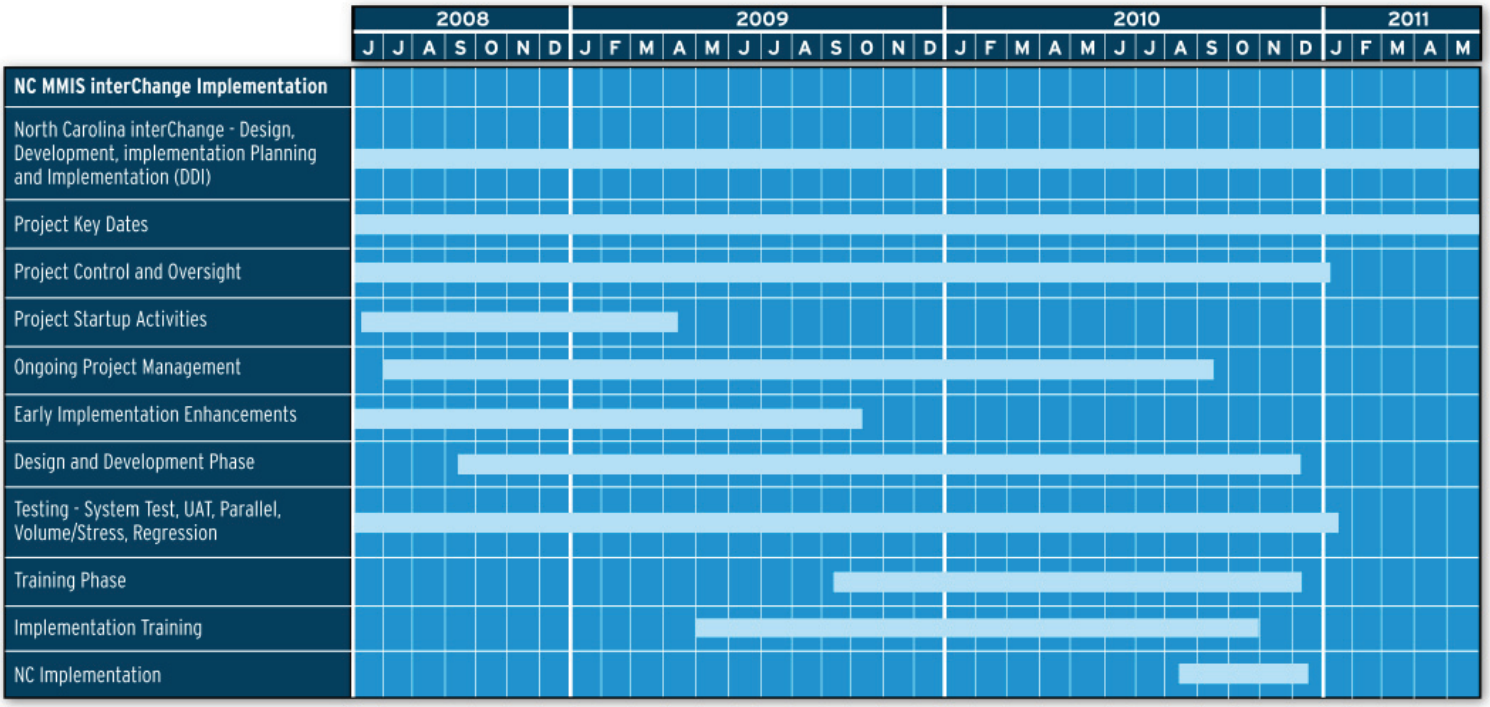
Overall Approach to Implementation and Operations

RFP Reference: 50.2.3 Section C–Executive Summary, Bullet 5, Page 263

Implementation Time Line

Proposal section 50.2.5.2 Integrated Master Schedule shows an implementation time line of 27 months. The following exhibit, DDI Summary, shows the major phases of the DDI and their begin and end dates.

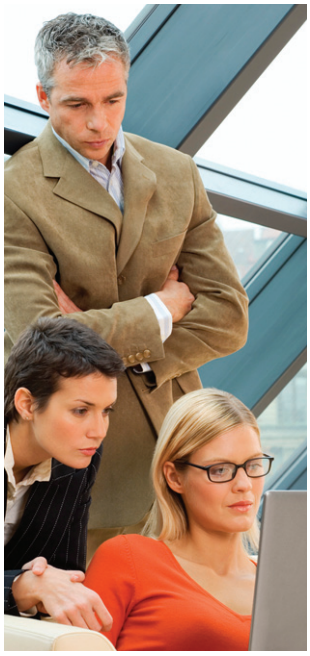
DDI Summary



The EDS DDI time line for the Replacement MMIS reflects considerations such as its need to serve four divisions, its expanded test phase, and its North Carolina–specific functions.

This time line was driven by many considerations of this complex design and development project, including the following:

- **Multi-payer MMIS for four divisions—**The four divisions each have unique provider, recipient, and claims file layouts. Therefore, the data conversion for the project is nearly four times the effort of a stand-alone Medicaid MMIS DDI. In planning for the data conversion, great care must be taken with the analysis and design of the attribute mappings.
- **Definition of the policy unique to four divisions—**Defining policy is a major driver of the timeline, and our comparison with other states where we are implementing interChange shows that this North Carolina task will be about four times greater than in those other states. Furthermore, the Replacement MMIS DDI effort will require additional policy definition work for DMH, DPH, and ORHCC.



- **Greatly expanded test phase required**—The extensive North Carolina policy defined over the past 30 years in the Legacy MMIS+ has an effect on both the effort associated with test case creation and execution. A standard MMIS implementation requires between 8,000 and 10,000 test cases. North Carolina's additional MMIS edits and audits, as well as the number of benefit plans needed to cover the four divisions, have increased the estimated test case number for the Replacement MMIS to 16,000 test cases.
- **State-specific functions**—Functions specific to North Carolina include DPH Eligibility functionality, interfaces to the State Medicaid Accounting System, the expanded Health Check requirements, DPH eligibility user interface, and the ability to process premium payments that are not found in the general MMIS system design application. Implementing these capabilities affects the scope of analysis, development, and testing.
- **Function point analysis confirming complexity of the project**—A function point analysis was performed to help the design team estimate the scope of the project. A function point is a report, panel, batch process, data query, table update, or table reference. interChange contains approximately 17,500 function points. However, our analysis of RFP requirements for the completed multi-payer Replacement MMIS shows that we will need to add 5,300 function points to existing functionality, and yet another 5,800 function points to create new functionality. Based on this analysis, there is still significant work to define, design, implement, and test the added functionality for the four divisions.

Implementation Approach—Business-Centric and Proven

Our approach to the implementation of the Replacement MMIS is based solidly on project management approaches, implementation approaches, work plans, and software development methodologies that have been developed and deployed for the five operational interChange installations and the seven current implementations. Through this recent, intensive effort, we have developed an implementation approach that is proven to work for large-scale, complex MMIS implementations. Over the course of the 27-month implementation, our implementation approach will make sure the technology we are bringing satisfies the business needs of the four DHHS divisions and that, together, we are establishing a platform that will serve the State for many years to come.

The implementation approach starts with the requirements validation (RV) process. Through RV, EDS will review our technical and business assumptions with teams from the four divisions and confirm that our assumptions are correct. The joint teams will review RFP requirements and their mapping to the technical solution and agree when changes need to be made and when our solution's existing functionality meets the requirement. Following the RV sessions, we will move forward into design and development, during which the agreed-upon, finalized requirements are added to the interChange baseline MMIS. An intensive testing process will verify that the completed Replacement MMIS satisfies the business needs of the four divisions.

Our approach to the implementation of the Replacement MMIS brings the ideal blend of a proven core application, customized development, and the integration of commercial off-the-shelf (COTS) products. As one of the nation's most experienced MMIS contractors, we know that a COTS MMIS does not exist. There is no off-the-shelf MMIS because each state's program is highly specialized and different from any other state's Medicaid program. For example, the Replacement MMIS must incorporate nearly 4,500 edits and audits as well as North Carolina program policy for four separate divisions. EDS' solution, interChange, is configurable to meet the State's specific policy requirements for DMA, DMH, DPH, and ORHCC.

Because EDS brings experience with installing the interChange baseline product in other states, we will have a much shorter learning curve as we prepare to install interChange for North Carolina, which translates directly into lower risk for the State. In short, proven management practices for implementing interChange coupled with North Carolina experience produces an implementation approach that is the lowest risk for North Carolina.

Our approach was streamlined by the State's product list and its Oracle enterprise license. Our solution developers were happy to find 17 Oracle products on this list that are required by the interChange solution.

Operations

The first priority of operations is a smooth transition from the outgoing legacy fiscal agent contract and from the DDI Phase to the new fiscal agent contract supported by the Replacement MMIS. As the incumbent fiscal agent for two of the divisions, this task will be much easier for the EDS team than for any other vendor. Following the successful implementation of the Replacement MMIS, we will continue to provide the same high level of fiscal agent services to the DMA and DMH programs, while expanding this service to DPH and ORHCC. We will blend our years of North Carolina knowledge of policies and procedures with the expanded program management capabilities and create a smooth transition to the Replacement MMIS.

In the new Operations Phase, we understand that the checks will still need to get to the providers on time and that recipients will still need to receive healthcare services without disruption. With our successful implementations in many states, our relationships with North Carolina providers, and our unmatched knowledge of North Carolina policies and procedures, we are confident that this will be done right the first time with no disruption to providers and recipients. Because we are offering a staff with decades of Medicaid program knowledge and experience, there will be no risk to providers and recipients through knowledge loss or long learning curves.

In the new Operations Phase, providers will be delighted with fast, accurate, and interactive claims processing. With interactive claims processing, healthcare providers can correct any failed edits and process the entire claim in one transaction. The system will allow providers to immediately see the status of claims. If a claim is denied, providers will be informed and can correct them online.

The State will maximize potential cost savings through the following:

- **Maximum federal funding—**interChange is a federally certified, HIPAA-compliant system that will allow the State to receive the maximum federal funding available.
- **Reduced administrative expenses—**By implementing an efficient multi-payer system that can serve multiple divisions, the State can reduce administrative expenses and achieve operational efficiencies.
- **Better access to program data—**The Replacement MMIS will allow the State to access and manipulate program data. Improved forecasting and trending capabilities will allow the State to more accurately predict the financial impact of policy changes and legislative mandates.
- **Additional flexibility—**The State will benefit from the ability to adapt to changing requirements without expensive investments in new technology.

The critical distinguishing factor in operations is our people. EDS brings three decades of North Carolina program knowledge. The EDS account staff members in Raleigh are an unmatched resource. They bring hundreds of years of combined experience working with the programs, providers, and recipients in North Carolina. Both EDS and the State have made an investment in people who provide comprehensive knowledge of the programs' policies and procedures.

Proposed System's High-Level Functionality

RFP Reference: 50.2.3 Section C—Executive Summary, Bullet 6, Page 273

EDS is committed to meeting 100 percent of the State's requirements. interChange is a system that is in production and has been implemented successfully in Pennsylvania, Oklahoma, Kansas, Tennessee, and Kentucky.

Our Replacement MMIS will bring the following benefits to the State:

- **Interactive claims processing—**The Replacement MMIS will accept every claim type and fully adjudicate it in real time. Timely claims processing will enable faster payments to providers, which will relieve their financial strains while increasing the State's access to current claims processing information.
- **Configurable, table-driven design—**The Replacement MMIS will provide the ability to establish benefit plans or new programs by defining what procedure codes will be covered, what edits and audits will be applied, and what price will be in effect for a specific plan, all without program changes.
- **Integrated call tracking and document workflow management—**This will allow the users to access an image of the document and tie the specific document to the transaction it generated.
- **Distributed processing with n-tier architecture—**interChange is based on a .NET framework design, which separates the distributed processing components from the presentation components. This increases flexibility by enhancing the ability to integrate new applications or subsystems at various levels in the architecture. Our enhanced Web-based, service-centric architecture, recently implemented in Kentucky, is aligned with the principles of MITA and positions the State to leverage the MITA vision as it evolves.
- **Full compliance with all applicable guidelines in the State's technical architecture strategy—**The Replacement MMIS is a client/server platform with n-tier design and relational database for all subsystems. We will implement a Web browser-based (rather than Windows) environment that fully supports the State's strategic preferences. This will maintain consistency within State applications, leverage existing platform technology, and maintain conformance with State initiatives relating to interoperability.

The completed Appendix 50, Attachment B, "High Level System Functionality Matrix," follows this executive summary. For a detailed look at system functionality, please refer to proposal sections 50.2.4.1 Proposed System Solution and Solution for DDI and 50.2.4.2 Operations.

Why EDS?

EDS provides the low-risk solution for your Replacement MMIS with innovative and proven technology that includes real-time adjudication and workflow, the right people, and a strong and longstanding commitment to North Carolina.

The Low-Risk Solution

When you select interChange, you will be purchasing a trusted, proven product. The interChange MMIS will be operating in 12 states by the time the Replacement MMIS is implemented. We understand how important it is to you and your stakeholders that EDS implement the Replacement MMIS without any disruption to the providers, recipients, and agencies. Our proposal will demonstrate that we understand the challenges of modifying an MMIS to support additional divisions. It also will demonstrate that we have the plans, the technology, and the team to accomplish the job. To further mitigate the risks associated with a complex project, the core of our leadership team includes individuals who already have a detailed knowledge of North Carolina Medicaid and our interChange solution.

Innovative and Proven Technology

The clearest difference between EDS and our competitors is our innovative technology solution—interChange—that is installed and operational in five states and is CMS-certified back to the first day of operations in four of these states (Kentucky, the fifth interChange implementation, has just become operational and will undergo the certification process in the future). Other MMIS vendors might describe innovative solutions, but because they cannot point to an installation base that compares to EDS, their solutions are high risk. The choices are: Do you select an MMIS solution that reads well on paper and might even perform well in a demonstration, or do you select a baseline system, EDS interChange, that is already reliably supporting the delivery of healthcare in five states.

The Right People With the Right Experience

Our commitment to you and your success is exemplified in the caliber, experience, and knowledge of North Carolina that our proposed leadership team brings to the project. And behind the leaders of EDS stand a cadre of employees with a depth and breadth of experience that no other vendor can match. The team you'll work with throughout the DDI and Operations phases brings established relations with DMA and DMH, three decades of experience with Medicaid policies, and extensive interChange implementation experience. As with the proven technology and procedures, this experienced team means a successful implementation with the lowest degree of risk.

Committed to North Carolina and Medicaid

As demonstrated in proposal section 50.2.10.1 Relevant Experience, EDS has supported North Carolina's Medicaid program in every step of the program's evolution. Now, the State is planning to implement the next step in healthcare support for North Carolina: a single platform that will initially support the programs of four divisions and potentially support all DHHS divisions. As with other major initiatives (such as the IPRS modification that created the multi-payer Legacy MMIS+ or the current National Provider Identification enhancement), EDS stands committed to North Carolina. We will bring the people, the technology, and the proven processes and tools needed to make this challenging project a success. EDS embraces this challenge and looks forward to continuing our service to one of our most valued customers, working with you to enhance the quality of life of North Carolina individuals and families through healthier and safer lives.

HIGH-LEVEL SYSTEM FUNCTIONALITY MATRIX

Business Area	System Product(s)	High Level Functionality Overview	Additional Benefits
General/COTS Integration	AXIO	The AXIO data conversion commercial off-the-shelf (COTS) tool by Informatica provides an efficient means of data attribute mapping, data profiling, and conversion—increasing the level of accuracy of the data conversion for the four divisions of this multi-payer system.	This proven approach and tool for conversion field mapping are standardized on EDS' MMIS implementations. AXIO logs the outcomes of the mapping and conversion process and provides consolidated documentation of data mappings. This approach and documentation enable successful completion of one of the most difficult processes within an implementation conversion.
General/COTS Integration	BizTalk	The BizTalk COTS tool is used for data integration of file and data transaction interfaces. It provides file tracking and process auditing as well as data attribute translation when processing the files. BizTalk enables the translation of data formats, including extended binary-coded decimal interchange code (EBCDIC) packed and binary data into ASCII-based XML. The product provides 26 predefined conversion protocols.	BizTalk provides a solid foundation for service-oriented architecture (SOA) data exchanges. It allows for controlled, documented, and consistent means of transferring data with interfaces through the auditing and tracking tools and creates interface configurations and protocols through consistently hard-coded interfaces.
General/COTS Integration	BusinessObjects Dashboard Manager	BusinessObjects Dashboard Manager is used to provide managers a browser-based window into key operational performance metrics for increased system and operational performance monitoring.	This online tool increases efficiency of communication with key stakeholders regarding contract performance and program metrics. It enables healthcare program leadership to focus on the critical information forthcoming from the MMIS that matters most to them in managing the healthcare programs going forward.

Business Area	System Product(s)	High Level Functionality Overview	Additional Benefits
General/COTS Integration	BusinessObjects Query and Reporting	BusinessObjects Query and Reporting is used in support of direct data access, MMIS ad hoc reporting, and user-generated reporting. It provides security to allow only authorized individuals to see their particular "universes" of data. It uses a drag-and-drop method of report generation that empowers users to create reports without the need for technical intervention.	With this tool, users can quickly query, pull, and review the data they need to do their jobs and improve their work efficiencies. It provides an industry-leading platform for data mining that allows authorized users to hone their reports to exactly what is necessary to address the issues and tasks at hand and to save the report for rerun or reuse, as necessary.
General/COTS Integration	DOC1	The DOC1 correspondence COTS tool from Pitney Bowes is used for letter generation and storage. It is used for letter generation in all interChange subsystems, including recipient, prior approval (PA), provider, and financial. The DOC1 correspondence repository stores a retrievable copy of every piece of correspondence it generates and can be configured to generate that correspondence to several types of media, including paper, e-mail, or HTML. Multiple languages are supported.	This tool provides integration of standard and defined letter templates to facilitate quick and efficient communication with stakeholders. Integration of the DOC1 letter generation tool will help standardize and automate correspondence while providing capability and flexibility to create letter templates with free-form text to meet business requirements. Each version of standard and ad hoc letters is retained and properly versioned for reference and proper use. Integration with Documentum and the document management system provides one source and one repository for the capture of correspondence history incoming and outgoing. Integration with the workflow process allows for output of specific documents and letter templates to provide timely communication to providers, recipients, and other stakeholders, integrated fully into the outcome of the workflow process.

Business Area	System Product(s)	High Level Functionality Overview	Additional Benefits
General/COTS Integration	EDIFECS	EDIFECS, a COTS product, is used for EDI compliance verification and transaction mapping. EDIFECS compliance software validates the structure of the electronically submitted files to defined standards, providing an up-front check on the quality of files submitted to the MMIS for processing.	This tool provides and maintains standard Health Insurance Portability and Accountability Act (HIPAA) data transmission format verification and compliancy checking for higher accuracy in data interface processing.
General/COTS Integration	EMC|Documentum	Documentum, a COTS product from EMC, provides secure report management and image delivery for scanned documents, including claim attachments, PA requests, and written correspondence.	This tool will migrate the State to a paperless environment. With our document management system, the operation uses one repository for claims, documents, communication, reports, and other stakeholder filings. This repository is linked and integrated in the business users' environment, pushing the Replacement MMIS enterprise to a paperless workplace that is more secure and HIPAA-compliant. Integration with interChange and the Documentum client provides online, efficient access to documents for faster research and review.
General/COTS Integration	ERwin	The ERwin All Fusion Data COTS product by Computer Associates (CA) is used to define, store, and report the physical data models used by Oracle and enable the controlled change management of those models.	This tool allows product architects to provide controlled schema solution versioning. It provides a source for dynamic iTRACE database structure lookups.
General/COTS Integration	FormWorks	The FormWorks COTS product from SunGard, formerly Recognition Research Inc. (RRI), is used	This product improves claims input processing efficiency through highly accurate document scanning and

Business Area	System Product(s)	High Level Functionality Overview	Additional Benefits
		for optical character recognition/intelligent character recognition (OCR/ICR) scanning and key from image (KFI) of claims and claims data.	transition to OCR/ICR for form images, reducing the time to put data into the system and maintain high accuracy levels, which are benefits to the provider community. It provides one software foundation and source for scanned documents in the document repository Documentum. For example, it will provide for scanning and imaging of claims and nonclaims documents, which are critical to retaining a complete history of provider and recipient data.
General/COTS Integration	GeoStan	GeoStan from Pitney Bowes is used for ZIP+4 address validation, as well as geospatial, longitude, and latitude calculations for provider and recipient addresses and mapping the distance between them.	This tool improves the accuracy of mailings to providers and recipients and increases the effectiveness in obtaining the best available postal rates on mailings to reduce State postage costs.
General/COTS Integration	HP	The HP COTS testing suite of tools, LoadRunner, Test Director, and Quality Center, is used for test case creation, tracking, and reporting of system, operational readiness, and performance testing activities.	As a test case repository, HP LoadRunner provides a clear window into the status of every test case and allows specified test cases to be run repeatedly in a regression to verify continued compliance with software specification.
General/COTS Integration	InRule	The InRule COTS product is used as the business rules definition tool and repository for automated PA processing.	This tool brings the business rule maintenance activities directly to the business analysts for long-term support of the Replacement MMIS programs, pulling work from the software engineers to focus on new enhancements into the hands of the business teams for maintenance and more efficient workflow and system maintenance.

Business Area	System Product(s)	High Level Functionality Overview	Additional Benefits
General/COTS Integration	iTRACE	Designed and developed by EDS, the information Tracking Repository And Collaboration Exchange (iTRACE) documentation repository is used to store and maintain the Design, Development, and Implementation (DDI) system documentation—from requirements analysis to development, testing, implementation, production, and business operations.	The EDS iTRACE tool provides a one-stop location for Replacement MMIS documentation for State and EDS users. Providing the documentation centrally and electronically enables consistent updates and distribution so users are viewing the current and official versions of documentation. Functioning as an enterprise and project knowledge center, iTRACE gives stakeholders access to system documentation, operations training documentation, operational desktop procedures, project metrics, project plans, change control, requirements traceability, program metrics, test cases, and more.
General/COTS Integration	K2 workflow engine	The K2 workflow engine COTS tool from Microsoft is used to author and define workflow integration with the interChange application.	The K2 workflow engine tracks the status of every "in flight" transaction and allows authorized users to monitor work queues and reassign work for efficiency and throughput. It forms the foundation for creating and maintaining workflows in areas such as provider enrollment and PA that require a clear and documented workflow for accuracy and efficiency.
General/COTS Integration	Oracle	Oracle's relational database is used for the transactional MMIS data content repository and the MMIS reporting repository.	The Oracle relational database provides a highly reliable data store for the transaction and reporting database stores of the MMIS. It is broad enough to support transaction third normal form structures and report friendly dimensional modeling to serve user data access.

Business Area	System Product(s)	High Level Functionality Overview	Additional Benefits
Recipient	EDS interChange Recipient	The interChange recipient module by EDS provides a central store of the recipient demographic, eligibility, TPL, and managed care information for recipients served by the four divisions as data is passed from the Eligibility Information System (EIS) or gathered from the DPH eligibility panels, which will be created as part of the DDI effort or through CNDS. Major features include the ability to store and research the history segments of a recipient's eligibility and the ability to "lock in" a recipient to a given provider for tighter control of services rendered.	interChange evaluates sophisticated relationships across many elements, including aid category, managed care participation, Medicare participation, and level of care to appropriately establish each of the benefit plans for which a recipient is eligible. Multiple, concurrent benefit plans form the basis of the multi-payer system and give the State tremendous flexibility and functional capability to support the most effective and efficient program administration possible within the Replacement MMIS.
Eligibility Verification System – EVS	interChange Web Portal	The interChange eligibility verification features are presented to users through multiple HIPAA-compliant methods. The status of a recipient's eligibility can be researched through the interChange Web portal or the Automated Voice Response System (AVRS). Both systems use the same real-time data store when querying the recipient's status, providing a high degree of consistency of information being presented to providers and recipients. The eligibility verification system presents users with the status of coverage dates and for which health programs the recipient is eligible.	The HIPAA-compliant responses process exactly the same transaction, whether queried from the Web, by telephone, or electronic data interchange (EDI). Available information that can be returned on an ANSI X12 271 transaction is presented. This includes eligibility, TPL, Medicare, level of care, managed care, and patient obligation (spend-down or patient liability) information. Today, eligibility verification methods are independent systems and can sometimes produce different responses, causing frustration and confusion among the provider community. interChange eliminates this confusion while providing multiple access methods. Consistent and accurate information delivered quickly will support an efficient claims processing function, clearly communicate timely

Business Area	System Product(s)	High Level Functionality Overview	Additional Benefits
			and accurate information to the provider and recipient, and facilitate the State's service goals.
Automated Voice Response System (AVRS)	AVAYA, Media Telephone Core	The AVAYA COTS voice response system automates several call-in capabilities of the MMIS, allowing recipients and providers to check on eligibility status, claim payment status, and PA submission. It also helps efficiently direct them to specialized support personnel, such as provider or electronic data exchange support to assist with issues that require personal interaction for resolution.	Using our AVRS, providers and recipients can select the type of inquiry desired and can use the telephone keypad or speak to provide their responses to the programmed questions asked by the AVRS. The system is fully integrated with interChange to receive and process the formatted query and properly format the electronic return data that the AVRS will use to vocalize its response to the caller. If necessary, callers can shift to a telephone queue to receive an EDS customer service representative. In doing so, some of the data already entered will be transferred to the representative's screen to facilitate a dialogue to diagnose and answer the questions quickly and accurately. The provider self-service feature, available for numerous standard transactions, frees the call center representatives to research more challenging provider questions when direct personal contact is needed.
Reference	interChange Reference	The interChange reference module is the central location for the storage and maintenance of valid code sets used during claims adjudication. Industry-standard data such as the diagnosis, procedure, and drug files are systematically updated. The reference	interChange allows updates in reference data to be effective in real time or at some future date by the use of effective and end dates on most tables. Industry-standard code sets provide consistency to the provider community, while State-defined code-sets—such as explanation of

Business Area	System Product(s)	High Level Functionality Overview	Additional Benefits
		module also enables support personnel to maintain other State-defined code sets through online pages, such as provider types, recipient aid categories, and revenue codes.	benefits—allows State-specific business practices to be supported.
Reference	interChange Benefit Plan Administration (BPA)	The EDS interChange BPA module is an integrated rules engine that defines the policy to apply to the claims from each division. Within the BPA module, the provider contracts are defined, listing which services a given provider can perform. The recipient groupings and benefit plans are defined to provide allocation for groupings of recipients to receive care from specific providers.	This module migrates program policy maintenance work to the business analyst community, increasing the efficiency and timeliness of policy definition implementations that shorten the time frame to deliver new healthcare programs to the State's recipient community, while supporting the rapid implementation of state, federal, or legislative changes. The module provides automated verification of conflicting rules during the definition process, which keeps the defined policy cleaner and easier to maintain. Through BPA, authorized users can maintain and view the following: **Benefit classification—** Defines the various classifications of benefits (for example, ambulatory surgery or dental), with like codes grouped to ease plan development **Benefit plan—**Defines the payer and covered services for specific benefit plans **Financial payer—**Defines the organization responsible for funding the plan

Business Area	System Product(s)	High Level Functionality Overview	Additional Benefits
			Provider contract— Determines what types of providers can bill for and receive reimbursement from a specific plan **Other insurance—**Defines the types of other insurance a recipient can have and still be covered by a specific benefit plan **Reimbursement agreement—**Determines how a service billed by the plan will be reimbursed **Rule catalog—**Provides a quick reference to the rules maintained through BPA **Plan hierarchy—**Defines the order of plans for adjudication when a recipient is covered by multiple plans for a single date or service
Prior Approval (including Pharmacy PA)	interChange Prior Approval (PA)	The EDS interChange PA module will combine our inherent PA features with two COTS packages discussed in the following entries.	The interChange PA capabilities enforce the requirement of State policy when reviews of procedures are required. This feature helps control benefit spending and control the quality of care administered. Our Replacement MMIS will provide the framework to support PA objectives, along with the optimized K2 workflow engine for workflow management, in combination with the InRule rules engine to define and document the State's PA business rules.
Prior Approval (including Pharmacy PA)	InRule	The InRule COTS rules engine will enable the definition of PA business rules for auto-adjudication of	InRule brings the business rule maintenance activities directly to the business analysts for long-term,

Business Area	System Product(s)	High Level Functionality Overview	Additional Benefits
		requests, speeding up the process of common request processes.	efficient, and timely support of the State's healthcare programs.
Prior Approval (including Pharmacy PA)	K2 workflow engine	The K2 workflow engine organizes the review and processing of PAs when manual intervention is required. This capability provides a pictorial view of the processing steps and where a given request is in the process. It also enables management features such as work queue assignment and monitoring.	This tool standardizes the application of defined business workflows in support of the programs, as well as efficient work efforts to review and finalize PA requests in support of providers and recipients. It increases the system adoption time of new employees because they can follow defined flows as part of their job work pattern.
Claims Processing (with Pricing and Payment) – Pharmacy and Non-Pharmacy	BizTalk	The processing of electronic claims is handled by the data integration tool, Microsoft BizTalk. BizTalk handles file tracking and file translations to the XML schema used to pass data from the input electronic file to the internal format used and stored in the interChange relational database.	BizTalk enables the translation of data formats, including EBCDIC packed and binary data, into ASCII-based XML. It includes 26 predefined conversion protocols, which enable a high degree of transaction validation and verification, thereby maximizing the successful throughput of claims entering the system for processing.
Claims Processing (with Pricing and Payment) – Pharmacy and Non-Pharmacy	interChange BPA	The EDS interChange BPA module is an integrated rules engine that defines the policy to apply to the claims from each division. Within the BPA module, the provider contracts are defined, listing which services a given provider can perform. The recipient groupings and benefit plans are defined to provide allocation for groupings of recipients to receive care from specific providers.	Please see the preceding "Reference" section. With this system capability, millions of claims will be processed as efficiently as technology provides and, as a result, shorten the adjudication to provider payment time frame.

Business Area	System Product(s)	High Level Functionality Overview	Additional Benefits
Claims Processing (with Pricing and Payment) – Pharmacy and Non-Pharmacy	interChange Claims Processing	After files are validated and translated, the EDS interChange Claims Engine performs editing, auditing, and pricing based on the defined healthcare policy and associated benefit plans defined within the applicable agency for the claim submitted. Editing is used for data consistency, while auditing applies the medical rules defined for the programs for appropriate administration of care and use of benefit dollars. Claims that pass edits and audits are then priced based on the defined pricing methodology for the claim form type, such as pharmacy, professional, and dental.	The interChange claims solution will provide strict enforcement of the capture, control, editing, and auditing of claims and encounter data from receipt to final disposition, in accordance with State guidelines and policies. interChange controls and processes encounter claims in a similar manner as fee-for-service (FFS) claims, except encounters do not generate payments. The rules-based, table-driven design and real-time processing for every claim type in interChange provides unparalleled efficiency and flexibility for the support of the State's programs. State users can quickly and easily change business rules and update tables that will immediately affect the way claims process. The interChange Claims Engine is a transaction-based solution that enables real-time claim adjudication as the claim is submitted. Providers can get immediate feedback through the claim data entry feature of the Web portal. If there is a claim error, the provider is given the specific error reference interactively, and the provider can correct the data issue and resubmit. This decreases the claim payment window for successful processing as compared to more traditional batch processing claims engines. The images of paper claims and the relevant attachments are stored in the document management system. The

Business Area	System Product(s)	High Level Functionality Overview	Additional Benefits
			ability to recall these images is integrated through hyperlinks within the interChange user interface, providing fast and easy reference to this material.
Managed Care	interChange Managed Care	The interChange managed care module by EDS provides support for primary care case management (PCCM) and capitated managed care healthcare models. The managed care function also includes the ability to generate monthly rosters and determine capitation payments based on the defined recipient rate cells.	The interChange managed care module gives the State's divisions options and flexibility in terms of how to manage the care of services within the State during the life of the contract. The interChange application controls and processes encounter claims in a similar manner as FFS claims, except encounters do not generate payments.
Managed Care	GeoStan	Managed care capabilities include auto-assignment of recipients to local primary care physicians (PCPs) through the integrated GeoStan software, which calculates the distance from recipient to provider locations, allowing for logical recipient assignment for care by the nearest PCP open to new recipients.	The integration of GeoStan provides a direct benefit to recipients by identifying the closest PCPs who can accept new case loads. GeoStan helps alleviate one of the more persistent issues within state healthcare programs—nearby access to care.
Health Check	interChange EPSDT	The interChange Early and Periodic Screening, Diagnosis, and Treatment Program (EPSDT) module supports tracking recipients compared to the defined screenings.	interChange will be expanded to meet the county Health Check workers and associated State requirements. The Web portal will provide county workers secure browser access to the following functions at their desktops, making data entry easy to perform: • Ability to process screening and immunization billings on one claim

Business Area	System Product(s)	High Level Functionality Overview	Additional Benefits
			• Automatic and centralized updating of the AINS data for each county • Online letter generator templates in English and Spanish • Interactive Web pages, including online audit trail features • A Web-based process for maintaining, updating, generating, and distributing the Monthly Accounting of Activities Report (MAAR)
TPL	interChange TPL	The interChange Third-Party Liability (TPL) module enables identification and tracking of recipients' third-party coverage, which should be the primary responsible payment authority. The TPL module gathers information from the carriers and coverage information that may come in during recipient enrollment. This information is used to identify claim payment cases that should be recovered by having the appropriate insurance party pay for the claim in terms of reimbursement to the State. The TPL subsystem supports flexibility in the benefit plans for Medicaid and non-Medicaid recipient groups in administering TPL rules for a subset of the population. For example, if a group of individuals was assigned to a benefit plan associated with a developmental disability	The TPL function works using cost avoidance (claim denial) and cost recovery (post-payment billing to insurers). interChange uses automated processes, as much as possible, for cost avoidance. Cost recovery will be used as a backup to the avoidance process, and the two working in tandem will assist the State in proper net payment to the provider (for example, payer of last resort, as applicable). The interChange TPL subsystem includes the flexibility to configure and optimize third-party coverage data through easy-to-use browser pages, real-time access to information, and the automation of tasks, including the following: • Policy maintenance • Accounts receivable (A/R) posting

Business Area	System Product(s)	High Level Functionality Overview	Additional Benefits
		program, the TPL configuration could be tailored specifically for that benefit plan.	• Rebilling and recovery notices and other TPL notices • Non-covered services bypass logic
TPL	Microsoft Reporting Services	Microsoft Reporting Services is integrated within the TPL online features to enable direct user reporting requests through defined, parameter-driven requests, with the results presented back to the users through their browsers. This enables faster research and quicker insight into the TPL processing details.	Integration of Microsoft Reporting Services enables user-directed, on-demand reports. Users, through their own browsers, can request and filter the reporting results as needed, making research and analysis faster for quicker, appropriate recovery of funds.
Drug Rebate	interChange Drug Rebate	The interChange drug rebate module by EDS provides the ability to process rebate requests based on the CMS-negotiated rates. The capabilities include generating invoices and tracking recoveries.	Using the interChange drug rebate capabilities directly assists the State with the collection of funds, which has a material impact on the bottom line of the State's healthcare program expenditures. It assists in the timely identifying, invoicing, and collection of these drug rebate funds for the State.
MARS	interChange Management and Administrative Reporting (MAR)	The interChange MAR module provides direct insight into the program in a way that logically groups the data for research into policy application within the State, as well as how specific providers are doing in terms of claims submission processing. MAR provides CMS-defined reporting, including the MSIS files and 372 Waiver reporting. The MAR solution also provides State-specific reports on the program processing.	The interChange approach to the MAR subsystem has taken a typical back office, paper-intensive MMIS module and transformed it into a direct user data access module providing timely and meaningful metrics of the State's healthcare programs. The interChange MAR online query system is a set of 27 browser-based, online parameter-driven reports. The reports are snapshots of financial, eligibles, participation, and filing

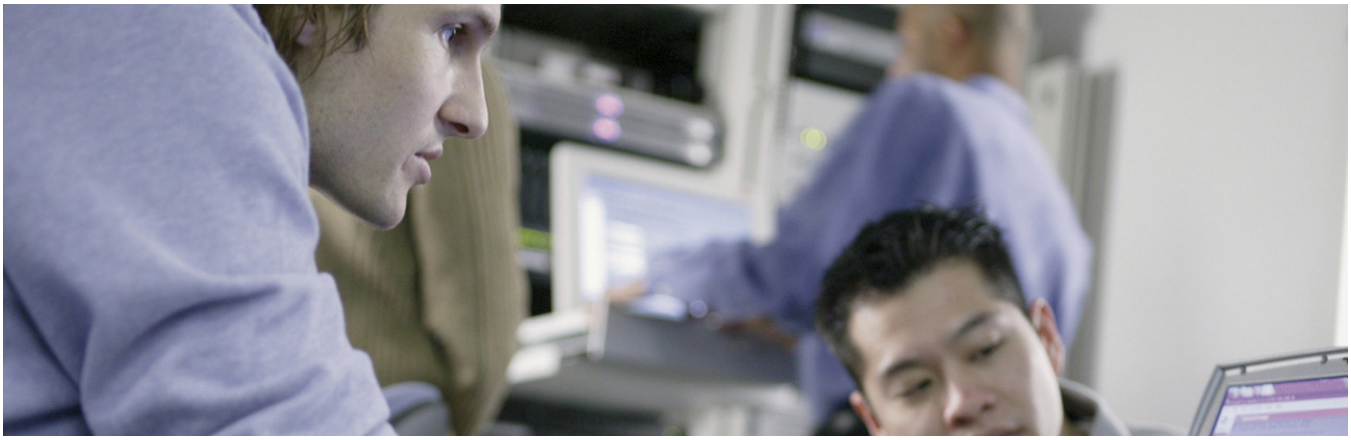
Business Area	System Product(s)	High Level Functionality Overview	Additional Benefits
			statistics. These snapshots are stored in a summary datamart so users can refer to prior periods for historical views and the comparison of data. Users customize the online reports they want through search criteria displayed in drop-down lists. Users also can specify the output format of the report, choosing HTML, Excel, or PDF. They can specify the time period for the report and produce multiple online reports, which they can toggle between to compare data from different time periods. These online MARS reports support fast research and analysis, which in turn assist many business groups, including budgeting, policy assessment, and provider relations.
MARS	Microsoft Reporting Services	The Microsoft Reporting Services COTS tool is integrated with the interChange MAR module, with online parameter-driven reports to help users drill into the data. From program payment statistics to provider error status codes to timely filing reports, users can quickly get program-wide or provider-specific reports at their desktops.	The error code analysis and timely filing statistics by provider can be used for direct provider feedback and education, increasing the success rate of claims submission for the provider community.
MARS	BusinessObjects Query and Reporting	EDS provides ad hoc reporting access to the detailed MMIS data through BusinessObjects Query and Reporting software for free-form research using the data attributes, as needed.	This tool gives State analysts faster access to detailed MMIS data for reporting to be performed without the need for technical support. Authorized users will use this powerful tool to assist in their daily work efforts.

Business Area	System Product(s)	High Level Functionality Overview	Additional Benefits
MARS	BusinessObjects Dashboard Manager	The contract performance area of the MMIS MAR reporting will be enhanced through the integration of the BusinessObjects Dashboard Manager package, which brings to the healthcare program manager's browser the key performance metrics needed to monitor contract performance.	This tool increases efficiency of performance communication with key stakeholders. It enables leaders to focus on the portions of the business that matter to them most and to redirect that focus if the business needs change. The Alerts feature can prompt a review of a metric that is out of the defined performance range.
Financial	interChange Financial	The interChange financial module performs the payment processing features of the MMIS, including the generation of electronic funds transfers (EFTs), physical checks, and the associated RAs. The output of the financial module provides the ability to electronically distribute output material for fast and efficient distribution. While payments are made directly through EFTs, the RAs are delivered to the providers' private inboxes within the secure portion of the interChange Web portal, where providers can log on and pull the RAs. The financial module also writes out the processed claims to the history database for long-term storage of the service rendered and the payment made. Besides processing the claims data, the interChange financial module also processes financial transactions such as capitation payments, refunds, and ARs.	This interChange subsystem has been architected to delineate funding sources and apply each payer's unique funding process. It provides a centralized system, allowing multiple payers to process claims and receive payment to accommodate the multiple divisions represented. Financial management and accounting has many processes orchestrated within interChange as a single solution that brings maximum flexibility and configurability to the State. The following financial processes provide a baseline for each part of our Replacement MMIS: • Funding sources • State program funding • Payment estimation reporting • Payment withholds • Provider payments • RA

Business Area	System Product(s)	High Level Functionality Overview	Additional Benefits
			• Liens and levies • Accounts receivable • Returned checks and provider refunds • Financial transactions • Tax reporting and transactions • Financial cycle balancing
Provider	interChange Provider	The EDS interChange provider module manages the enrollment, credentialing, and maintenance of the providers eligible to provide services to State recipients. It supports every provider type and enables multiple correspondence addresses per provider and effective dates of their participation. The Provider Web Portal will allow the State's providers to enroll faster and begin rendering services to recipients earlier. Internal and external entities will use the portal to verify a provider's status. Provider data will be maintained in one database. Inputs into the database will be through automated interfaces with outside entities such as providers, the State, licensing agencies, and other government agencies. The provider database will be fully integrated with reference, claims, TPL, financial, and other data in a single integrated data model.	This module will provide the following benefits: • **Improved provider service—**Field and call center representatives can review related claims history pertaining to a provider, eliminating the need for providers to repeat their original inquiry if they need additional information. • **Improved performance—**The Replacement MMIS will provide a more streamlined approach to responding to questions in the call center by eliminating the need to rekey information provided at the beginning of the AVRS call. • **Improved operations and reduced manual processes—**Data to research a provider or recipient issue will be housed in our Contact Tracking Management System (CTMS), as will the history surrounding

Business Area	System Product(s)	High Level Functionality Overview	Additional Benefits
		This integration will allow automatic updates to be fed to and from the provider business area to other business areas within the Replacement MMIS.	the issue. • **Provider empowerment—** Providers can conduct their own service authorization, enrollment, and claim status research on the Provider Web Portal, further reducing calls to the call center. • **Flexibility to address future changes—**The CTMS enables the user, without technical intervention, to document call conversations and track emerging issues. • **Tighter quality control through credentialing—** Through provider credentialing, a consistent, high-quality method of reviewing provider qualifications is established and maintained.
Provider	K2 workflow engine	interChange has integrated the COTS K2 workflow engine into the provider enrollment process, enabling a controlled step-by-step order of business and managed workflows.	Integration of the K2 workflow engine, along with the ability to store and retrieve provider applications in the Documentum document management system, streamlines the provider enrollment function and takes the processes to the paperless office environment. Having the orchestrated workflow tool enables closer management of the enrollment office, staff productivity, and the long-term storage of enrollment forms.

Note: if the Offeror is proposing a separate but integrated POS, the Offeror may add a row to address.



50.2.4 Section D—Proposed Solution Details

RFP Reference: 50.2.4 Section D—Proposed Solution Details, Page 273

In Section 50: Proposal Submission Requirements, the RFP states the following: "Offerors may refer to their pre-existing solutions by their proprietary, marketplace names for purposes such as describing how other states have used their solutions and for identifying the systems to be featured in the Offerors' demonstrations. However, Offerors shall consistently refer to the solution they propose to develop, implement and operate for the State of North Carolina as the 'Replacement MMIS.'"

In compliance with this requirement, we have described our base system as interChange throughout this proposal, and we have described the system that will be developed, implemented, and operated for North Carolina as the Replacement MMIS.

Almost 70 percent of the Replacement MMIS will be a direct reuse of interChange, which has already been delivered, configured, and proven multiple times in support of state healthcare programs. When describing such reused features and functions, reviewers of our proposal will find that we refer to our proposed solution as interChange and not the Replacement MMIS, because the features and functions being described already exist and are operational today. However, when describing features and functions that will be modified or customized in interChange to meet specific State requirements, we refer to our proposed solution as the Replacement MMIS.

There is a significant advantage for the State to start with a proven MMIS that meets as many of the healthcare processing needs as interChange does. Our **interChange-based Replacement MMIS** will reduce risk for the State divisions, providers, and recipients.

This section contains a detailed description of our proposed solution, our approach to implementation, our solution for operating the Replacement MMIS, our statement of work, and our approach to training users of the new system. This section maps directly to the requirements of the RFP, as follows:

- 50.2.4.1 Proposed System Solution and Solution for Design, Development, and Installation
- 50.2.4.2 Operations
- 50.2.4.3 Statement of Work
- 50.2.4.4 Training Approach

The following table, EDS Compliance With RFP Page Limitations, demonstrates that we have complied with the required page limitations of this section:

EDS Compliance With RFP Page Limitations

Proposal Section	Page Range	Number of Pages	RFP Page Limit	EDS Complies
50.2.4.1.1 Overview of System Solution and Solution for DDI 11X17 foldout exhibit: System Interaction Diagram 11X17 foldout exhibit : Application Server Physical View 11X17 foldout exhibit: Application Server Virtual Machine View	D-3 to D-496	494 2 2 2	500	Yes
50.2.4.1.2 Software Development and Systems Engineering Methodology	D-497 to D-524	28	50	Yes
50.2.4.1.3 Data Conversion and Migration Approach	D-525 to D-542	18	20	Yes
50.2.4.1.4 Deployment/Rollout Approach	D-543 to D-560	18	20	Yes
50.2.4.1.5 State Requirements Matrix	N/A	N/A	N/A	Yes
50.2.4.1.6 Adjusted Function Point Count	N/A	N/A	N/A	Yes
50.2.4.2.1 Proposed Solution for Operations	D-567 to D-716	150	150	Yes
50.2.4.3 Statement of Work	N/A	N/A	N/A	Yes
50.2.4.4 Training Approach	D-719 to D-738	20	20	Yes

50.2.4.1 Proposed System Solution and Solution for Design, Development, and Installation

RFP Reference: 50.2.4.1 Proposed System Solution and Solution for Design, Development, and Installation, Page 273

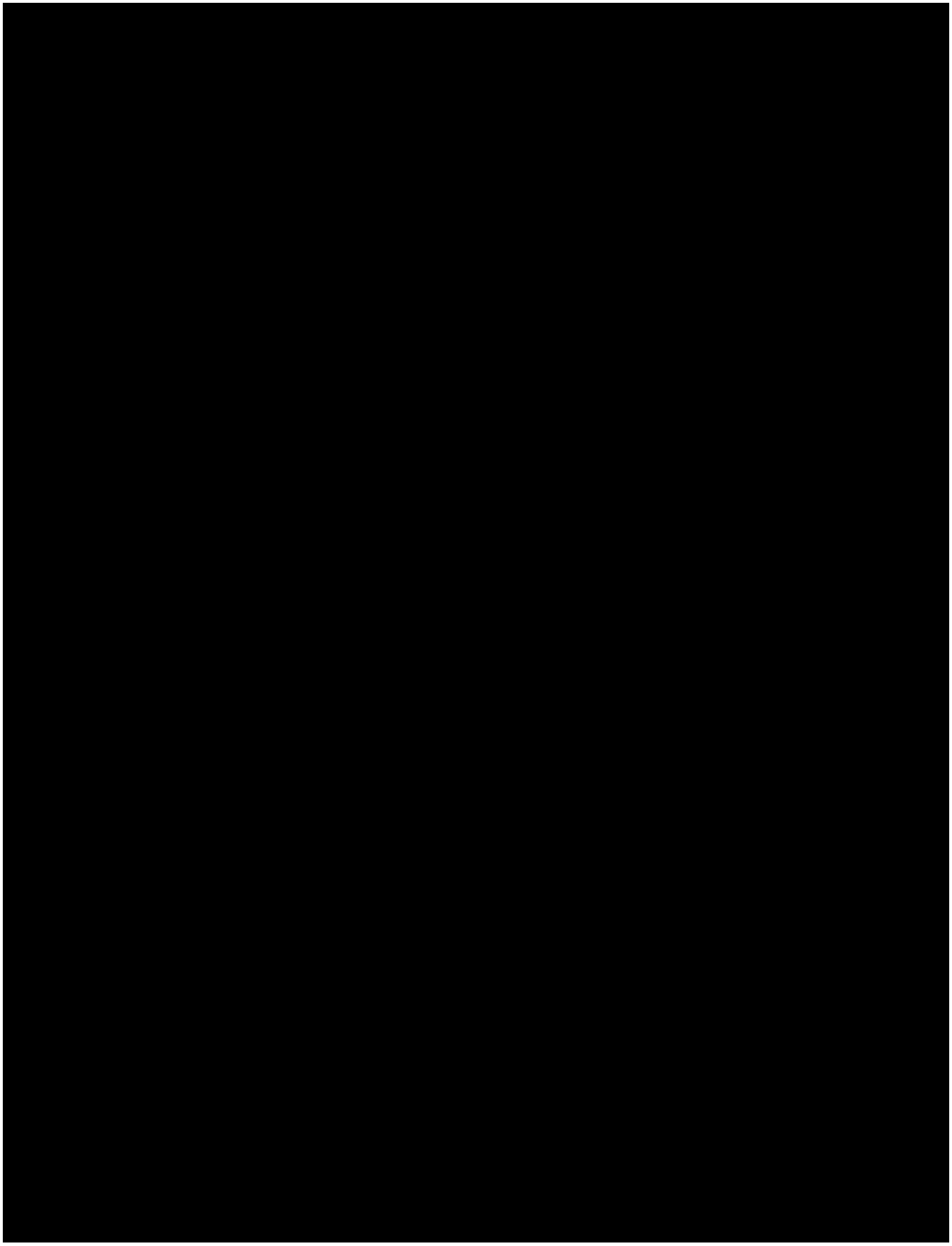
This section contains the following RFP-specified subsections:

- 50.2.4.1.1 Overview of System Solution and Solution for DDI
- 50.2.4.1.2 Software Development and Systems Engineering Methodology
- 50.2.4.1.3 Data Conversion and Migration Approach
- 50.2.4.1.4 Deployment/Rollout Approach
- 50.2.4.1.5 State Requirements Matrix
- 50.2.4.1.6 Adjusted Function Point Count

50.2.4.1.1 Overview of System Solution and Solution for DDI

RFP Reference: 50.2.4.1.1 Overview of System Solution and Solution for Design, Development, and Installation, Pages 273-274

The multi-payer Medicaid Management Information System (MMIS) described in the RFP will present a unified positive shift in the way work is performed by the North Carolina Division of Medical Assistance (DMA), Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (DMH), Division of Public Health (DPH), and the Migrant Health Program in the Office of Rural Health and Community Care (ORHCC). As the leader in building and operating MMISs, EDS has embraced an initiative to replace the past view of healthcare systems with a recipient-centric view of healthcare, as illustrated in the following exhibit, A New Paradigm: Recipient-Centric Healthcare. We are in line with the State in its commitment to transform healthcare through this multi-payer system that supports the many related aspects of care provided to the recipient community of North Carolina.



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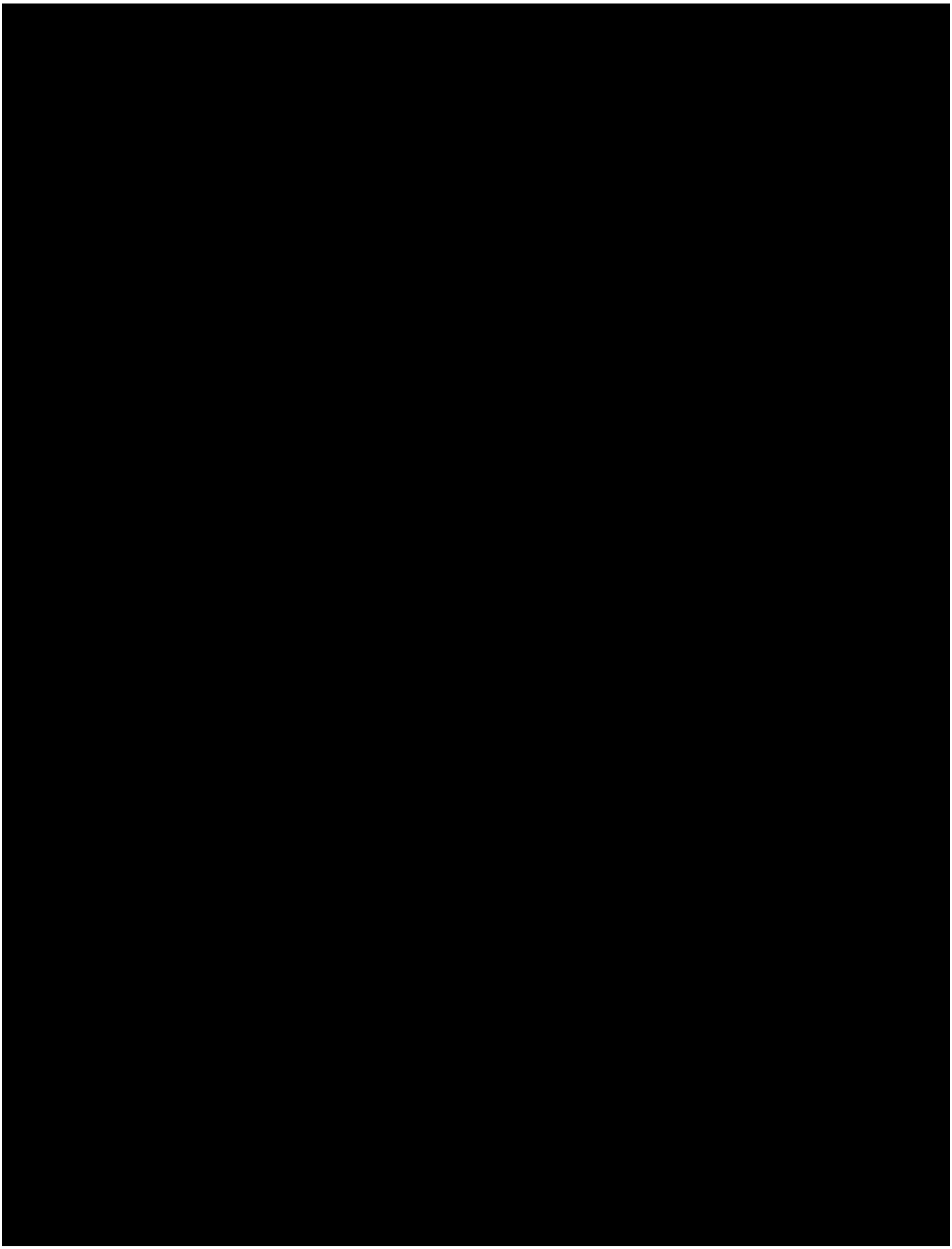

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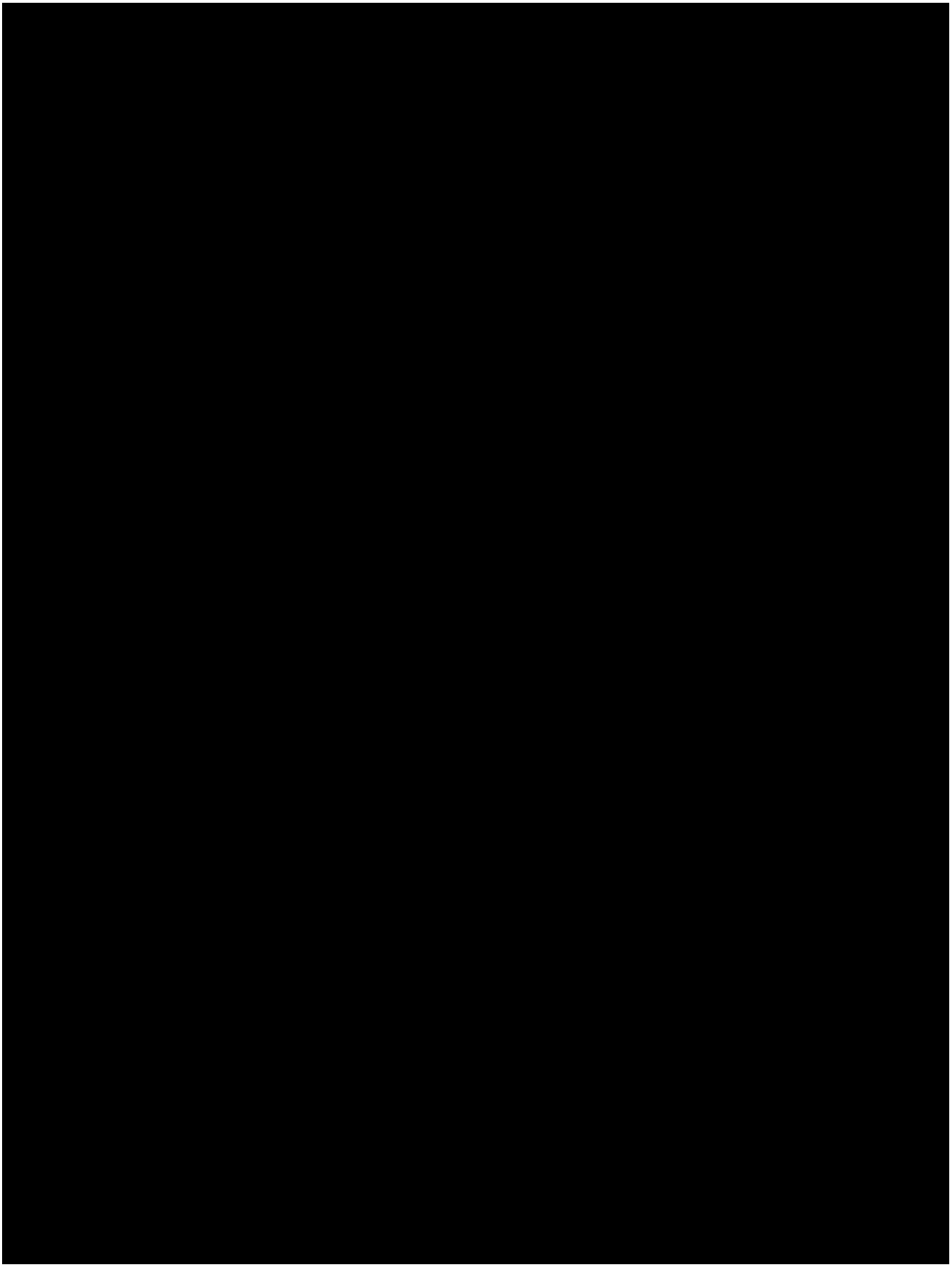

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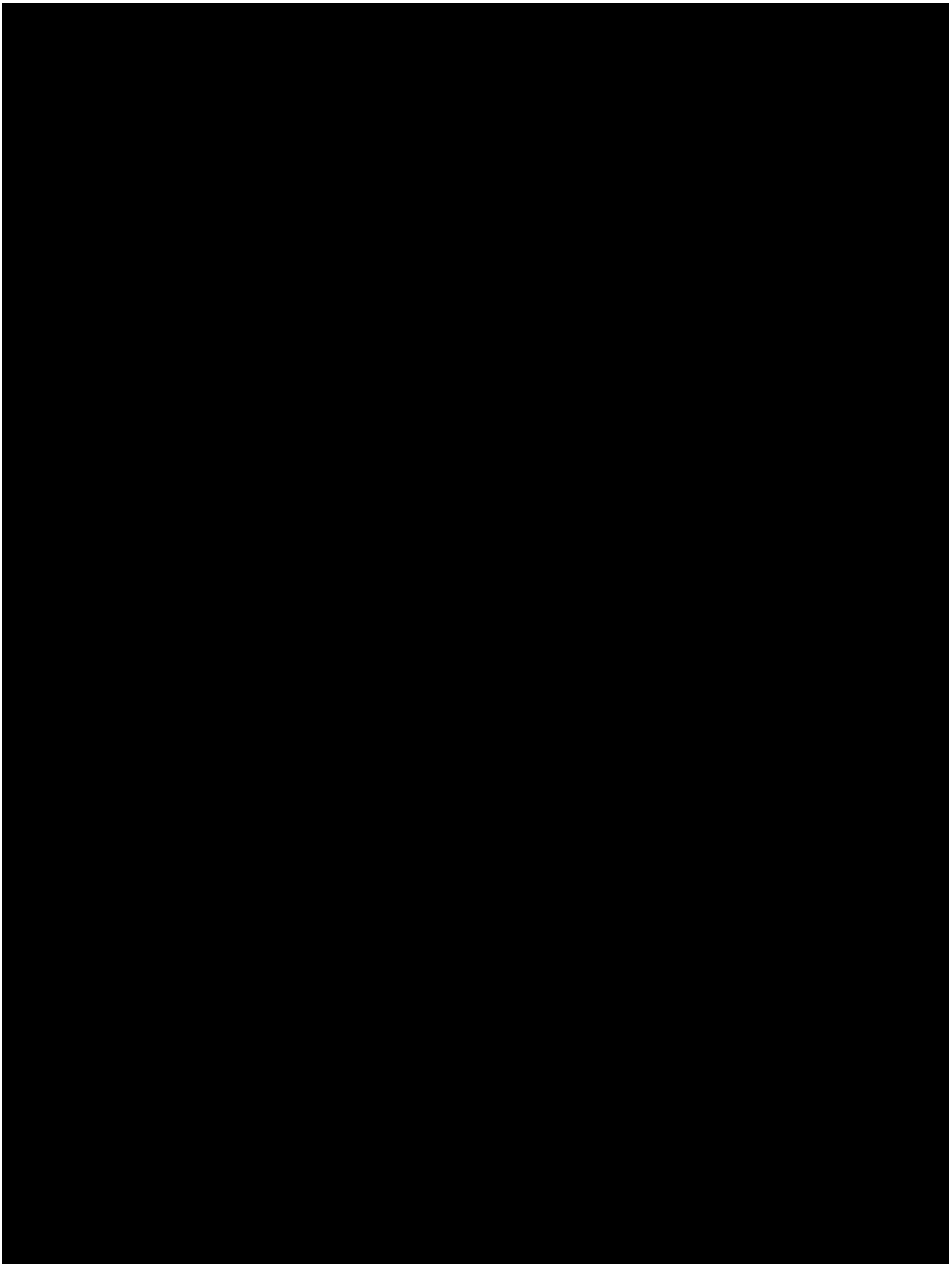

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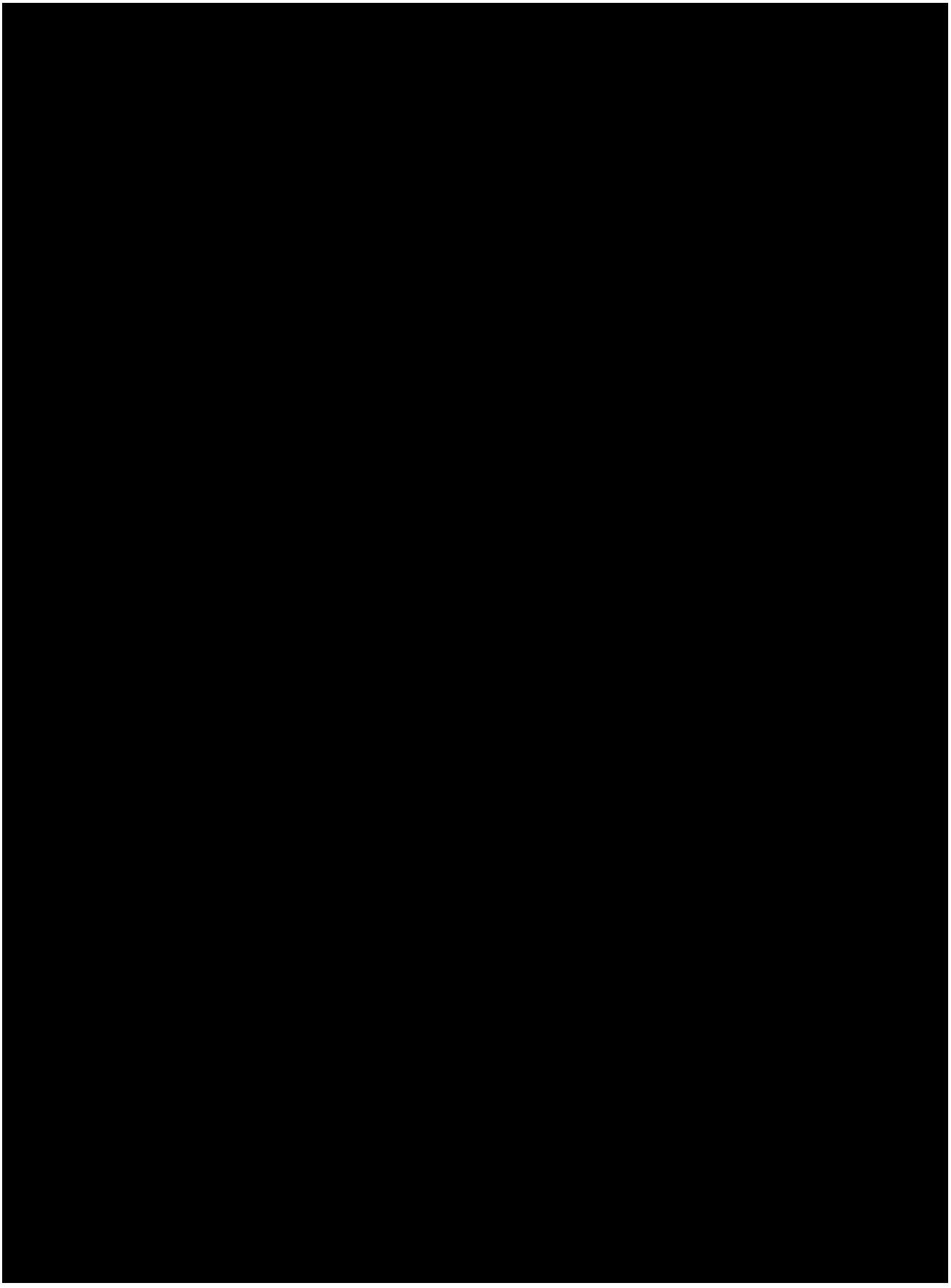

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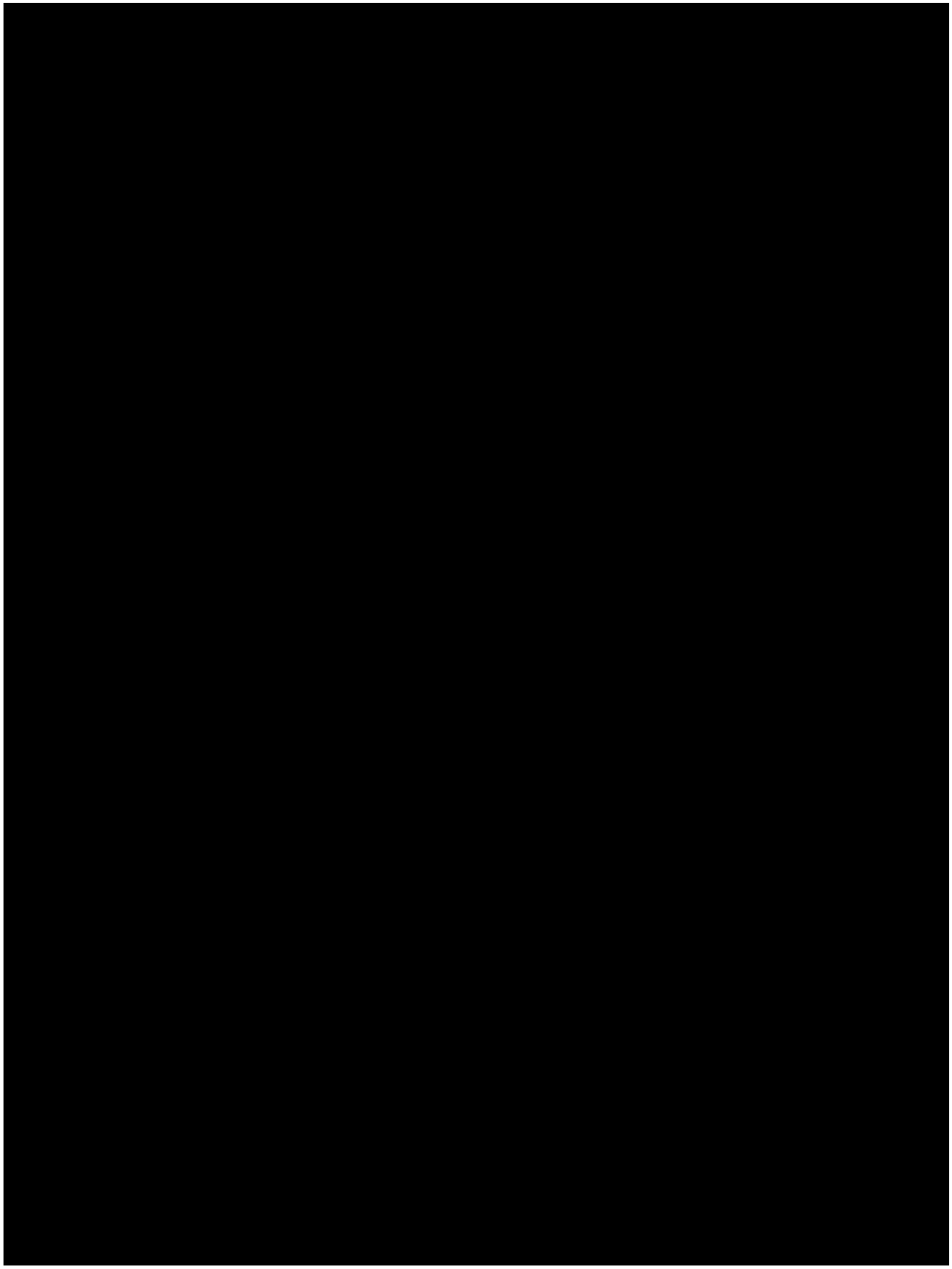

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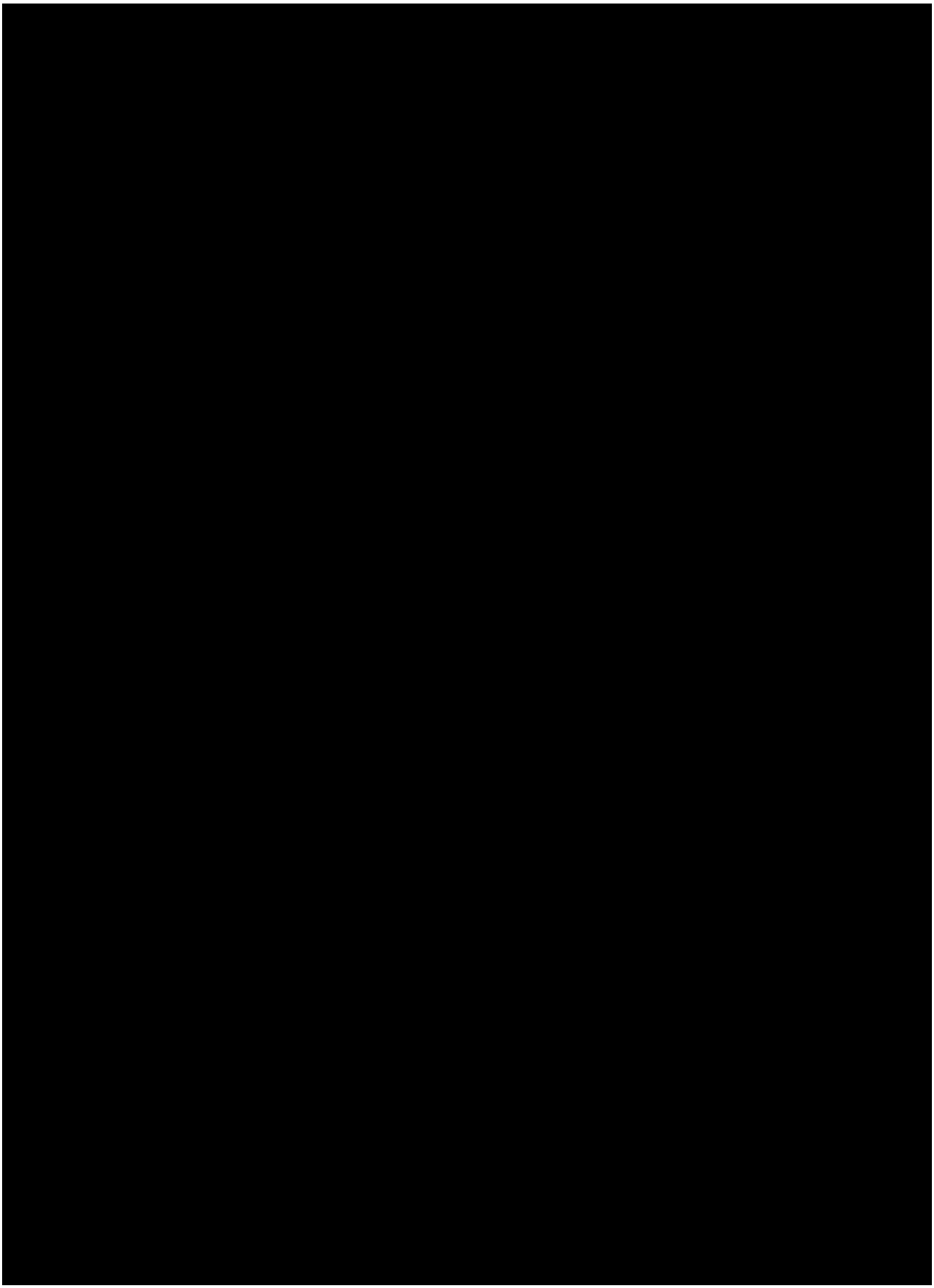

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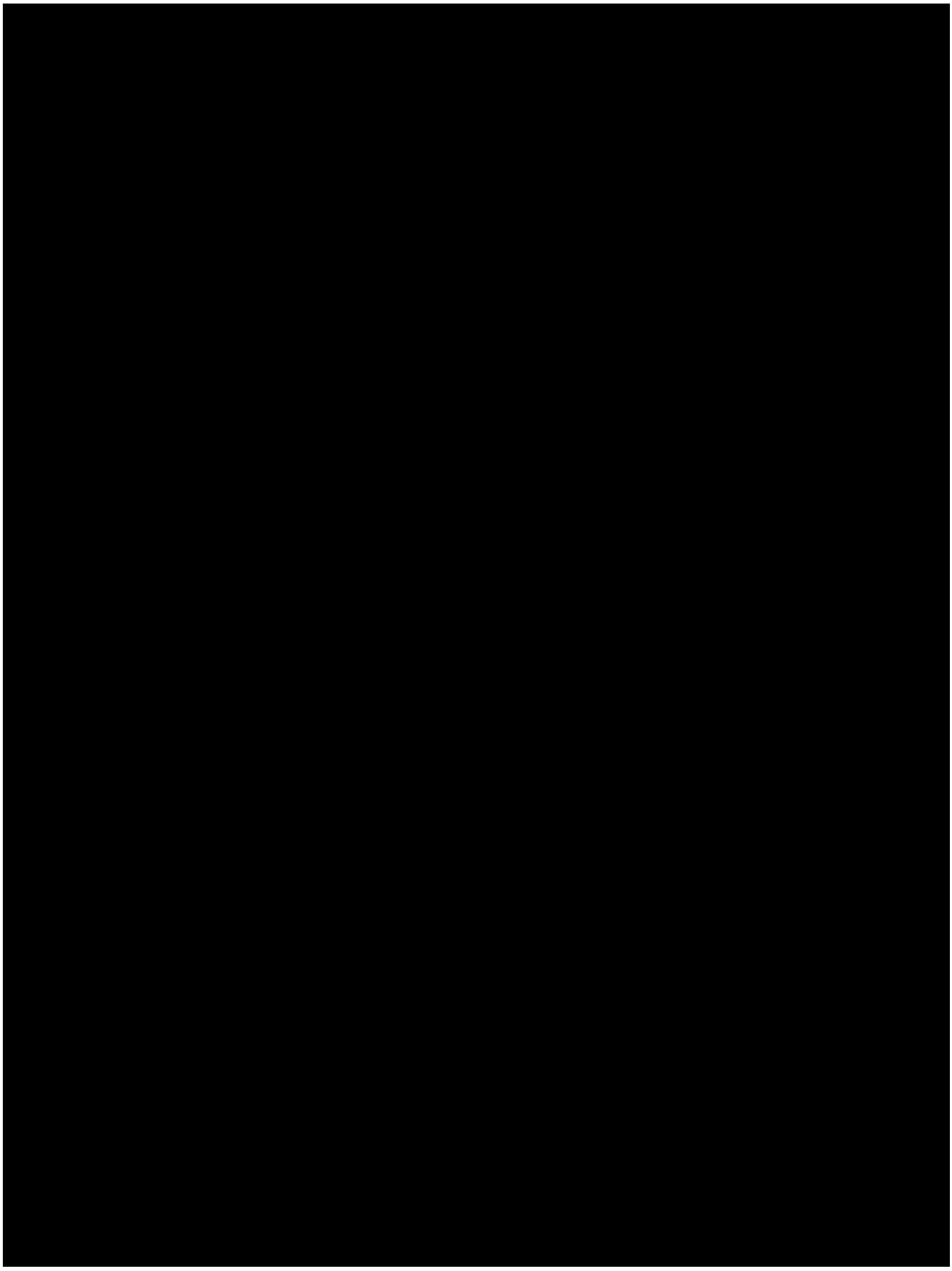

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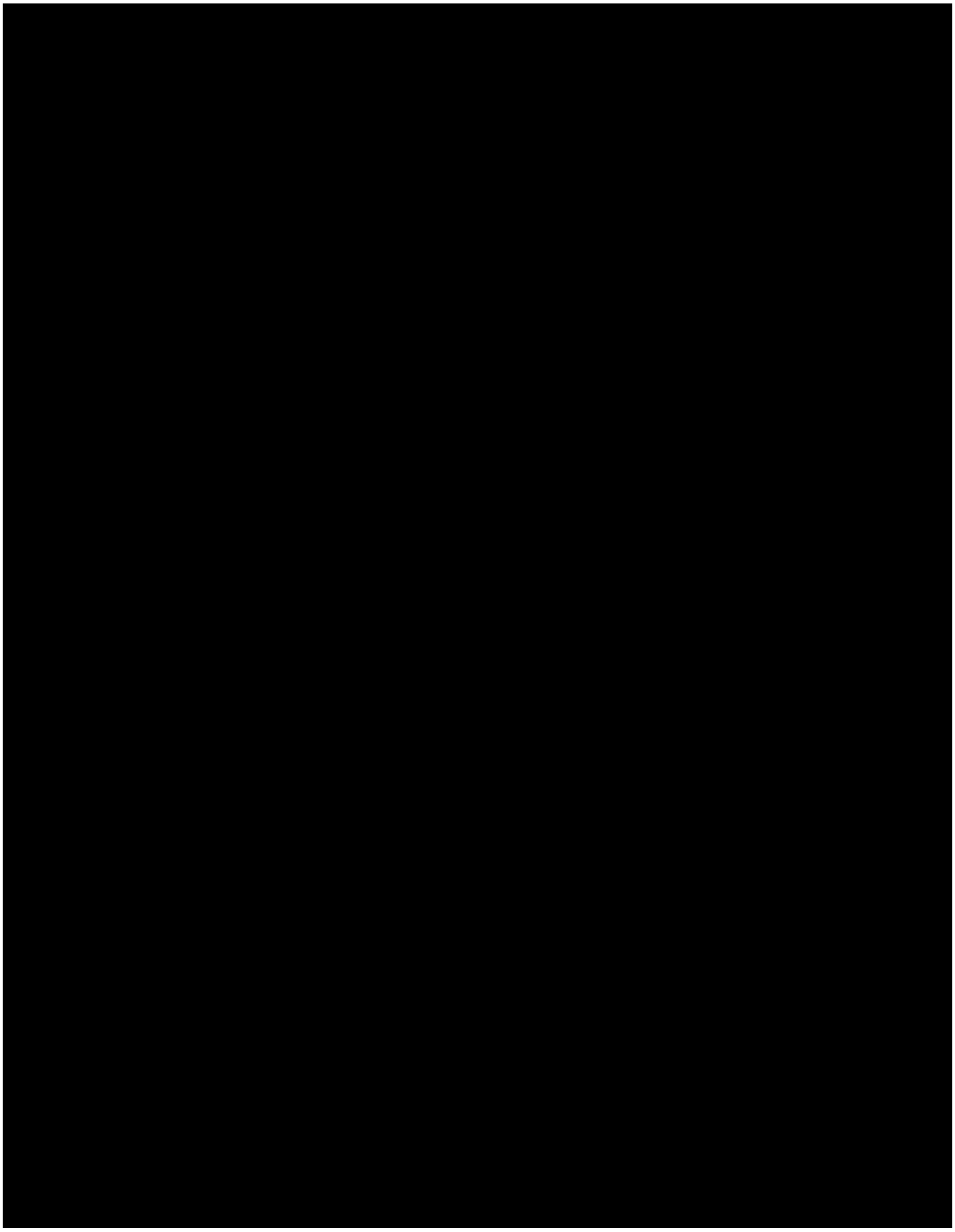

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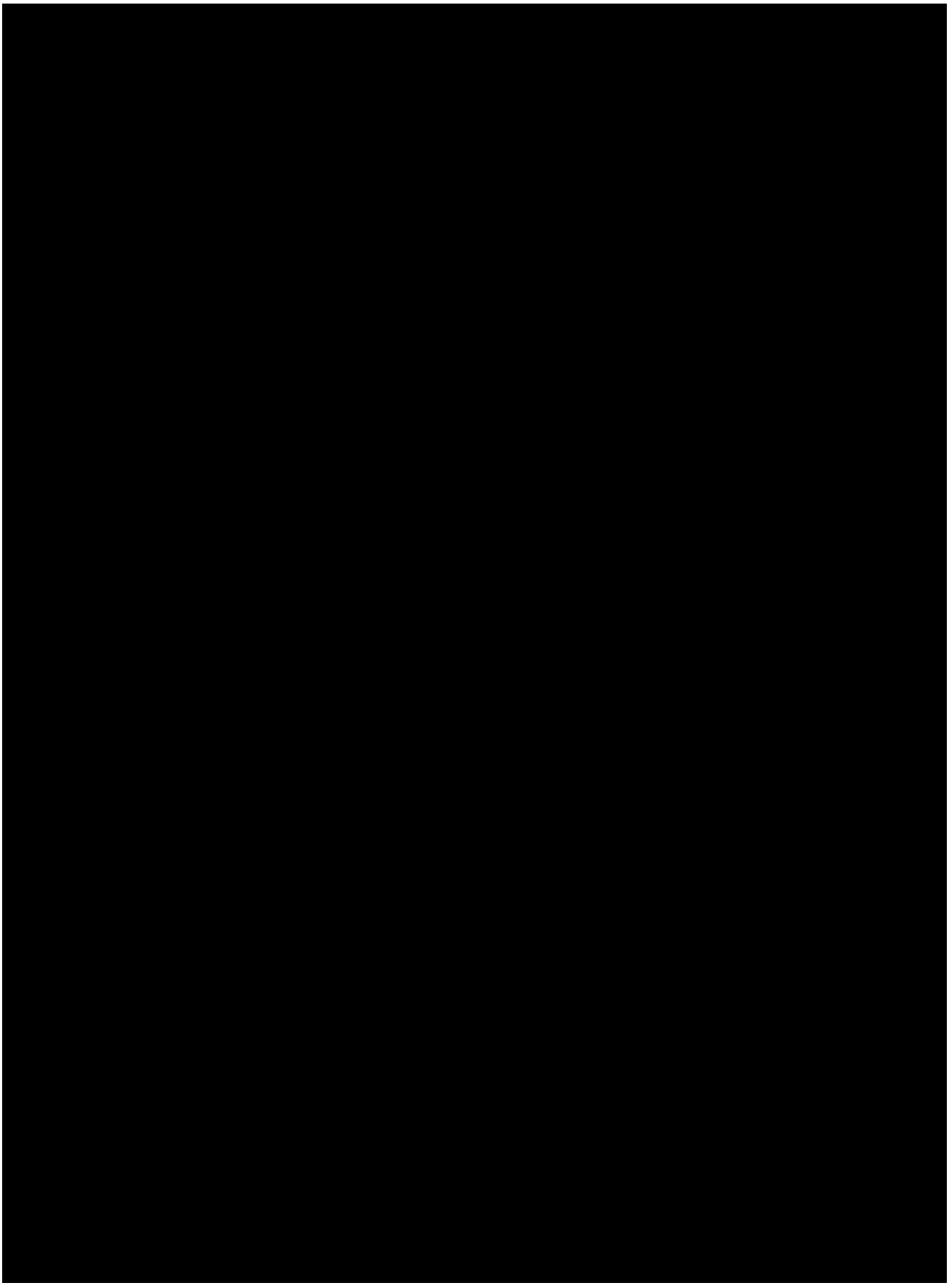

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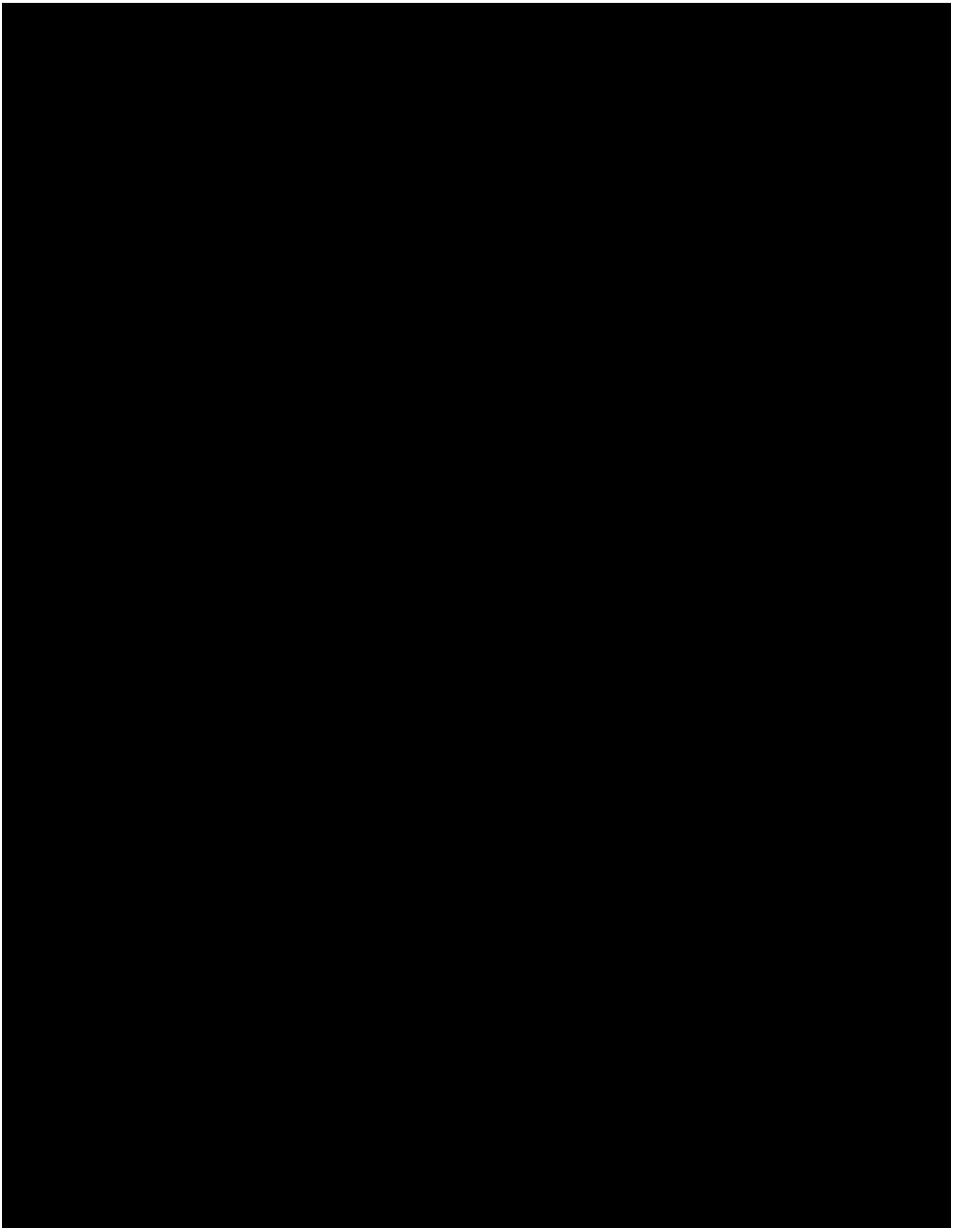

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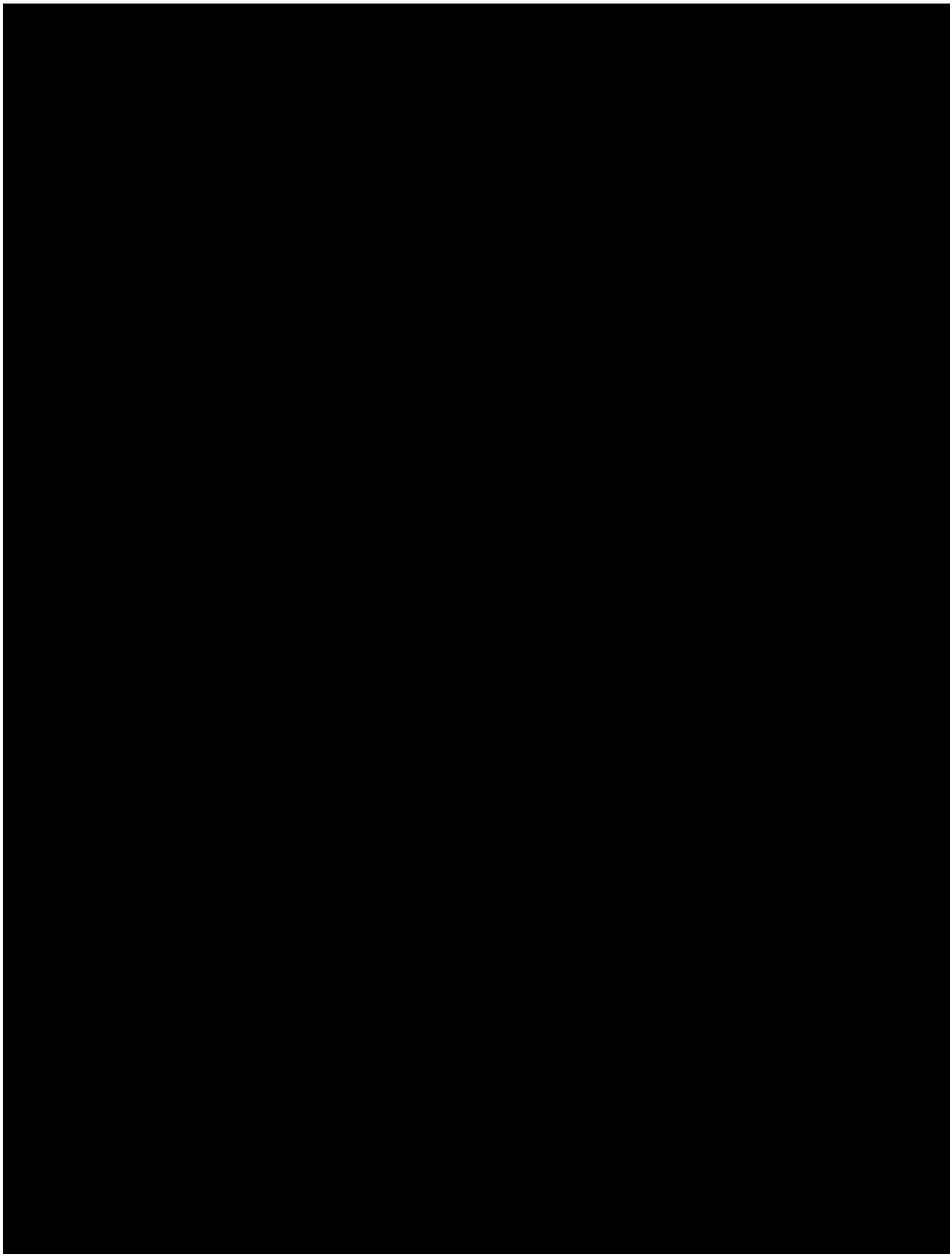

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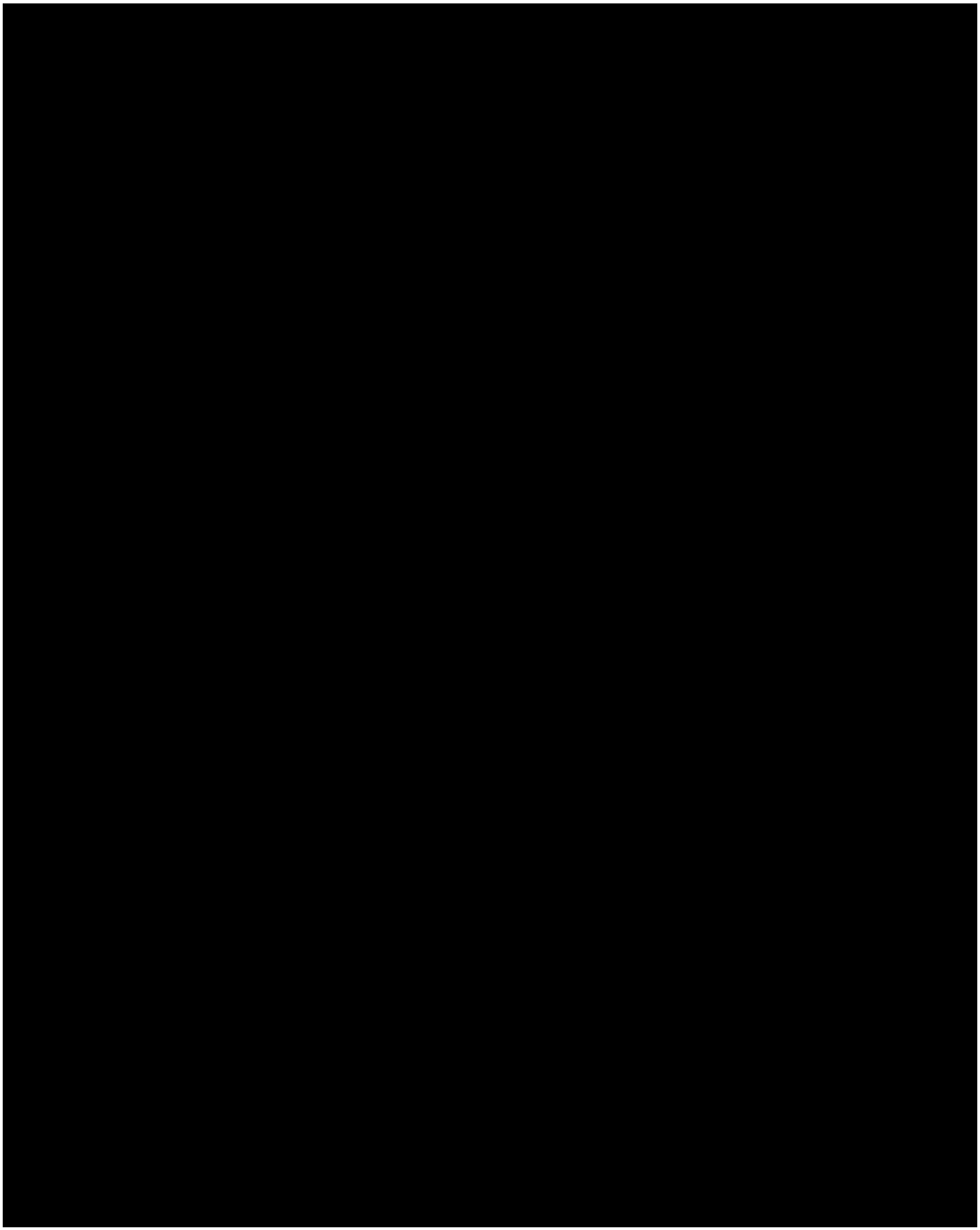

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Data Transfer and Conversion (40.1.1.15)

This requirement was deleted by RFP 30-DHHS-1228-08-R.

Response to Data Transfer and Conversion Requirement

The following table, EDS Response to Data Transfer and Conversion Requirement, describes how we will meet the requirement set forth in the RFP.

EDS Response to Data Transfer and Conversion Requirement

RFP No.	RFP Requirement	EDS Response
40.1.1.15	~~Provides capability to make all historic and new electronic documents available to Fiscal Agent and State staff from implementation of any and all Replacement MMIS capabilities~~	Cancelled. This requirement was deleted by RFP 30-DHHS-1228-08-R.

Interfaces (40.1.1.16)

EDS understands the importance of incorporating relevant program data with data from other information systems in the most efficient, accurate mechanism possible. Furthermore, EDS has first-hand experience with the State's various outside entities that will need to interact with the Replacement MMIS. The State depends on accuracy and availability of the crucial input and output data that these interfaces will provide through the Replacement MMIS. Based on information in the RFP and information researched by EDS, we have identified approximately 257 individual interfaces that will need to be developed or shared within the Replacement MMIS environment in support of the North Carolina healthcare program.

To address this connectivity challenge, EDS will use an optimal mix of integration methods. The first method, for interfaces that are specific to the North Carolina programs or do not benefit from being service-enabled, will use custom point-to-point code for integration. The second method, for more standard MMIS interfaces that either can be reused across the Replacement MMIS solution or interfaces that benefit from being service-enabled, will use the Microsoft's BizTalk Server 2006 service-oriented architecture (SOA) to handle integration to

internal and external entities. With either method, data that is being transmitted will be encrypted as necessary to meet security mandates to maintain the PHI security requirements.

EDS has selected the Microsoft BizTalk Server 2006 COTS solution because it is flexible enough to be used in most integration scenarios. Whether it is as simple as a file transfer or as sophisticated as a fully integrated business process between multiple applications on various servers between different business entities, BizTalk Server 2006 can support the interaction. Further, BizTalk Server 2006 enables the State to incorporate future integration strategies among its four agencies with great ease and fully supports current MITA initiatives.

BizTalk Server 2006 will handle integration and interface requirements with its ability to support various protocols and message formats. BizTalk was designed to work well with the emerging standard Web services and numerous applications already in place. Because the BizTalk engine must interface with other software, it relies on several adapters to make this possible. An adapter is an implementation of a communication mechanism, such as a particular protocol. BizTalk Server provides built-in adapters, and adapters have been created for many popular applications. The following table, Adapters Included With BizTalk Server 2006, is a list of the standard adapters supported by BizTalk Server 2006.

Adapters Included With BizTalk Server 2006

Adapter	Description	Supported Versions
ODBC Adapter for Oracle Database	Enables reading and writing information from and to an Oracle Server database	Oracle 8i (8.1.6.0), 9i (9.2.0.1), or 10g
Host Applications	Enables data exchange between BizTalk Server and IBM mainframe zSeries (CICS and IMS) and midrange iSeries (AS/400) server programs	IBM CICS TS for VSE/ESA V2R3 IBM CICS TS for z/OS V2.2, V2.3, V3.1 IBM IMS V8.1 with IMS Connect 2.1, 2.2 IBM OS/400 V5R2, OS/400 V5R3, i5/OS V5R4
IBM DB2	Enables reading and writing information from and to IBM mainframe DB2 for z/OS, IBM midrange DB2/400, and IBM DB2 Universal Database for open platforms (AIX, Linux, Solaris, and Windows)	IBM DB2 V7 and V8 for z/OS IBM OS/400 V5R2, OS/400 V5R3, i5/OS V5R4 IBM DB2 UDB for Windows, Linux, AIX, Solaris V7.2, V8.2, V9
Host Files	Enables data exchange between BizTalk Server and IBM mainframe zSeries VSAM datasets and IBM midrange iSeries AS/400 physical files	IBM DFM V1R4, V1R5, V1R6, V1R7 IBM OS/400 V5R2, OS/400 V5R3, i5/OS V5R4
WebSphere MQ	Enables exchange of messages between BizTalk Server and IBM WebSphere MQ using the WebSphere MQ Base Client	5.3 with Fix Pack 10 or higher and 6.0 with Fix Pack 1.1 or

Adapter	Description	Supported Versions
(Client Based)	(nontransactional) or WebSphere MQ Transaction Extended Client APIs	higher
WebSphere MQ	Enables exchange of messages between BizTalk Server and IBM WebSphere MQ	5.3 with Fix Pack 10 or higher and 6.0 with Fix Pack 1 or higher
MSMQ/MSMQT	Enables sending and receiving messages by using BizTalk Message Queuing (MSMQT), an implementation of the Microsoft Message Queue (MSMQ) protocol that sends and receives MSMQ messages to and from the Message Box database	2.0 and 3.0
Base EDI	Enables sending and receiving messages by using the American National Standards Institute (ANSI) X-12 and Electronic Data Interchange for Administration, Commerce, and Trade (EDIFACT) standards	Not applicable
FILE	Enables reading from and writing to files in the Microsoft Windows file system	Not applicable
FTP	Enables exchange of files between BizTalk Server and File Transfer Protocol (FTP) servers	Not applicable
HTTP	Enables sending and receiving information by using HTTP as the BizTalk Server 2004 engine exposes one or more Uniform Resource Locators (URLs) to enable other applications to send data to it so that it can use this adapter to send data to other URLs	Not applicable
POP3	Enables receiving messages from a Post Office Protocol 3 (POP3) mailbox into BizTalk Server by using the POP3 protocol	Not applicable
SMTP	Enables sending messages between BizTalk Server and an SMTP gateway by using SMTP	Not applicable
SOAP	Enables sending and receiving messages by using SOAP over HTTP enabling BizTalk Server to interact in a Web services world	Not applicable
SQL	Enables reading and writing information from and to a Microsoft SQL Server database	Not applicable
Web Services Enhancements (WSE) 2.0	Enables more secure Web services (WS-Security, WS-Trust, WS-SecureConversation, WS-SecurityPolicy, and WS-Policy) with BizTalk Server 2004 and 2006	WSE 2.0
Windows Communication Foundation (WCF)	Includes seven adapters and wizards that enable easy communication to and from BizTalk Server and Web services-based applications through the WCF, adapters that are available for BizTalk Server 2006 R2 only	.NET Framework 3.0
Windows SharePoint Services	Enables the exchange of XML and binary messages between BizTalk Server and SharePoint document libraries	Windows SharePoint Services 3.0

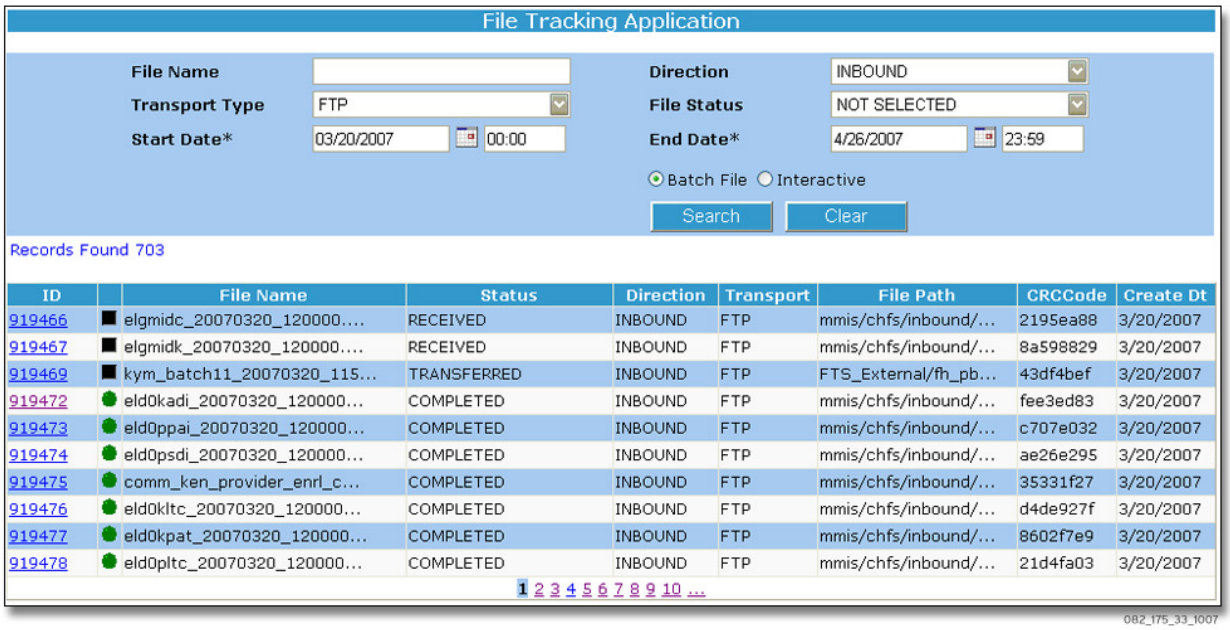
File Transfer Service

For those interfaces where custom point-to-point integration makes the most sense, EDS will use our File Transfer Service (FTS) to transfer files to and from various end-points of the Replacement MMIS and its trading partners. FTS can transfer files using different transport types such as FTP, Secure FTP using SSL (FTPS), and Uniform Naming Convention (UNC).

The FTS has several features that are explained in the following sections. These features can be configured from FTS's configuration file.

- **Tracking FTS—**While transferring files can track file information and file movement events and log them in an Oracle or Microsoft SQL Server database. These tracking records can be viewed using the FTS Web site.
- **Archiving—**If configured to archive, FTS can archive files to the North Carolina location given in its archive path configuration.
- **Duplicate check—**While transferring files, FTS calculates each file's hash value (CRC32) and stores it in a database. If configured, FTS can determine if the file is a duplicate file by checking its hash value against the already persisted hash values of older files.
- **Compress and uncompress files—**FTS can zip or unzip the file before it transfers it to its destination depending on the configured values in the configuration file.
- **File renaming—**FTS can rename a file while delivering to some preset formats. Renaming can include the unique System-Assigned Key (SAK), transport type, CRC32 value, system date, system time, or some constant string value.
- **Multiple file delivery—**FTS can deliver a copy of the file to as many as three different locations. FTS also can be configured to overwrite a file if the file with the same name already exists at the destination location, and is required by the process.
- **Exception handling—**If there is any technical or business exception while accessing or transferring file, the errors are tracked along with other tracking data and an e-mail is generated describing the issue and sent to configured e-mail address.
- **FTS user interface—**The FTS Web interface provides a detailed view into batch and interactive data transfers to, from, and within interChange. Data transmissions can be located and tracked using various data such as trading partner ID, file name, status, direction and date, as seen is the following exhibit, FTS File Tracking Interface.

FTS File Tracking Interface



The FTS Web interface provides a detailed view into batch and interactive data transfers.

The File Tracking Service application provides rapid identification of file transfer status, allowing the EDI team to isolate potential issues quickly. The dashboard indicators, in the second column of the table, provide a quick visual analysis of the status of every file transaction taking place, with drill-down capabilities to diagnose any issues. Thus, the operational monitoring of the overall MMIS and its many interfaces is made easier over the life of the contract.

Approach to Customization and Modifications

While most of the existing external interfaces will involve relatively straightforward file exchanges using either the FTS or the FTP/FTPS and file adapters within BizTalk Server 2006, EDS anticipates having an opportunity to work with select outside entities to define data exchanges that will be more sophisticated. EDS will look for opportunities to use a service-oriented approach within the Replacement MMIS solution. Interfaces that can be reused or shared within other areas of the Replacement MMIS solution are typically the best candidates for service enablement.

This data-sharing and exchange process permits computer-to-computer exchange of formatted business transactions between systems or business partners and makes it possible for organizations to generate, receive, and process large volumes of information swiftly with limited human intervention. This function enhances trading partner customer service, improves effectiveness.

Besides these communication and protocol adapters, BizTalk Server 2006 functions can be extended using accelerators. BizTalk Server accelerators

accelerate deployment and industry-specific implementation of integrated technology systems by delivering specific product enhancements, tools and utilities, detailed documentation, and industry-specific samples.

BizTalk Server 2006 also includes a Trading Partner Management (TPM) component. This component relies on a TPM database that stores information about trading relationships. Profiles, agreements, and addenda are stored in the TPM database. EDS can use the TPM component to configure them directly. This capability enables the State to establish and change new partner relationships without relying on developers. Using the common Business Activity Services interface, State staff members can create and change agreements with trading partners. Each agreement describes the relationship between two parties and contains information including the following:

- A profile for each of the partners, with each profile containing business information about the organization, such as a contact person and address, and technical information such as the protocol—which BizTalk Server 2006 adapter—that should be used to communicate with that partner
- The business process itself, implemented as one or more orchestrations, along with the role that each of the partners plays
- An addendum with parameters for the business process that controls the behavior of the partner coordination

EDS will implement audit procedures to track every inbound and outbound file and generate reports. These reports will contain information such as date and time of inbound or outbound file, type of activity, and identification of submitter or receiver of the file. These reports can be generated on demand and may be reviewed by any systems administrator.

EDS understands that no one solution can address the needs of each integration requirement. In those cases where BizTalk Server 2006 does not make sense, EDS will opt instead to create point-to-point interfaces. These interfaces will be created in a manner that allows them to be monitored and managed similarly to the way these activities are done using BizTalk Server 2006 and will be developed using industry-standard programming languages.

Enhancements to Functional Requirements

The EDS solution will provide the capability to use an integrated SOA environment that combines integration, messaging, and business process management capabilities into a single, unified framework. Interfaces developed within this framework have the unique benefit of invoking any combination of the capabilities within the SOA layer from anywhere within interChange. This framework meets many of the State's requirements and MITA. It is this unique synergy between the different components of the SOA environment that will help "future-proof" the EDS solution for the Replacement MMIS.

Response to Interfaces Requirement

The following table, EDS Response to Interfaces Requirement, describes how we will meet the requirement set forth in the RFP.

EDS Response to Interfaces Requirement

RFP No.	RFP Requirement	EDS Response
40.1.1.16	Provides capability to interface in a timely manner "To" and "From" all external interfaces, to include, without limitation, those listed in Appendix 40, Attachment H of this RFP	Met through COTS integration. We will meet this requirement with BizTalk Server 2006 and custom point-to-point code. This approach will provide the State with a low-cost integration framework that can be used to support the future integration strategies in support of the four divisions.

EDS has reviewed the list of existing or new interfaces provided by the State, and we have included recommendations for which interfaces will use Microsoft BizTalk 2006 for integration, and which will be done using direct point-to-point integration. The basis for our recommendations is made on the benefit derived by service-enabling interfaces versus the cost of doing so. Our experience of running the Legacy MMIS+ and managing the interfaces for DMA and DMH has helped shape our suggestions for this solution definition. The following table, MMIS Interfaces, is an updated version of Appendix 40, showing the technology solution that is included in our proposal for each of these interfaces.

MMIS Interfaces

MMIS Area	Input/ Output	Transfer Method	Entity	Interface
Transfer Method Legend A = Direct Point to Point Connected Network, State Agencies, File Transfer Service; B = FTP/S High-Volume Transfers, VPN Tunnel, File Transfer Service; C = FTP/S Low-Volume Transfers, VPN Tunnel, File Transfer Service; D = BizTalk/EDIFECS; E = Online Web Service; F = Interface deemed unnecessary; M = Other Media				
Provider	O	E	(Licensing/Cert)	(Licensing Requests)
Third-Party Liability (TPL)	I	D	ACTS	Inquiries to TPL and carrier data
TPL	I	D	ACTS	Recipient data updates from CSE for TPL
TPL	O	D	ACTS	Response to inquiry of TPL and carrier data
TPL	O	D	ACTS	Recipient updates from TPL for CSE
EDI	O	D	Providers	Claim Status Transaction
EDI	I	D	Providers	Prior Authorization Inquiry Transaction
EDI	O	D	Providers	Prior Authorization Response Transaction
EDI	O	D	Providers	Premium Payment Transaction

MMIS Area	Input/ Output	Transfer Method	Entity	Interface
Transfer Method Legend A = Direct Point to Point Connected Network, State Agencies, File Transfer Service; B = FTP/S High-Volume Transfers, VPN Tunnel, File Transfer Service; C = FTP/S Low-Volume Transfers, VPN Tunnel, File Transfer Service; D = BizTalk/EDIFECS; E = Online Web Service; F = Interface deemed unnecessary; M = Other Media				
EDI	O	D	Providers	Application Advice Transaction
EDI	I	D	Providers	Benefit Enrollment Transaction
EDI	O	D	Providers	Benefit Enrollment Transaction
EDI	O	D	Providers	Remittance Advice Transaction
EDI	I	D	Providers	Dental Claims Transaction
EDI	I	D	Providers	Professional Claims Transaction
EDI	O	D	Providers	Transaction Acknowledgment
EVS	I	D	Providers	Eligibility Inquiry Transactions
EVS	O	D	Providers	Eligibility Response Transactions
EDI	I	D	Providers	Institutional Claims Transaction
Payment	O	D	Bank (TBD)	Positive Pay
Payment	I	D	Bank (TBD)	Positive Pay
Payment	O	D	Bank (TBD) - Wachovia Automation Clearing House	EFT
TPL	O	D	Carriers	Invoices
Provider	O	D	CDW	Provider Info
Reference	I	D	CIGNA	Laboratory Rates
TPL	I	A	CMS by DIRM	Coordination of Benefits
TPL	O	A	CMS by DIRM	Coordination of Benefits
Provider	I	A	CMS by DIRM	OIG Info
Provider	I	A	CMS by DIRM	CLIA Info
Reference	I	A	CMS by DIRM	Healthcare Common Procedure Coding System (HCPCS)
Reference	I	A	CMS by DIRM	Current Procedural Terminology (CPT)
Reference	I	A	CMS by DIRM	Resource-Based Relative Value Scale (RBRVS)
Reference	I	A	CMS by DIRM	CBSA—Ambulatory Surgery Code Payment Rate Update

MMIS Area	Input/ Output	Transfer Method	Entity	Interface
Transfer Method Legend A = Direct Point to Point Connected Network, State Agencies, File Transfer Service; B = FTP/S High-Volume Transfers, VPN Tunnel, File Transfer Service; C = FTP/S Low-Volume Transfers, VPN Tunnel, File Transfer Service; D = BizTalk/EDIFECS; E = Online Web Service; F = Interface deemed unnecessary; M = Other Media				
Reference	I	A	CMS by DIRM	International Classification of Disease (ICD-9/10-CM) Diagnosis Info
Reference	I	A	CMS by DIRM	ICD-9/10-CM Procedure Codes
Reference	I	A	CMS by DIRM	American Dental Association (ADA) Codes
Reference	I	A	CMS by DIRM	CLIA Certification Levels
Reference	I	A	CMS by DIRM	NDC to HCPCS Crosswalk Files
Reporting Repository System	I	A	CMS by DIRM	CMS Drug Rebate Data
MMIS	O	A	CMS by DIRM	MSIS Extract (Federal MSIS Eligibility)
MMIS	O	A	CMS by DIRM	MSIS Extract (Federal MSIS Claims Inpatient)
MMIS	O	A	CMS by DIRM	MSIS Extract (Federal MSIS Claims Long-Term Care)
MMIS	O	A	CMS by DIRM	MSIS Extract (Federal MSIS Claims Pharmacy)
MMIS	O	A	CMS by DIRM	MSIS Extract (Federal MSIS Claims Other)
Drug Rebate System	I	A	CMS by DIRM	URA/Labeler
Drug Rebate System	I	A	CMS by DIRM	Usage (FTP)
Recipient	I	A	CMS by DIRM	CMS Buy-In Updates
Recipient	I	A	CMS by DIRM	CMS EDB Updates (Enrollment Database)
Recipient	I	A	CMS by DIRM	Medicare Part D response file
Recipient	O	A	CMS by DIRM	CMS Buy-In Updates
Recipient	O	A	CMS by DIRM	Medicare Part D - Enrollment File
Recipient	I	D	CNDS	Demographic/Xref Updates
Recipient	O	D	CNDS	Demographic/Xref Updates
TPL	I	D	CNDS	Responses to queries for policyholder demographic data
TPL	O	D	CNDS	Queries for policyholder demographic data
Claims	I	D	COB Contractor (BCBS of Mississippi)	Medicare Crossover Claims

MMIS Area	Input/ Output	Transfer Method	Entity	Interface
Transfer Method Legend A = Direct Point to Point Connected Network, State Agencies, File Transfer Service; B = FTP/S High-Volume Transfers, VPN Tunnel, File Transfer Service; C = FTP/S Low-Volume Transfers, VPN Tunnel, File Transfer Service; D = BizTalk/EDIFECS; E = Online Web Service; F = Interface deemed unnecessary; M = Other Media				
Claims	I	D	COB Contractor (BCBS of North Carolina)	Medicare Crossover Claims
Claims	I	D	COB Contractor (BCBS of South Carolina)	Medicare Crossover Claims
Claims	I	D	COB Contractor (BCBS of Texas), U.S. Government	Medicare Crossover Claims
Claims	I	D	COB Contractor (CIGNA)	Medicare Crossover Claims
Recipient	O	D	COB Contractor-GHI	Recipient Eligibility File
Financial	O	D	Collection Agency	Collection Agency information
Provider	I	A	DEA	DEA Info
Payment	O	A	DIRM	DMH Paid Claims Info for CDW
Recipient	O	A	DIRM	Transfer of Assets Report Data
Provider	O	A	DIRM	MC Provider Directory Extract File
Reference	I	A	DIRM	County Mailing Addresses
Reference	I	A	DIRM	County DSS Mailing Addresses
Financial	I	A	DIRM	Available Funds Info
Financial	I	A	DIRM	Information (data) Indian file
Financial	I	A	DIRM	EPICS
TPL	I	A	DIRM	Updates to TPL data by dynamic update service
TPL	O	A	DIRM	Acknowledgment/error msg. for TPL data update
Claims	O	A	DIRM for CSDW	HIV Claims Information extract (PA, Recipient, Provider, Claims)
Claims	O	A	DIRM for CSDW	Medical Claims extract (PA, Recipient, Provider, Claims)
Payment	O	A	DIRM for CSDW	DPH Paid claims info
TPL	O	A	DIRM for CSDW	TPL recipient data extract
TPL	O	A	DIRM for CSDW	TPL carrier data extract)
TPL	O	A	DIRM for EIS	TPL recipient data extract

MMIS Area	Input/ Output	Transfer Method	Entity	Interface
Transfer Method Legend A = Direct Point to Point Connected Network, State Agencies, File Transfer Service; B = FTP/S High-Volume Transfers, VPN Tunnel, File Transfer Service; C = FTP/S Low-Volume Transfers, VPN Tunnel, File Transfer Service; D = BizTalk/EDIFECS; E = Online Web Service; F = Interface deemed unnecessary; M = Other Media				
TPL	O	A	DIRM for EIS and ACTS	TPL carrier data extract
MEQC	I	A	DIRM/EIS	Recipient Samples
Recipient	O	A	DMA	Part B Cost Summary
Reference	I	A	DMA	Financial Operations Accommodation Rate Info
Reference	I	A	DMA	Financial Operations - Crossover Percent
Reference	I	A	DMA	Financial Operations Nursing Facility Rate Updates
Reference	I	A	DMA	Budget Office-Gross National Product Info
Member		A	DMA	Enrollment report
Payment	I	A	DMA	COS Share Info
Reference	I	A	DMH	Budget Office DMH Rate Info
TPL	I	C	DOD Systems	DEERS Enrollees - Def. Enrollment and Eligibility Report
Financial	O	A	DOR	A/R Info
Reference	I	C	DRG Weight Vendor	DRG Weight and outlier Major Diagnostic Category (MDC) Info
POS Reference	I	D	Drug Update Vendor (First Data Bank)	Drug Info
Payment	I	E	DSS	History Request/Web
Payment	O	D	EDMS	RA/REOMB/Profiles
Financial	O	D	EDMS	Report Info
Managed Care	O	D	EIS	MC Assignment Info
Recipient	I	D	EIS	DMA Recipient Info
Recipient	O	D	EIS	Buy-In Updates (State)
Recipient	O	D	EIS	Buy-In Updates (State) Cost Summary
Provider	I	A	EIS	Provider Info Queries
Provider	O	A	EIS	Provider Info Responses
Provider	O	A	EIS	Provider Info Extract File

MMIS Area	Input/ Output	Transfer Method	Entity	Interface
Transfer Method Legend A = Direct Point to Point Connected Network, State Agencies, File Transfer Service; B = FTP/S High-Volume Transfers, VPN Tunnel, File Transfer Service; C = FTP/S Low-Volume Transfers, VPN Tunnel, File Transfer Service; D = BizTalk/EDIFECS; E = Online Web Service; F = Interface deemed unnecessary; M = Other Media				
Managed Care	I	A	EIS	MC Assignment Info
TPL	I	A	EIS	Inquiries to TPL and carrier data
TPL	O	A	EIS	Response to inquiry of TPL and carrier data
Financial	O	D	EPICS	CMS64
Financial	I	D	FA Bank Account	Cleared Checks/EFTs
Payment	I	C	Financial	Budget/1099 Info
Payment	O	C	Financial	Budget/Pay Cycle/1099 Info
Reference	I	D	First Data Bank	NDC Drug File
Managed Care	O	D	Geo Info Vendor	Auto-Assignment Preliminary
Managed Care	O	D	Geo Info Vendor	Auto-Assignment/Mass Change Final
Managed Care	I	D	Geo Info Vendor	Provider Match
Provider	I	A	CMS	CLIA Info
Member	O	C	HMS	Medicare Part D - Enrollment File
TPL	O	C	HMS	Invoices
Provider	O	C	HSIS\HIS	Provider Info
Financial	O	D	Indian File	CMS64
Financial	O	M	IRS	1099 A/R Info
Provider	I	M	IRS	B-Notice Info
Recipient	I	D	LME	ANSI X12N 834 Enrollment transactions
Prior Approval	I	D	LME	Inquiry/Response
Prior Approval	O	D	LME	Inquiry/Request/Response (PA Activity)
Prior Approval	O	D	LME	Inquiry/Request/Response (PA Error)
Drug Rebate System	I	M	MAS	Drug Rebate adjustments
Financial	O	M	MAS FPR	Summary of Paid Claims by MCC
Provider	O	D	Medical Review	Provider Type file
POS Prior Approval	I	E	MMIS PA	Add/Update Adjudicated DPH PAs
Prior Approval	O	D	Nash Optical	Adjudicated PAs for optical PA type

MMIS Area	Input/ Output	Transfer Method	Entity	Interface
Transfer Method Legend A = Direct Point to Point Connected Network, State Agencies, File Transfer Service; B = FTP/S High-Volume Transfers, VPN Tunnel, File Transfer Service; C = FTP/S Low-Volume Transfers, VPN Tunnel, File Transfer Service; D = BizTalk/EDIFECS; E = Online Web Service; F = Interface deemed unnecessary; M = Other Media				
Managed Care	O	A	NC State Health Plan	PCP/Adm. Entity Enrollment Info for Health Choice Recipients
Financial	O	A	NCAS	Program Expenditures by CAC codes
Financial	I	A	NCAS	Unexpended Authorized Budget
POS Participant	I	D	NCPDP	NCPDP E1 Request Interface
POS Participant	O	D	NCPDP	NCPDP E1 Response Interface
Reference	I	A	NTIS	DRG and Medicare Code Editor (MCE)
POS Claims	I	D	Payment	Claim Info/Updates
POS Claims	O	D	Payment	Claim Info/Updates
Claims	I	D	PharmaCare	HIV Medication Encounter Interface file
Payment	O	D	POS	Claim Info/Updates
Provider	I	E	Provider	SB926 Provider Info
POS Claims	I	E	Provider	Claim Submission Other Media
Payment	I	E	Provider	Web/AVRS
Payment	O	E	Provider	Web/AVRS/RA/EDI
Payment	O	M	Reporting	Category of Service
POS Reference	I	D	SMAC Drug Vendor	SMAC Pricing Info
Recipient	I	A	SSA by DIRM	BENDEX (Beneficiary Data Exchange)
Payment	I	A	State	Inquiry/Response
Payment	I	A	State	Inquiry/Response/History Request
Payment	O	A	State	Inquiry/Response
Financial	O	A	State Auth	Budget Info
Payment	I	A	State Auth	History Request
Financial	I	C	State-Designated Bank	Lockbox Receipts
Payment	O	D	Switch Vendor	Inquiry Response
POS Claims	I	D	Switch Vendor	POS Claim Submission
POS Claims	O	D	Switch Vendor	POS Claims Response
Payment	I	D	Switch Vendor	Inquiry/Response

MMIS Area	Input/ Output	Transfer Method	Entity	Interface
Transfer Method Legend A = Direct Point to Point Connected Network, State Agencies, File Transfer Service; B = FTP/S High-Volume Transfers, VPN Tunnel, File Transfer Service; C = FTP/S Low-Volume Transfers, VPN Tunnel, File Transfer Service; D = BizTalk/EDIFECS; E = Online Web Service; F = Interface deemed unnecessary; M = Other Media				
Financial	O	C	TPL Vendor	Receipt Info
Financial	I	C	TPL Vendor	Information (data) receipt
TPL	O	C	TPL Vendors	Carrier and TPL policy resource data
TPL	O	C	TPL Vendors	Invoice Data Summary Extract
TPL	O	C	TPL Vendors	Invoice Data Detail Extract
Provider	O	C	Value Options	Provider Info
Prior Approval	I	D	Vendor	Adjudication Authorization Info
Prior Approval	I	D	Vendor	Inquiry/Request/Response (PASARR)
Prior Approval	O	D	Vendor	Inquiry/Request/Response (Optical Services)
Prior Approval	O	D	Vendor	HIV Auth Info (PharmaCare)
Prior Approval	I	D	Vendor (First Mental Health)	Inquiry/Request/Response (Psychiatric Services)
Prior Approval	I	C	Vendor (Value Options)	Inquiry/Request/Response (Psychiatric Services)
Recipient	O	D	ACS	Letter Extract File - Pharmacy PA
Prior Approval	I	D	ACS	GCN/NDC Prior Approval update file
Provider	O	B	Advanced Medical	Provider Info
Provider	O	B	Advanced Medical	Provider Info
Provider	O	B	Advanced Medical	DEA Master file
Reference	O	B	Advanced Medical	Procedure code file
Reference	O	B	Advanced Medical	Accommodation Rate info
Reference	O	B	Advanced Medical	DRG Header extract
Reference	O	B	Advanced Medical	Diagnosis file
Reference	O	B	Advanced Medical	Drug Master File
Reference	O	B	Advanced Medical	Fee Schedule
Prior Approval	O	B	Advanced Medical	Prior Approval file
Recipient	O	B	Advanced Medical	Eligibility File

MMIS Area	Input/ Output	Transfer Method	Entity	Interface
Transfer Method Legend A = Direct Point to Point Connected Network, State Agencies, File Transfer Service; B = FTP/S High-Volume Transfers, VPN Tunnel, File Transfer Service; C = FTP/S Low-Volume Transfers, VPN Tunnel, File Transfer Service; D = BizTalk/EDIFECS; E = Online Web Service; F = Interface deemed unnecessary; M = Other Media				
Recipient	O	B	Advanced Medical	Buy-In Register Part A
Recipient	O	B	Advanced Medical	Buy-In Register Part B
Recipient	O	B	Advanced Medical	Eligibility Cross-Reference
Recipient	O	B	Advanced Medical	EOB Master File
Claims	O	B	Advanced Medical	Crossover Xref
Recipient	O	D	AMS	Referral Report
Recipient	O	F	Carolina Medical Center	HMO Exempt
Recipient	O	C	CCME	Recipient Eligibility File
Claims	O	A	Claims Activity	MMIS
Claims	O	C	Claims Activity	HMS
Provider	O	C	Data Niche	Provider Info
Provider	O	F	Data Niche	Provider Extract
Reference	O	C	Data Niche	Drug Extract file
Payment	O	A	DHHS	Data from claims paid to local health departments
Payment	O	A	DHHS	Data from claims paid to developmental evaluation centers
Recipient	I	F	DIRM	Eligibility Updates
Provider	O	A	DIRM	Pricing Provider info
Reference	O	A	DIRM	Medicaid Cost Summary file
Reference	O	A	DIRM	Drug Pricing File
TPL	O	A	DIRM	TPL Procedure Code Pricing Master
Drug Rebate	O	A	DIRM	PPA File for Drug Rebate
Recipient	O	A	DMA	Eligibility File
Recipient	O	A	DMA	EOB Master File - DRIVE
Recipient	O	A	DMA	Buy-In PER-Register extract
Recipient	O	A	DMA	Enrollment Master - DRIVE
Recipient	O	A	DMA	Buy-In Report

MMIS Area	Input/ Output	Transfer Method	Entity	Interface
Transfer Method Legend A = Direct Point to Point Connected Network, State Agencies, File Transfer Service; B = FTP/S High-Volume Transfers, VPN Tunnel, File Transfer Service; C = FTP/S Low-Volume Transfers, VPN Tunnel, File Transfer Service; D = BizTalk/EDIFECS; E = Online Web Service; F = Interface deemed unnecessary; M = Other Media				
Recipient	O	A	DMA	EOB HIPAA XREF file
Provider	O	A	DMA	DUR Provider Info extract
Provider	O	A	DMA	Provider Earnings--drive
Provider	O	A	DMA	Provider Info
Provider	O	A	DMA	Provider Master File - DRIVE
Provider	O	A	DMA	CLIA Master File
Provider	O	A	DMA	DEA Master file
Provider	O	A	DMA	Physician Billing Report extract
Reference	O	A	DMA	DRG Weight file - DRIVE
Reference	O	A	DMA	Diagnosis file
Reference	O	A	DMA	Drug file
Reference	O	A	DMA	Elderly Extract
Reference	O	A	DMA	Modifier Master File
Prior Approval	O	A	DMA	Prior Approval file - DRIVE
Prior Approval	O	A	DMA	Pharmacy Prior Approval record
POS Reference	O	A	DMA	State Max Allowable Cost (SMAC) file
Payment	O	F	DMA	Paid Claims Activity file - DRIVE
Payment	O	A	DMA	Paid Claims Activity file - DRIVE
Financial	O	A	DMA	Financial Participation
MMIS	O	F	DMA	Encounters SHF
Recipient	O	F	DMA DIRM	Buy-In Register Tape Part A
Recipient	O	F	DMA DIRM	Buy-In Register Tape Part B
TPL	O	A	DMA and HMS	TPL Procedure Code Pricing Master
Reference	O	A	DMA and DIRM	Fee Schedule
Reference	O	A	DMA and DIRM	Modifier Combination File (Bridge file)
Reference	O	A	DSS	Pharmacy Drug Requirements
Recipient	I	F	CMS	BEST File - Contains a listing of the North Carolina Medicare recipients

MMIS Area	Input/ Output	Transfer Method	Entity	Interface
Transfer Method Legend A = Direct Point to Point Connected Network, State Agencies, File Transfer Service; B = FTP/S High-Volume Transfers, VPN Tunnel, File Transfer Service; C = FTP/S Low-Volume Transfers, VPN Tunnel, File Transfer Service; D = BizTalk/EDIFECS; E = Online Web Service; F = Interface deemed unnecessary; M = Other Media				
Reporting Repository	I	F	CMS	Drug Rebate File from CMS
Drug Rebate	O	C	CMS	Drug Rebate Info to CMS
Recipient	O	C	HMS	Eligibility File
Provider	O	C	HMS	Provider Info
Provider	O	C	HMS	Provider Cross-Over Cross-Reference
Reference	O	C	HMS	Diagnosis file
Reference	O	C	HMS	Drug File
Reference	O	C	HMS	Drug Recovery file
TPL	O	C	HMS	TPL Carriers and their codes
Drug Rebate	O	D	Innovative Health Strategies	Drug Rebate Info
Provider	O	M	IRS	1099 Info on providers
Reference	O	D	Medical Review	DRG extracts
Provider	O	D	MMIS	Provider Earnings
Provider	O	D	NCXIX	Provider Earnings Report
Payment	O	F	NCXIX	NC Paid Fulls
Recipient	O	C	PCG	Eligibility File
Recipient	O	F	PCG	HMO Enrollment tape
Provider	O	C	PCG	Provider Info
Reference	O	C	PCG	Diagnosis file
Reference	O	C	PCG	Drug file
Reference	O	C	PCG	Drug Recovery file
Financial	O	A	State	FPR files

To demonstrate our approach to managing interfaces, we provide a sample excerpt from the Kentucky MMIS Interoperability Plan following this page. As stated in RFP section 50.2 Technical Proposal Requirements, this sample does not count toward any page limit.

New KY MMIS Interoperability Plan

Kentucky MMIS Project

Cabinet for Health and Family Services
Kentucky Medicaid Office

March 31, 2006

SAMPLE EXCERPT

Cabinet for Health and Family Services Kentucky Medicaid Office		
Role:	Name:	
Author	Bill Ponder	
Reviewer	EDS Implementation leads, PMO	
EDS Management	Ricky Pope	
Client	Commissioner Shannon Turner, J.D. Deputy Commissioner Jan Howell, J.D. Lorna S. Jones Sandeep Kapoor	
DELIVERABLE TITLE: New KY MMIS Interoperability Plan	DATE SUBMITTED: 3/31/2006	
LOCATION and FILE NAME: New_KY_MMIS_InterOperability_Plan.doc		AUTHORING TOOL: MSWord2002

Document Change Log

Version	Changed Date	Changed By	Reason
1.0	3/6/2006	Bill Ponder	Creation of document – 1st Draft.
2.0	3/27/2006	Bill Ponder	Added record layouts for items not yet designed when 1st Draft was created.
3.0	3/31/2006	Bill Ponder	Implemented changes from 3/27 review

Table of Contents

1 Introduction

This document is the interChange New KY MMIS Interoperability Plan.

1.1 Purpose

The Interoperability Plan complements the Project Workbook (PWB), technical design by providing details on external interfaces, within each interChange functional area.

1.2 Scope

The Interoperability Plan is intended to reflect every external interface to be incorporated into interChange and the design of that interface.

2 Interfaces by Functional Area

This section explains the interfaces within each interChange functional area. The following hierarchy is utilized for each functional area.

2.X - Functional Area

2.X.1 - Functional Area Interface Diagram

2.X.2 - Functional Area Entity List

2.X.2.X - Entity Interface List

2.X.2.X.1 - Interface

2.X.2.X.1.1 - Transition Technical Design

2.X.2.X.1.2 - New KYMMIS Technical Design

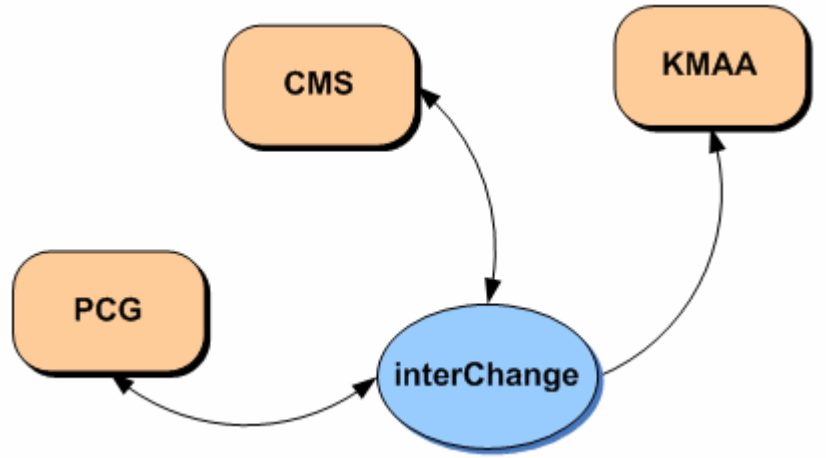
2.X.2.X.1.3 - Transition/New KYMMIS Gap Analysis

2.1 Buy-in Data Functional Area Interfaces

2.1.1 Buy-in Data Interface Diagram

A context diagram for entities within the functional area is shown

below.



2.1.2 Buy-in Data Entities

Name	Description
CMS	Centers for Medicare and Medicaid Services
KMAA	First Health Kentucky Medicaid Administrative Agent
PCG	Public Consulting Group

2.1.2.1 CMS Input

Name	Interface Type	Description	Subsystems Impacted	System Entry Point	Data Owner
Buy-in Billing	File	The Buy-in Billing Files come from CMS. They are sent to the Commonwealth Data Center where they are forwarded to PCG. PCG scrubs the file and sends it to interChange.	Buy-in	interChange	CMS
Buy-in Part D	File	The Buy-in Part D file from CMS is routed to interChange from the Commonwealth Data Center.	Buy-in	interChange	CMS

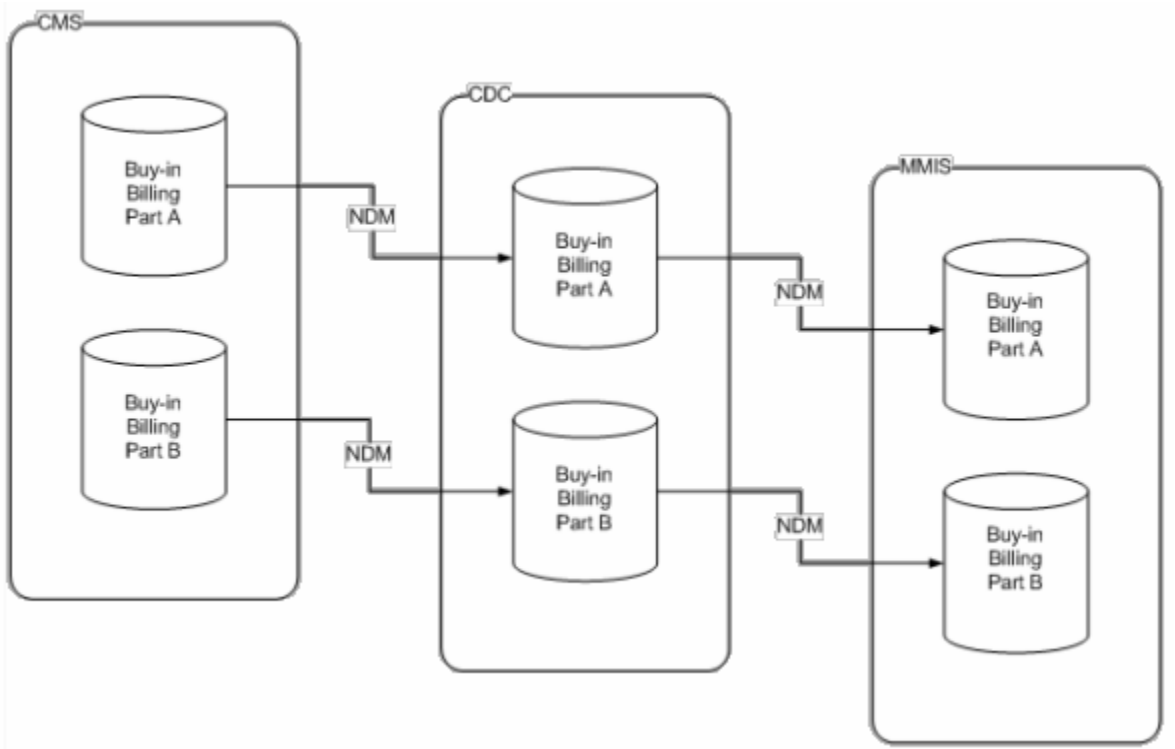
Name	Source System	Source Contact Name	Source Contact Phone Number	Source Contact Email Address	EDS Contact Name	EDS Contact Phone Number	EDS Contact Email Address	Escalation Procedure
Buy-in Billing	CMS through Commonwealth Data Center	Greg Whitt	(502) 564-0105 ext. 10234	Greg.Whitt@ky.gov	Bill Ponder	(502) 209-3145	Bill.Ponder@eds.com	During the day contact Cliff Robey at (502) 564-5183. After hours call (502) 564-7946
Buy-in Part D	CMS through Commonwealth Data Center	Greg Whitt	(502) 564-0105 ext. 10234	Greg.Whitt@ky.gov	Bill Ponder	(502) 209-3145	Bill.Ponder@eds.com	During the day contact Cliff Robey at (502) 564-5183. After hours call (502) 564-7946

Name	Source System	Transaction Type	Transmission Type	Frequency	Record Format	Record length	Batch or Real-time	Peak Volume	Archive Requirements	Allowable Latency	Tested	Verified
Buy-in Billing	CMS through Commonwealth Data Center	Flat file	FTP	Monthly	Fixed width	160	Batch		1 year			
Buy-in Part D	CMS through Commonwealth Data Center	Flat file	FTP	Monthly	Fixed width	180	Batch		1 year			

2.1.2.1.1 Buy-in Billing

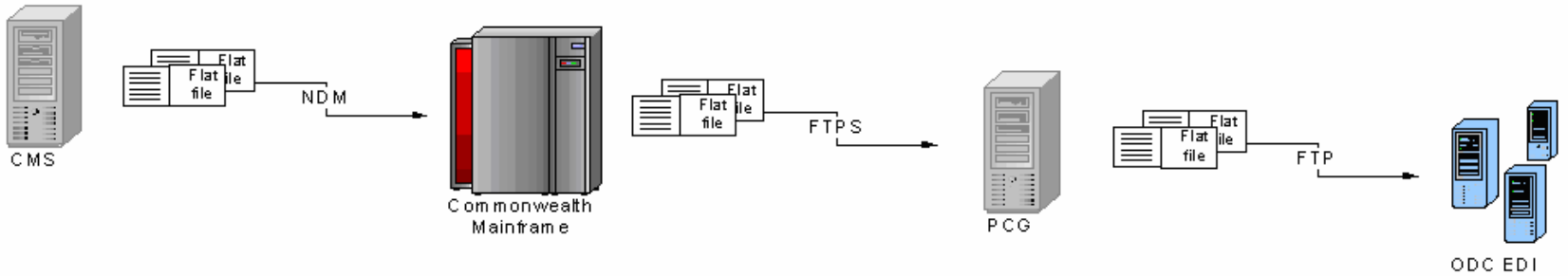
2.1.2.1.1.1 Transition Technical Design

The Buy-in Billing files for Part A and Part B come from CMS. They are delivered via NDM to the Commonwealth Data Center where they are transmitted to the MMIS.



2.1.2.1.1.2 New KYMMIS Technical Design

The Buy-in Billing files for Part A and Part B come from CMS. They are delivered to the Commonwealth Data Center and then re-transmitted to PCG. PCG will cleanse this data and then send it to interChange.



Buy-in Part A Billing file structure

FIELD NAME	TYPE	START	END	LENGTH
Medicare Claim Number	Alphanumeric	1	12	12
Surname	Alphanumeric	13	36	24
Given Name	Alphanumeric	37	51	15
Middle Initial	Alphanumeric	52	52	1
Sex Code	Alphanumeric	53	53	1
Date of Birth	Date (CCYYMMDD)	54	61	8
Social Security Number	Numeric	62	70	9
Reduced Part A Indicator	Alphanumeric	71	71	1
Part A Premium Surcharge Indicator	Alphanumeric	72	72	1
Agency Code	Alphanumeric	73	75	3
Record Identification Code (“B”)	Alphanumeric	76	76	1
Transaction Code	Alphanumeric	77	80	4
Transaction Sub-code	Alphanumeric	81	81	1
Billing Period Start Date	Date (CCYYMM)	82	87	6
Billing Period Stop Date	Date (CCYYMM)	88	93	6
Premium Amount Due or Refund	Numeric (2 dec plcs)	94	101	8
Bill Date	Date (CCYYMM)	102	107	6
Current Monthly Premium Rate	Numeric (2 dec plcs)	108	113	6
Filler	Alphanumeric	114	116	3
Credit Indicator	Alphanumeric	117	117	1
Filler	Alphanumeric	118	126	9
Zip Code of Residence	Alphanumeric	127	135	9
County Code of Residence	Alphanumeric	136	138	3
Filler	Alphanumeric	139	140	2
Agency Client Identification Number	Alphanumeric	141	160	20

Buy-in Part B Billing file structure

FIELD NAME	TYPE	START	END	LENGTH
Medicare Claim Number	Alphanumeric	1	12	12
Surname	Alphanumeric	13	36	24
Given Name	Alphanumeric	37	51	15
Middle Initial	Alphanumeric	52	52	1
Sex Code	Alphanumeric	53	53	1
Date of Birth	Date (CCYYMMDD)	54	61	8
Social Security Number	Numeric	62	70	9
Buy-in Eligibility Code	Alphanumeric	71	72	2
Agency Code	Alphanumeric	73	75	3
Record Identification Code (“B”)	Alphanumeric	76	76	1
Transaction Code	Alphanumeric	77	80	4
Transaction Sub-code	Alphanumeric	81	81	1
Billing Period Start Date	Date (CCYYMM)	82	87	6
Billing Period Stop Date	Date (CCYYMM)	88	93	6
Premium Amount Due or Refund	Numeric (2 dec plcs)	94	101	8
Bill Date	Date (CCYYMM)	102	107	6
Current Monthly Premium Rate	Numeric (2 dec plcs)	108	113	6
Reduced Monthly Premium Amount	Numeric (2 dec plcs)	114	119	6
Credit Indicator	Alphanumeric	123	123	1
Filler	Alphanumeric	124	126	3
Zip Code of Residence	Alphanumeric	127	135	9
County Code of Residence	Alphanumeric	136	138	3
Filler	Alphanumeric	139	140	2
Agency Client Identification Number	Alphanumeric	141	160	20

2.1.2.1.1.3 Transition/New KYMMIS Gap Analysis

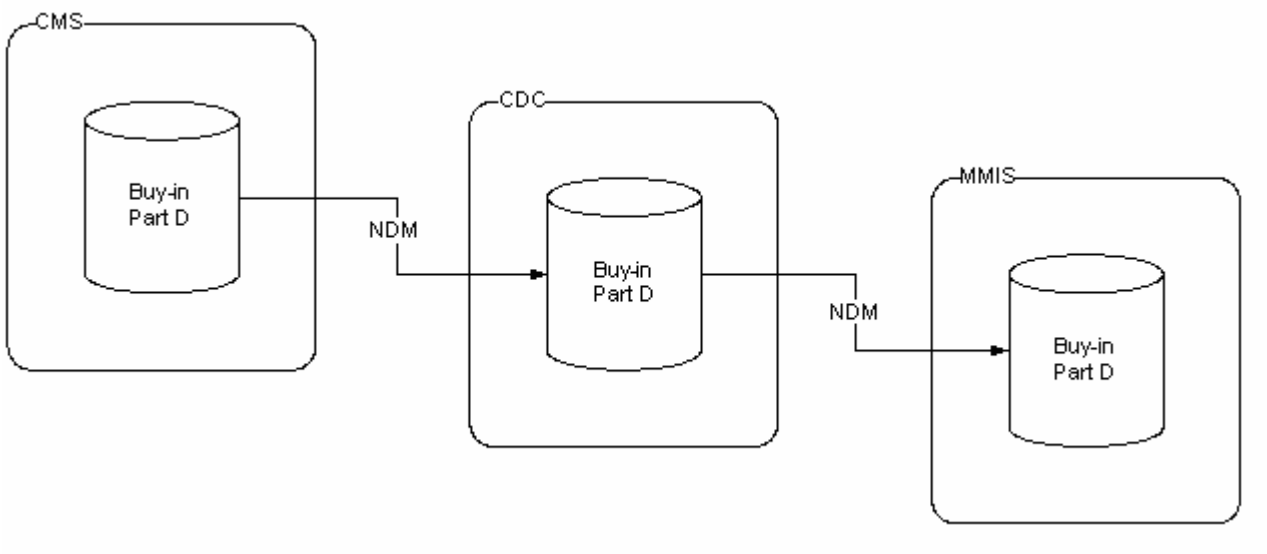
The Buy-in billing files originate from CMS. The Commonwealth Data Center forwards the files to PCG where they are processed. New billing files are then sent to interChange from PCG. The MMIS Transition system receives the files from the Commonwealth Data Center directly to the MMIS Mainframe via NDM. For interChange the files will get to interChange by traveling from the Commonwealth Data Center to PCG systems and then FTP'd to the Orlando Data Center.

File transfer that is currently NDM will be converted to secure FTP (SSL).

2.1.2.1.2 Buy-in Part D

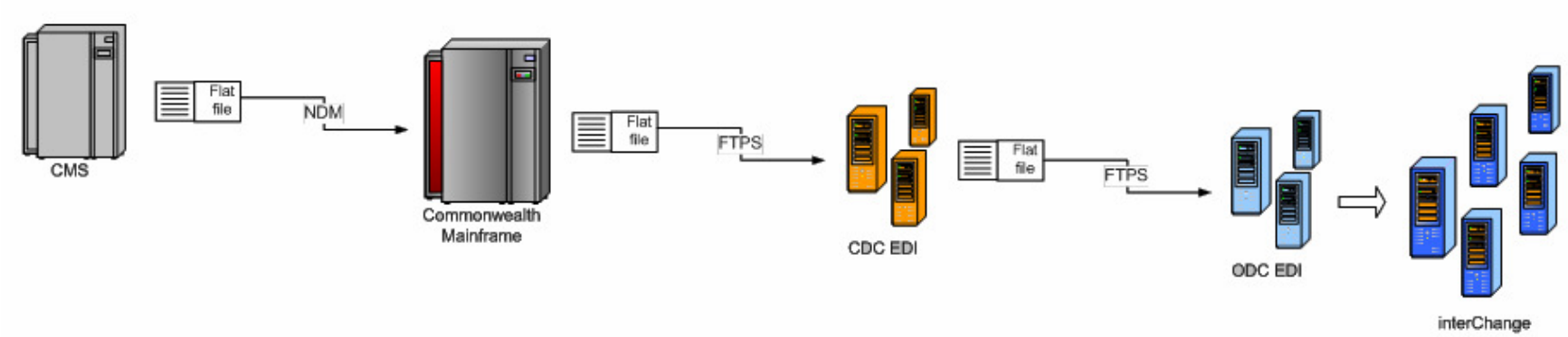
2.1.2.1.2.1 Transition Technical Design

CMS sends the Buy-in Part D file to MMIS through the Commonwealth Data Center where it is forwarded to the MMIS.



2.1.2.1.2.2 New KYMMIS Technical Design

CMS sends the Buy-in Part D file to interChange through the Commonwealth Data Center using the interChange (ODC) EDI environment and Commonwealth Data Center EDI environment.



Buy-in Part D Header Record

FIELD NAME	TYPE	START	END	LENGTH
Record ID (“MMA”)	Alphanumeric	1	3	3
State Code	Alphanumeric	4	5	2
Create Date	Date (MMCCYY)	6	11	6
Filler	Alphanumeric	12	180	169

Buy-in Part D Detail Record

FIELD NAME	TYPE	START	END	LENGTH
Record ID (“DET”)	Alphanumeric	1	3	3
Eligibility Date	Alphanumeric	4	9	6
Eligibility Status	Alphanumeric	10	10	1
HIC Number	Alphanumeric	11	25	15
RRB Indicator	Alphanumeric	26	26	1
Social Security Number	Alphanumeric	27	35	9
SMA Identifier	Date (CCYYMMDD)	36	55	20
Given Name	Alphanumeric	56	67	12
Surname	Alphanumeric	68	87	20
Middle Name	Alphanumeric	88	102	15
Name Suffix	Alphanumeric	103	106	4
Sex	Alphanumeric	107	107	1
Date of Birth	Date (CCYYMM)	108	115	8
Dual Status Code	Numeric	116	117	2
FPL Percent	Numeric	118	118	1
Drug Coverage Indicator	Numeric	119	119	1
Inst Status	Alphanumeric	120	120	1
Subsidy Approval Indicator	Alphanumeric	121	121	1
Subsidy Approval Date	Date (MMDDCCYY)	122	129	8

FIELD NAME	TYPE	START	END	LENGTH
Subsidy Start Date	Date (MMDDCCYY)	130	137	8
Subsidy Stop Date	Date (MMDDCCYY)	138	145	8
Part D FPL Percent	Numeric	146	148	3
Subsidy Level	Numeric	149	151	3
Income Detail Indicator	Alphanumeric	152	152	1
Resource Level	Alphanumeric	153	153	1
Denial Basis	Alphanumeric	154	154	1
Appeal Result	Alphanumeric	155	155	1
Change Determination	Alphanumeric	156	156	1
Cancel Determination	Alphanumeric	157	157	1
Filler	Alphanumeric	158	180	23

Buy-in Part D Trailer Record

FIELD NAME	TYPE	START	END	LENGTH
Record ID (“TRL”)	Alphanumeric	1	3	3
Record Count	Numeric	4	11	8
State Code	Alphanumeric	12	13	2
Create Date	Date (MMCCYY)	14	19	6
Filler	Alphanumeric	20	180	161

2.1.2.1.2.3 Transition/New KYMMIS Gap Analysis

CMS sends the Buy-in Part D file to interChange through Commonwealth Data Center using the interChange (ODC) EDI environment and Commonwealth Data Center EDI environment. The change from transition to interChange is the introduction of the EDI environment to facilitate file transfer.

File transfer that is currently NDM will be converted to secure FTP (SSL).

2.1.2.2 CMS Output

Name	Interface Type	Description	Subsystems Impacted	System Entry Point	Data Owner
Buy-in Input Data	File	The Buy-in Input file is sent to CMS through the Commonwealth Data Center. The original input file is created by PCG and sent to interChange through Commonwealth Data Center. The file is used to update interChange Buy-in Data, then forwarded to CMS.	Buy-in	CMS	PCG
EDB Finder	File	The Eligibility Database finder file is created and sent to CMS through the Commonwealth Data Center	Buy-in	CMS	interChange

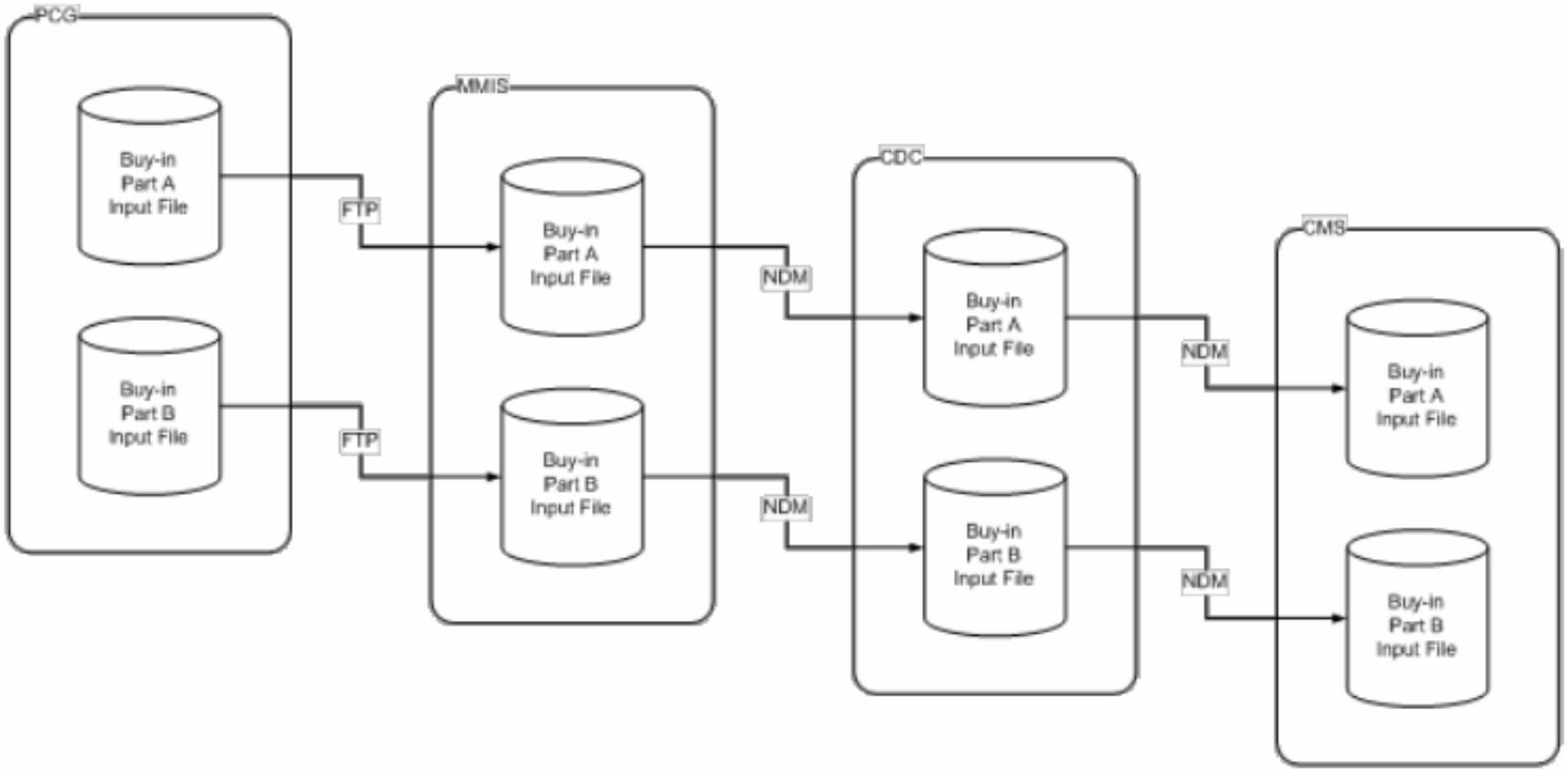
Name	Destination System	Destination Contact Name	Destination Contact Phone Number	Destination Contact Email Address	EDS Contact Name	EDS Contact Phone Number	EDS Contact Email Address	Escalation Procedure
Buy-in Input Data	CMS through Commonwealth Data Center	Greg Whitt	(502) 564-0105 ext. 10234	Greg.Whitt@ky.gov	Bill Ponder	(502) 209-3145	Bill.Ponder@eds.com	During the day contact Cliff Robey at (502) 564-5183. After hours call (502) 564-7946
EDB Finder	CMS through Commonwealth Data Center	Greg Whitt	(502) 564-0105 ext. 10234	Greg.Whitt@ky.gov	Bill Ponder	(502) 209-3145	Bill.Ponder@eds.com	During the day contact Cliff Robey at (502) 564-5183. After hours call (502) 564-7946

Name	Destination System	Transaction Type	Transmission Type	Frequency	Record Format	Record length	Batch or Real-time	Peak Volume	Archive Requirements	Allowable Latency	Tested	Verified
Buy-in Input Data	CMS through Commonwealth Data Center	Flat file	FTP	Monthly	Fixed width	120	Batch		1 year			
EDB Finder	CMS through Commonwealth Data Center	Flat file	FTP	Monthly	Fixed width	80	Batch		1 year			

2.1.2.2.1 Buy-in Input Data

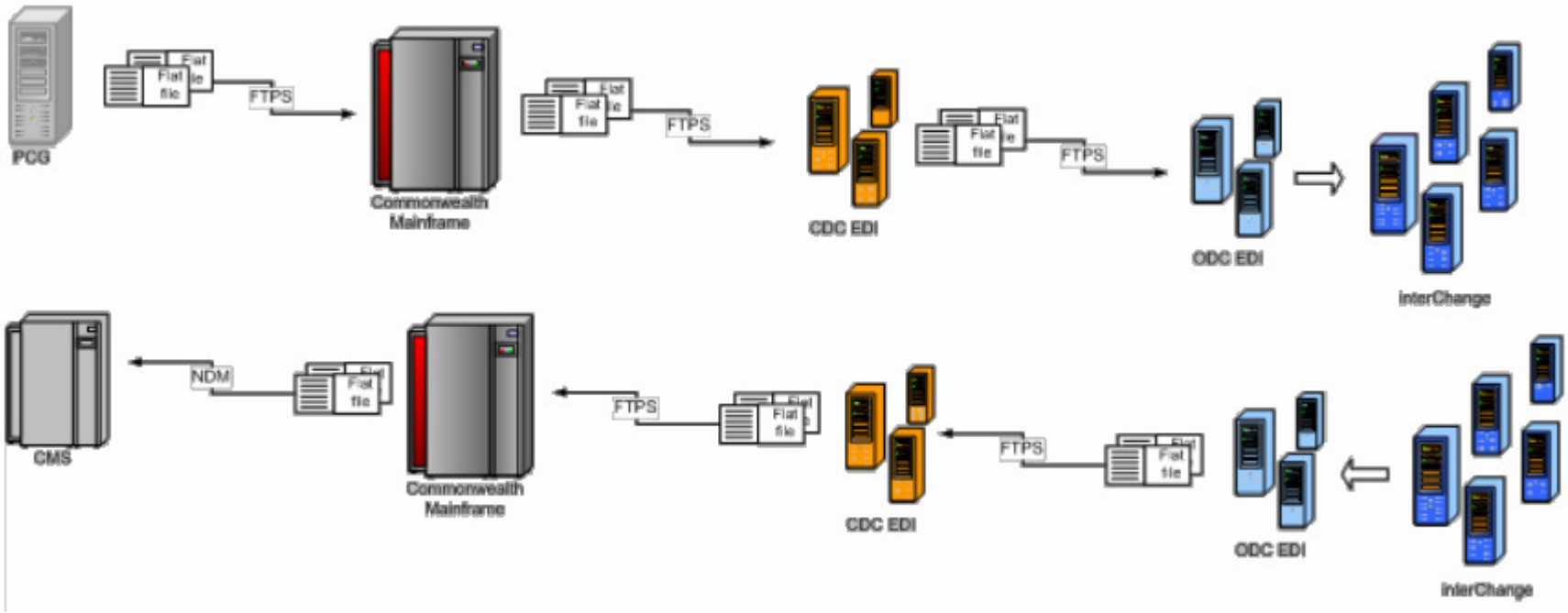
2.1.2.2.1.1 Transition Technical Design

The Buy-in Input Part A file and Part B file is created by PCG and sent to the MMIS. On the MMIS, the buy-in master is updated and reports are produced. Then the files are sent to CMS through the Commonwealth Data Center.



2.1.2.2.1.2 New KYMMIS Technical Design

The Buy-in Input Part A and Input Part B files are created by PCG and sent to the interChange through Commonwealth Data Center including the Commonwealth Data Center EDI Environment. The interChange (ODC) EDI Environment is the point of entry into interChange. In interChange the buy-in tables are updated and reports are produced. Then the file is sent to CMS through the Commonwealth Data Center.



Buy-in Input File structure

FIELD NAME	TYPE	START	END	LENGTH
Medicare Claim Number	Alphanumeric	1	12	12
Surname	Alphanumeric	13	36	24
Given Name	Alphanumeric	37	51	15
Middle Initial	Alphanumeric	52	52	1
Sex Code	Alphanumeric	53	53	1
Date of Birth	Date (CCYYMMDD)	54	61	8
Social Security Number	Alphanumeric	62	70	9
Buy-in Eligibility Code	Alphanumeric	71	72	2
Agency Code	Alphanumeric	73	75	3
Transaction Code	Alphanumeric	76	77	2
Filler	Alphanumeric	78	82	5
Transaction Effective Date	Date (CCYYMM)	83	88	6
Code 75 Stop Date	Date (CCYYMM)	89	94	6
Filler	Alphanumeric	95	100	6
Agency Client Identification Number	Alphanumeric	101	120	20

2.1.2.2.1.3 Transition/New KYMMIS Gap Analysis

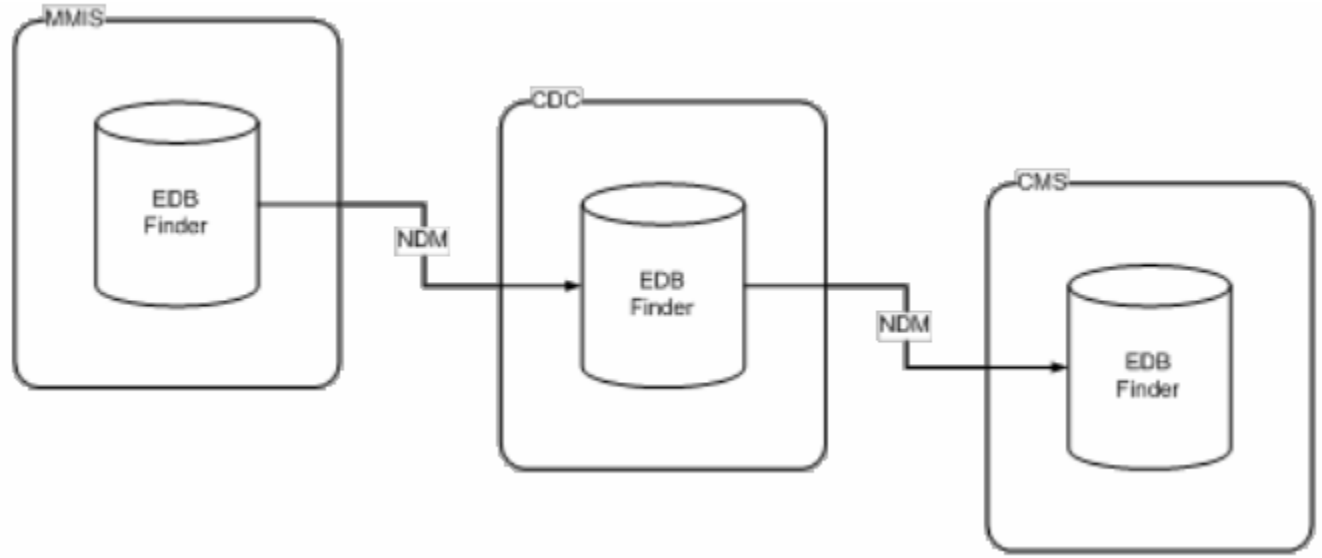
The Buy-in Input Files are created by PCG. They are routed to interChange for table updates and then routed to CMS through the Commonwealth Data Center. The transition system receives the Input file directly from the Commonwealth Data Center. For interChange, the files will get to interChange by traveling from the Commonwealth Data Center to the Commonwealth Data Center EDI environment to the Orlando Data Center.

File transfer that is currently NDM will be converted to secure FTP (SSL).

2.1.2.2.2 EDB Finder

2.1.2.2.2.1 Transition Technical Design

The EDB Finder file is created from the MMIS Eligibility Master and then sent to the Commonwealth Data Center where Commonwealth Data Center send it to CMS.



2.1.2.2.2.2 New KYMMIS Technical Design

InterChange sends the EDB (Eligibility Data Base) Finder file to CMS through the Commonwealth Data Center using the interChange (ODC) EDI environment and Commonwealth Data Center EDI environment.

EDB file structure

FIELD NAME	TYPE	START	END	LENGTH
Social Security Number	Alphanumeric	1	9	9
State Identifier	Alphanumeric	10	17	8
CMS Identifier	Alphanumeric	18	42	25
Date of Birth	Date (CCYYMMDD)	43	50	8
Sex Code	Numeric	51	51	1
Given Name	Alphanumeric	52	57	6
Surname	Alphanumeric	58	63	6
Create Date	Date (YYMM)	64	69	4
Request Source	Alphanumeric	70	73	6
Serial Number	Alphanumeric	74	80	7

2.1.2.2.2.3 Transition/New KYMMIS Gap Analysis

InterChange sends the EDB (Eligibility Data Base) Finder file to CMS through the Commonwealth Data Center using the interChange (ODC) EDI environment and Commonwealth Data Center EDI environment. The change from transition to interChange is the introduction of the EDI environment to facilitate file transfer.

File transfer that is currently NDM will be converted to secure FTP (SSL).

2.1.2.3 First Health KMAA Output

Name	Interface Type	Description	Subsystems Impacted	System Entry Point	Data Owner
Buy-in Updates	File	Buy-in Updates are sent to First Health KMAA to reflect any Buy-in Data changes in interChange.	Buy-in	FIQM	InterChange

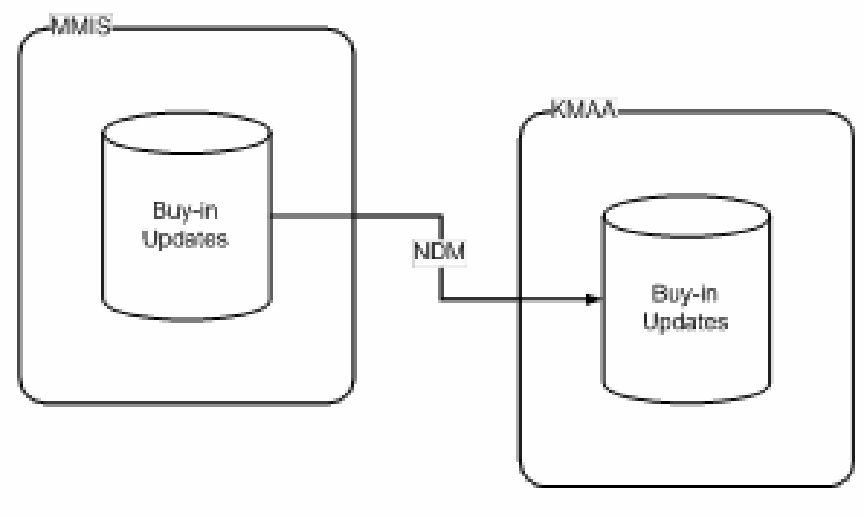
Name	Destination System	Destination Contact Name	Destination Contact Phone Number	Destination Contact Email Address	EDS Contact Name	EDS Contact Phone Number	EDS Contact Email Address	Escalation Procedure
Buy-in Updates	FIQM	Bob Gaston	(804) 527-5745	BGaston@fhsc.com	Bill Ponder	(502) 209-3145	Bill.Ponder@eds.com	Contact Bob Gaston, if unreachable, call 800-453-8780, option 3, category – applications, type – FIQM, item – Data Loads/Extracts

Name	Destination System	Transaction Type	Transmission Type	Frequency	Record Format	Record length	Batch or Real-time	Peak Volume	Archive Requirements	Allowable Latency	Tested	Verified
Buy-in Updates	FIQM	Flat file	FTP	Daily	Fixed width	120	Batch		1 month			

2.1.2.3.1 Buy-in Updates

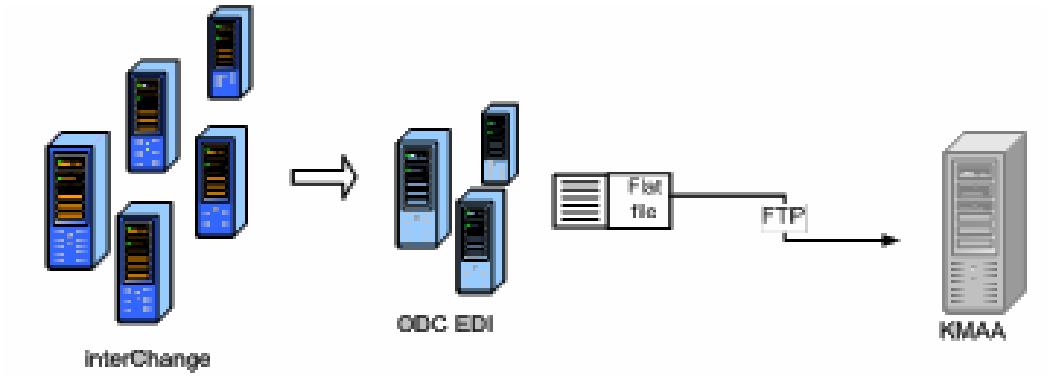
2.1.2.3.1.1 Transition Technical Design

Buy-in Master file adds and changes are sent to KMAA.



2.1.2.3.1.2 New KYMMIS Technical Design

Buy-in Data adds and changes are sent to KMAA.



Buy-in Update Header Record

FIELD NAME	TYPE	START	END	LENGTH
Record Type (“00”)	Numeric	1	2	2
Load Type	Alphanumeric	3	3	1
Client (“KMAA”)	Alphanumeric	4	18	15
Client Name	Alphanumeric	19	48	30
Contact Name	Alphanumeric	49	78	30
Contact Phone Number	Alphanumeric	79	98	20
Creation Date	Date (CCYYMMDD)	99	106	8
File Name	Alphanumeric	107	121	15

Buy-in Update Detail Record

FIELD NAME	TYPE	START	END	LENGTH
Member ID	Numeric	1	9	9
Member Check Digit	Numeric	10	10	1
Record Type (“01”)	Numeric	11	12	2
Start Date	Date (CCYYMMDD)	13	20	8
Stop Date	Date (CCYYMMDD)	21	28	8
Add Date	Date (CCYYMMDD)	29	36	8
Transaction Date	Date (CCYYMMDD)	35	44	8
Option Code	Alphanumeric	45	45	1
Payer Code	Alphanumeric	46	48	3
Filler	Alphanumeric	49	121	73

Buy-in Update Trailer Record

FIELD NAME	TYPE	START	END	LENGTH
Record Type (“99”)	Numeric	1	2	2
Client (“KMAA”)	Alphanumeric	3	17	15
Record Count	Numeric	18	26	9
Filler	Alphanumeric	27	121	95

2.1.2.3.1.3 Transition/New KYMMIS Gap Analysis

InterChange sends Buy-in Updates to First Health KMAA. The change from transition to interChange is the introduction of the EDI environment to facilitate file transfer.

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2.1.2.4 PCG Input

Name	Interface Type	Description	Subsystems Impacted	System Entry Point	Data Owner
Medicare Entitlement	File	Medicare Entitlement Data is sent to interChange from PCG through Commonwealth Data Center at Commonwealth Data Center. It is used to update interChange Buy-in Data. Two update reports are created and sent directly to PCG.	Buy-in	interChange	PCG

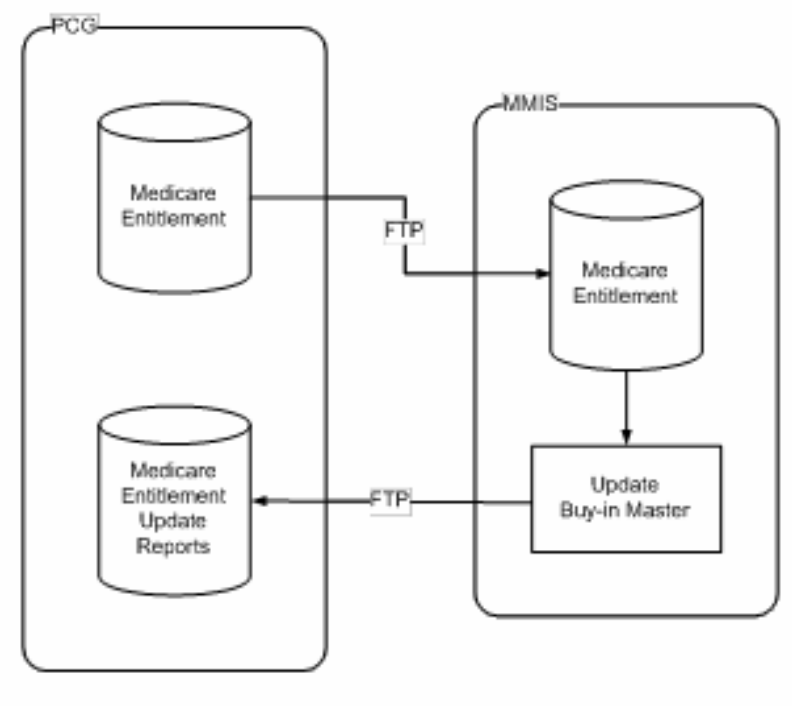
Name	Source System	Source Contact Name	Source Contact Phone Number	Source Contact Email Address	EDS Contact Name	EDS Contact Phone Number	EDS Contact Email Address	Escalation Procedure
Medicare Entitlement	PCG	Chris Sallee	(704) 372-9384 ext 8117	CSallee@pcgus.com	Bill Ponder	(502) 209-3145	Bill.Ponder@eds.com	Contact Chris Sallee. After hours, dial the PCG Help Desk, (866) 857-0089

Name	Source System	Transaction Type	Transmission Type	Frequency	Record Format	Record length	Batch or Real-time	Peak Volume	Archive Requirements	Allowable Latency	Tested	Verified
Medicare Entitlement	PCG	Flat file	FTP	Request	Fixed width	351	Batch		Last 6 files			

2.1.2.4.1 Medicare Entitlement

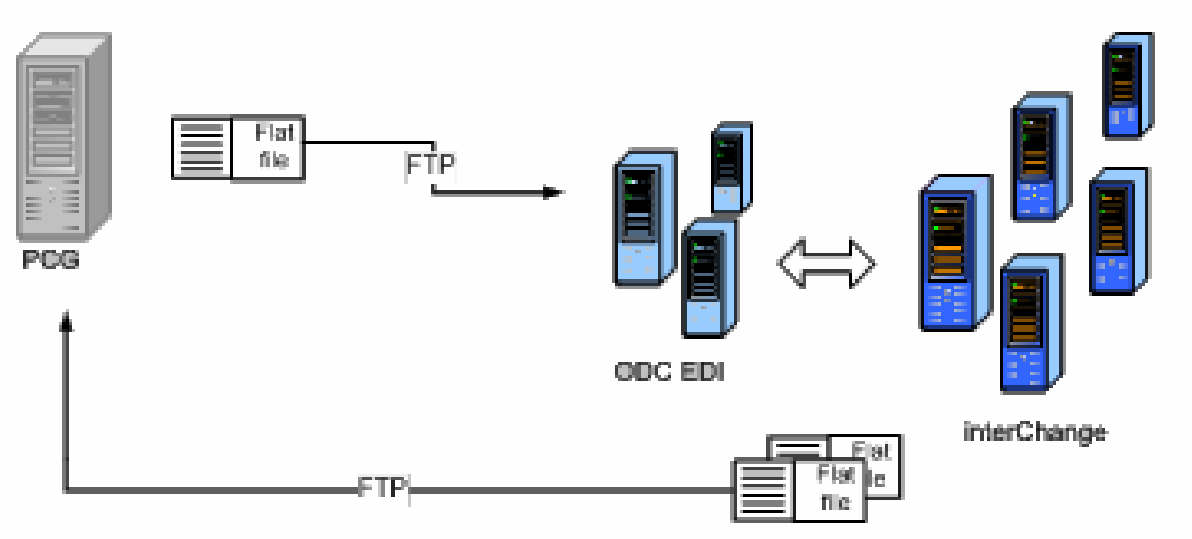
2.1.2.4.1.1 Transition Technical Design

The Medicare Entitlement file is sent by PCG to the MMIS for processing. The Entitlement Update process creates 2 reports that are sent to PCG using FTP.



2.1.2.4.1.2 New KYMMIS Technical Design

The Medicare Entitlement file is sent by PCG to interChange for processing. The Entitlement Update process creates 2 reports that are sent to PCG using FTP.



Medicare Entitlement file structure

FIELD NAME	TYPE	START	END	LENGTH
NEW BUYIN IND	Alphanumeric	1	1	1
ORIG ID	Alphanumeric	2	10	9
SSN	Alphanumeric	11	19	9
BNDX2 HIB SSN	Alphanumeric	20	28	9
BNDX2 HIB SUFFIX	Alphanumeric	29	30	2
BNDX2 LAST NAME	Alphanumeric	31	42	12
BNDX2 FIRST NAME	Alphanumeric	43	49	7
BNDX2 MIDDLE INIT	Alphanumeric	50	50	1
BNDX2 SEX CODE	Alphanumeric	51	51	1
FILLER	Alphanumeric	52	57	6
BNDX2 PRF BRTH IND	Alphanumeric	58	58	1
BNDX2 AGENCY	Alphanumeric	59	61	3
BNDX2 SOURCE CODE	Alphanumeric	62	62	1
BNDX2 CATEGORY CODE	Alphanumeric	63	63	1
DWI	Alphanumeric	64	64	1
N1114201 FILLER	Alphanumeric	65	65	1
BNDX2 REC PROCE DATE	Numeric	66	71	6
BNDX2 STATE ID Numeric	Alphanumeric	72	83	12
BNDX2 IEVS AGEN SUBCD	Alphanumeric	84	87	4
BNDX2 OLD BIC	Alphanumeric	88	89	2
BNDX2 SSN	Alphanumeric	90	98	9
BNDX2 PMT STATUS	Alphanumeric	99	100	2
FILLER	Alphanumeric	101	101	1
BNDX2 MBP	Numeric (2 dec plcs)	102	107	6
BNDX2 ENTITL DTE	Alphanumeric	108	113	6
BNDX2 COMM CODE	Alphanumeric	114	121	8
BNDX2 GROSS AMT PAY	Numeric (2 dec plcs)	122	127	6
BNDX2 DATE CURR ENTIT	Numeric	128	133	6

FIELD NAME	TYPE	START	END	LENGTH
BNDX2 NET MTH BEN AMT	Numeric	134	139	6
BNDX2 B LUNG ACCT NUM	Numeric	140	148	9
BNDX2 B LUNG ID CODE	Alphanumeric	149	150	2
BNDX2 B LUNG ENTIT DT	Numeric	151	156	6
BNDX2 B LUNG ENTIT ST	Alphanumeric	157	157	1
FILLER	Alphanumeric	158	158	1
BNDX2 B LNG IND PMT	Numeric	159	163	5
BNDX2 SSI ENTIT TM DT	Numeric	164	169	6
BNDX2 SSI STATUS CODE	Alphanumeric	170	170	1
BNDX2 RR CLAIM NUM	Alphanumeric	171	181	11
BNDX2 RR STATUS CODE	Alphanumeric	182	182	1
BNDX2 MNTHLY DDUC AMT	Numeric	183	187	5
N1114231 FILLER	Alphanumeric	188	188	1
PART A TP PREM PAYOR	Alphanumeric	189	191	3
BNDX2 END DATE DDUCT	Numeric	192	197	6
BNDX2 SMI OPTION CODE	Alphanumeric	198	198	1
BNDX2 SMI ENTITL DATE	Numeric	199	204	6
BNDX2 SMI PREM COLLEC	Numeric	205	209	5
BNDX2 SMI PREM PAYER	Alphanumeric	210	214	5
BNDX2 SMI TERM DATE	Alphanumeric	215	220	6
BNDX2 HI OPTION CODE	Alphanumeric	221	221	1
BNDX2 HI ENTITL DATE	Numeric	222	227	6
BNDX2 HI PREM COLLECT	Numeric	228	232	5
BNDX2 HI TERM DATE	Alphanumeric	233	238	6
BNDX2 SMI TP ENTIT DT	Numeric	239	244	6
BNDX2 SMI TP TERM DT	Numeric	245	250	6
BNDX2 STATE COUNTY CD	Numeric	251	255	5
BNDX2 VALIDATED BOSSN	Numeric	256	264	9
BNDX2 DUAL ENTITL SSN	Numeric	265	273	9

FIELD NAME	TYPE	START	END	LENGTH
BNDX2 DUAL ENTITL BIC	Alphanumeric	274	275	2
BNDX2 DUAL ENTITL IND	Alphanumeric	276	276	1
BNDX2 TRIPL ENTIT SSN	Numeric	277	285	9
BNDX2 TRIPL ENTIT BIC	Alphanumeric	286	287	2
BNDX2 DISAB DT ONSET	Numeric	288	293	6
BNDX2 EARN REQ IND	Alphanumeric	294	294	1
N1114261 FILLER	Alphanumeric	295	296	2
BNDX2 CROSS REF SSN	Numeric	297	305	9
BNDX2 CROSS REF BIC	Alphanumeric	306	307	2
BNDX2 DIR DEP IND	Alphanumeric	308	308	1
RECORD PROCESS DT	Alphanumeric	309	316	8
PART A TP TERM DT	Alphanumeric	317	322	6
BNDX2 TRAN DATE	Alphanumeric	323	330	8
N1114271 FILLER	Alphanumeric	331	331	1
BNDX2 DATE OF BIRTH	Numeric	332	339	8
FILLER	Alphanumeric	340	351	12

2.1.2.4.1.3 Transition/New KYMMIS Gap Analysis

The Medicare Entitlement file is sent by PCG to the Commonwealth Data Center where Commonwealth Data Center forward it to interChange for processing. The Entitlement Update process creates 2 reports that are sent to PCG using FTP. The only change from transition to interChange is the EDI environments utilized to facilitate file transfer.

File transfer that is currently NDM will be converted to secure FTP (SSL).

Security (40.1.1.17 to 40.1.1.18)

The protection of healthcare data, applications, and the associated standard controls of a design and development effort are critical for an implementation of an MMIS. The subject of security directly relates to the risk of a project and the team's experience in successful deliveries. The EDS team's application and control processes are repeatable and proven based on multiple successful implementations. Each aspect of the project and program are thought through, and appropriate controls are instituted to meet security demands.

At the heart of the application security is interChange Single Sign-On, a full-featured user provisioning and single sign-on solution that includes identity management, delegated administration, delegated access, identity federation, application access control, password management, profile management, and compliance management. This system is based on Microsoft Active Directory and Active Directory Federated Services (ADFS), Security Assertion Markup Language (SAML), and Service Provisioning Markup Language (SPML) technologies to provide industry-standard mechanisms for interfacing between disparate systems.

interChange Single Sign-On will interface with the North Carolina Identity Enterprise Service (NCID) through the industry-standard SPML, which exists for the integration of separate provisioning systems. SPML was adopted in April 2006 by the Organization for the Advancement of Structured Information Standards (OASIS), which represents more than 600 organizations and individual members in 100 countries, including Oracle and Novell, the underlying software providers of NCID.

Additional information about interChange Single Sign-On and security can be found in proposal section 50.2.8 Section H—Security Approach.

The following subsections describe the interChange Single Sign-On functions.

Identity Self-Service

interChange Single Sign-On provides a high degree of self-service identity management for users. The self-service capabilities are crucial for a security system that must serve four divisions and the 57,000 providers accessing the secure Web portal. The self-service features are different for the various user types, as described in the following list:

Providers

When a provider is added to the Replacement MMIS through the provider enrollment and credentialing process, interChange Single Sign-On will submit an SPML-formatted lookup request for the provider number to NCID. If a response is received from NCID with the information for that provider, the information will be added to interChange Single Sign-On, and an SPML-formatted modification request will be sent to NCID with any new information about the

provider. If no response or a negative response is received from NCID, interChange Single Sign-On will generate a PIN for the provider. The system will generate a letter to the provider with the provider PIN so the provider can go to interChange Single Sign-On and create a user ID and password. The provider will receive a default set of roles based on his or her provider type, and interChange Single Sign-On will then send an SPML-formatted add request to NCID.

Billing Agents

A billing agent is the default user type for anyone who registers over the Internet for an ID. An ID of billing agent has restricted permissions. When a billing agent ID is created, interChange Single Sign-On will ask whether the user already has a North Carolina user ID. If so, interChange Single Sign-On will collect the appropriate data from the user and submit a lookup request to NCID for the appropriate information. If NCID responds with a match, the system will use that information to create an ID in interChange Single Sign-On and send an SPML-formatted modification request to NCID. If the lookup fails for any reason, interChange Single Sign-On will create the billing agent's ID and send an SPML-formatted add transaction to NCID. A billing agent's permissions are limited to updating their profile information, adding agents, or submitting a provider application.

Recipients

The addition of a recipient is similar to the addition of a provider. The main difference is that a recipient enrollment transaction starts the process. interChange Single Sign-On will interface with NCID for recipient identities in the same way it interfaces for providers.

Internal Users

When a State user, EDS user, or other internal user requests a new ID in interChange Single Sign-On, an ID will be created and interChange Single Sign-On will send an SPML-formatted lookup request to NCID. If a response is received from NCID with the information for that user, the information will be added to interChange Single Sign-On and an SPML-formatted modification request will be sent to NCID with any new information about the user. If no response or a negative response is received from NCID, interChange Single Sign-On will add the user and send an SPML-formatted add request to NCID.

Internal users also can submit their own authorization requests through interChange Single Sign-On for access to specific applications and permissions within that application. These requests will go through approval workflows based on the user's department, organization, payer, and the application access being requested. After a request has been approved, the user will be automatically granted access and interChange Single Sign-On will send an SPML-formatted modification request to NCID.

Identity Administration

The Medicaid Identity Management System provides for administration of user accounts by a trained call center. Call center individuals can use the identity management functions to do the following:

- Determine the permission sets of an individual for troubleshooting access to a particular system
- Send password-reset e-mails to users
- Lock a user ID
- Change an individual's profile information
- Assist with delegation of authority questions

Identity administration also includes the authentication and authorization of an individual.

Identity Migration

User IDs can be migrated from existing systems into interChange Single Sign-On. This migration can occur through bulk-loads of IDs from the existing system or through a variety of communication processes. The originating system must be able to provide the critical security items for loading into interChange Single Sign-On, including user ID, permissions, password, and associated demographic information such as name, address, and telephone number.

Delegated Administration

Many facets of administration can be delegated to the responsible organizations or individuals. Organization administrators can be delegated the authority to set up departments within their organizations and give or deny access to applications or roles within the application to the department manager and employees. Organization administrators can further delegate access to any or all of the organization administration functions to other individuals.

Administration includes the administration of users. An individual can be granted the authority to administer the users within a particular organization or across the entire system. Administration of a user includes the ability to add or remove access to applications or application roles. A user's administrator can also administer the delegation of that user's rights.

Administrative changes from interChange Single Sign-On will be communicated to NCID through SPML-formatted transactions.

Delegated Access

interChange Single Sign-On will allow external users (providers, billing agents, and recipients) to delegate their access to another user. A provider can allow one billing agent to submit or enter his or her claims and another billing agent to

submit or enter his or her prior approvals (PAs). Billing agents and providers can also create agents who are under the complete control of the organization that created them. An agent under the control of a billing agent can have his or her ID locked or roles changed by the billing agent at any time.

When delegated access occurs from one user to another, interChange Single Sign-On will send an SPML-formatted modification transaction to NCID.

Identity Federation

The SAML token generated by interChange Single Sign-On ADFS servers can be used by any organization that can verify the digital signature on the token. In previous implementations, interChange Single Sign-On has provided the authentication and authorization services for applications owned, managed, and hosted by a variety of state business partners with a varied set of technologies.

Application Access Control

interChange Single Sign-On provides a single point of entry for all users. After a user authenticates against the ADFS servers, the user will be presented with a list of applications to access. The applications that could be present on a user's Access Control page include document management, iTRACE, interChange, DSS, Provider Portal, Recipient Portal, or other system identified in this proposal as under the control of interChange Single Sign-On. When a user selects an application from this menu, the event is recorded in an audit log for future reporting. Using this information, we can report when a user has accessed or attempted to access a specific application.

Password Management

interChange Single Sign-On will manage the length and structure of the user-assigned password to conform to State standards. Passwords will be exchanged between interChange Single Sign-On and NCID whenever users update their password in either system. The exchange will occur in an SPML-formatted modification request.

Profile Management

interChange Single Sign-On maintains a base profile for each user with the user's name, address, and telephone number. interChange Single Sign-On also will maintain the NCID-generated user ID (hash value) to link the two systems. Other data will be specific to a particular user type. For providers, we will keep their Medicaid provider IDs, National Provider Identifiers, and taxonomy. For recipients, we will keep the recipient ID. For billing agents and providers, we also will maintain a trading partner ID.

Compliance Management

interChange Single Sign-On will provide multiple types of compliance management. From a user perspective, interChange Single Sign-On will manage

agreements and whether a user has read and said "yes" to a particular agreement. Agreements will be specific to each organization, with specific agreements for recipients, providers, billing agents, and agents. EDS does not provide the legal language for the agreements because that will be determined by the State's legal department.

interChange Single Sign-On also will provide robust audit trails and reporting for HIPAA and Sarbanes-Oxley compliance. These reports will provide information on who authorized access to what system and for whom, when a system was accessed and by whom, and what access is allowed by a user currently and the access modification history of the user.

Approach to Customization and Modifications

Key to the Replacement MMIS interChange Single Sign-On system is the fact that it is a configurable framework that will support the unique needs of the State. As such, it will take close collaboration and effort to translate the specific rules of the State into the Replacement MMIS interChange Single Sign-On system. For example, questions to be answered and configured or customized include the following:

- What are the departmental, organizational, and application workflows?
- What are the details of the NCID-to–interChange Single Sign-On SPML interfaces?
- What are the password requirements?

These and several other questions will be answered in the detailed requirements validation (RV) meetings and fed into the analysis and customizations of the single sign-on solution for North Carolina.

Enhancements to Functional Requirements

Based on the RFP requirements, we will not need to make enhancements to the interChange Single Sign-On solution. interChange Single Sign-On will have three environments: development, model office, and production. The development and model office environments will be limited to security function testers and application developers. The production security environment will control access to the other systems, including training, parallel, and acceptance testing environments.

Response to Security Requirements

The following table, EDS Response to Security Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Security Requirements

RFP No.	RFP Requirement	EDS Response
40.1.1.17	Provides capability to adopt current industry and State standards and address the State's Security Program Planning and Management, Access Controls, Application Software Development and Change Controls, System Software Controls, and Service Continuity Controls	Met by interChange. interChange Single Sign-On meets or exceeds these requirements for application access controls and the change controls associated with the workflow of identity management and planning.
40.1.1.18	Provides capability for initial batch loading of security records and profiles prior to implementation	Met by interChange. interChange Single Sign-On identity migration features provide for the initial batch loading of security records prior to implementation.

User Access Authentication and Authorization (40.1.1.19 to 40.1.1.20)

Our user access authentication and authorization security structure is an integral part of our interChange solution. EDS will work with the State to meet information and communication processing security requirements as spelled out in the State's policies and standards and will be a willing and active participant in a joint security management team. Through this collaboration, the State-specific security profiles will be developed and deployed. We understand that the North Carolina Office of Information Technology Services is responsible for setting policies, standards, and guidelines for technology in North Carolina state government.

At regular intervals, user passwords will expire and users will be prompted to create new passwords. The default expiration period is 30 days but can be adapted to meet the State's needs.

EDS uses Microsoft Active Directory Federated Services (ADFS) as the enabling technology. ADFS uses Active Directory for its user store; therefore, password protection will be configured to support strong password protection and password management capabilities. The creation or denial of a generic or shared password is an administrative task. EDS' policy is to not allow generic or shared passwords; therefore, we will solicit State approval for exceptions to this policy.

interChange Single Sign-On will prompt users to accept the State's security policy before they can proceed into the portal. EDS will use the logon and security policy language defined by the State, which will be used in a pop-up security acceptance panel. User acceptance or declining of the policy will be logged and kept for audit purposes. The single sign-on solution stores passwords in encrypted form and does not display the password at any time. It is EDS policy not to share user IDs or passwords. Incidents of ID or password sharing that come to the attention of systems administrators will be reported to the appropriate management.

The single sign-on solution also will disconnect or automatically log off any user of a specific application if that application has not been accessed through the security landing page within a configurable time period that is unique for each system environment. EDS will work with the State's security staff to determine the rules for unsuccessful logon attempts, password timeouts, session timeouts, activity timeouts, and other security items, as appropriate, and implement the agreed-to parameters.

Approach to Customization and Modifications

The approach to customization and modification of the single sign-on solution involves working with the State to define the user groups and associated security profiles. Each group and associated profile will be documented and verified with the agencies before being implemented within the Replacement MMIS. This identification and documentation of the various users from DMA, DMH, DPH, and ORHCC, EDS team members, and the provider and recipient communities and their user access and authentication rules comprises the bulk of the customization work.

Additionally, the Microsoft Federated Services are installed and configured to work with the various MMIS components, such as the interChange user interface, the document management component, MMIS ad hoc reporting, and the workflow engine—providing a unified security approach.

Enhancements to Functional Requirements

While the single sign-on solution is a proven solution in production, it will require the following specific enhancement to meet the North Carolina requirements:

- Establishment of an interface between the Replacement MMIS single sign-on solution and the North Carolina Identity Enterprise Service

This is the only anticipated enhancement to interChange Single Sign-On because the base solution meets the requirements as-is.

Response to User Access Authentication and Authorization Requirements

The following table, EDS Response to User Access Authentication and Authorization Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to User Access Authentication and Authorization Requirements

RFP No.	RFP Requirement	EDS Response
40.1.1.19	Provides capability for a user interface design to incorporate the North Carolina Identity Enterprise Service (NCID), version 7 (or later), Model 2	Met through customization of interChange. The Replacement MMIS will contain the interChange Single Sign-On solution, providing a unified security approach to the MMIS and the

RFP No.	RFP Requirement	EDS Response
	Refer to *DHHS Application Integration with NCID* in the Procurement Library.	provider and recipient secure Web portals. The interChange Single Sign-On solution will be customized to provide an interface to the NCID.
40.1.1.20	Provides capability to adhere to the role-based access control model in compliance with NC DHHS Security policies Refer to *Replacement MMIS Security Business Rules* in the Procurement Library.	Met by interChange. interChange includes role-based security that is applied to the application, panel, fields, and reports, enabling the security as needed per role in compliance with NC DHHS Security policies.

Architecture (40.1.1.21 to 40.1.1.25)

The EDS-developed browser-based interChange MMIS is a highly sophisticated, feature-rich system centered on a strong, Medicaid-specific relational data model. It divides the application into components so that they process on different networked computers, leveraging the true power of client/server architecture. This design and supporting architecture deliver enhanced flexibility, scalability, and reliability, as recognized by the National Association of State Information Resource Executives (NASIRE) Award for innovative use of technology.

The interChange architecture applies technology that supports better business practices. Clients can easily access data using online inquiry through the browser, and desktop access to reports and document images through the electronic document management system (EDMS) technology rather than traditional paper reviews. The architecture incorporates the improved functions of distributed processing, giving users quicker access to more information.

The interChange architecture uses the following design strategies:

- **Component assembly and reuse—**interChange uses common software components that provide flexibility, increased reliability, and reduced cycle time for building and maintaining software applications.
- **Specialized, distributed devices—**The interChange architecture allows it to interface with specialized hardware, such as laptops and palmtops, to meet unique business requirements and fit these devices into the overall architecture.
- **Integration—**The interChange thin-client architecture provides for technical options that meet unique business requirements and satisfy distinct political boundaries and governmental jurisdictions. The options also enable the parts to work together effectively and reliably to benefit the overall enterprise.

- **Portfolio management strategy—**The interChange design provides rapid adaptation for interfaces with the existing legacy systems and future systems developed under the new architecture, making sure the old and new system elements are accommodated and can coexist in a mutually supportive technical environment.
- **Modular construction—**interChange uses clearly partitioned system elements to logically separate data access, business logic, and user interfaces. As a result, systems may be modified in a timely and efficient manner to meet evolving business demands and new political initiatives.
- **Enterprise information management—**The interChange design integrates and manages dissimilar information from text and images. This information is typically found in departmental workgroup applications, and the numeric and field data in large application databases. Accordingly, relevant and timely information can be provided for both decision-making and workflow processing.
- **Scalable services—**The interChange architecture provides a scalable platform to process the high volume of transactions today with the capability to expand to meet future processing needs.

These design strategies fully align with the North Carolina Statewide Technical Architecture (NCSTA) principles, practices, and guidelines, meeting the stated goal in RFP section 40.1.1.22.

The interChange application architecture consists of separated logical layers that integrate smoothly to deliver the multi-tier benefits mentioned above. These layers are distinctly identified with one of the three n-tier layers: presentation, business logic, and data, as shown in the following exhibit, interChange Logical Layers.

interChange Logical Layers

Architecture Layer	Components
Presentation Layer	interChange user interface and provider and recipient Web portals
Integration Services Layer	Data integration processing and extract, transformation, and load (ETL) for the MMIS reporting module; workflow engine; and interChangeRules engine
Application Data Layer	Web services, application services, and batch processes

A detailed description of the interChange technical architecture, together with a detailed mapping to the NCSTA principles, can be found in the Proposed Technical Architecture subsection of proposal section 50.2.4.1.1.

Approach to Customization and Modifications

The architecture of the base interChange meets these requirements, and no customizations or modifications are necessary.

Enhancements to Functional Requirements

The architecture of the base interChange meets the RFP requirements. The customization to the architecture is in relation to the scale of the North Carolina solution. The number of interChange server central processing units (CPUs), the number of application services, and the amount of storage area network (SAN) space have been customized for North Carolina. Please refer to the Proposed Technical Architecture subsection of proposal section 50.2.4.1.1 for details on the proposed sizing.

Response to Architecture Requirements

The following table, EDS Response to Architecture Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Architecture Requirements

RFP No.	RFP Requirement	EDS Response
40.1.1.21	**Goal:** Provides capability for the architecture to be: • Adaptable • Available • Extensible • Interoperable • Manageable • Redundant • Resilient • Scalable • Securable	interChange meets this goal. Please refer to the Proposed Technical Architecture subsection of proposal section 50.2.4.1.1 for a detailed description of the interChange technical architecture.
40.1.1.22	**Goal:** Provides capability for the architecture to align with the principles and practices in the North Carolina Statewide Technical Architecture (STA)	interChange meets this goal. Refer to the Proposed Technical Architecture subsection of proposal section 50.2.4.1.1 for a detailed mapping of interChange to the NCSTA.
40.1.1.23	Provides capability for all applicable components of the proposed solution to perform efficiently on State desktop office tools consistent with the current State standards and versions (i.e., no more than [1] major release behind the current supported levels). See Appendix 40, Attachment J for State Standards.	Met by interChange. interChange is designed as a thin-client browser-based solution using Microsoft Internet Explorer Version 6 or greater.
40.1.1.24	**Goal:** Provides capability for the client user interface to be decoupled (a clear physical separation) from the	interChange meets this goal. The interChange design incorporates n-tier architecture principles separating

RFP No.	RFP Requirement	EDS Response
	business rules layer and limited to presentation of data, capturing of input, and control of application flow	presentation and business rules layers.
40.1.1.25	**Goal:** Provides capability for the architecture to use Web services-based solutions that are designed using either a 3/N-tier or Service-Oriented Architecture (SOA) approach	interChange meets this goal. The interChange design incorporates n-tier architecture principles, providing the capability to use Web services.

System Software Controls (Record Merge and Decouple) (40.1.1.26)

interChange allows the State to manage the required data relationships, including the ability to merge (link) or decouple (unlink) recipient and provider records. Parts of the process are automated; however, for quality control, other steps require human review and decisions. This combined approach to software controls is critical for controlled and accurate record updating within an MMIS. The base solution has existing browser panels that will support the manual processes.

The Recipient Link process allows authorized users to combine key data from two active recipients under one recipient ID and deactivate the other recipient ID. This process should only be executed when authorized personnel are certain that the two active recipients are the same individual and should not have been given two distinct, active IDs. The recipient link process is a one-way merge that can partially be performed systematically and may also need manual intervention to complete.

Linking Recipient IDs

Within the Recipient Information Merge process, key data from numerous recipient-related tables associated with the deactivated recipient will be compared to similar data for the active recipient. In general, for each table compared, the following approach will be used to merge the data; in this example, Recipient A will be deactivated and Recipient B will be given Recipient A's data:

- If Recipient A does not have any rows on the affected table, no update will be made for Recipient B.
- If Recipient A has rows but Recipient B does not, Recipient A's rows will be copied and Recipient B's ID will be placed on them.
- If both Recipient A and Recipient B have rows, the following will be done on a row-by-row basis for each row Recipient A has:

- If Recipient A's row does not have overlapping dates with any of Recipient B's rows, Recipient A's row will be copied and Recipient B's ID will be placed on it.
- If Recipient A's row is identical to one of Recipient B's rows, no update will be made because Recipient B already has the appropriate information.
- If Recipient A's row overlaps with the dates on Recipient B's row, but everything else is identical, the following will be done:
  - If Recipient A's row only overlaps with one of Recipient B's rows, the dates on Recipient B's row will be expanded to include the dates on Recipient A's row.
  - If Recipient A's row overlaps with more than one of Recipient B's rows, a row will be written to a linkage-reporting table to indicate which data did not get merged.

The following table, interChange Recipient Linking Decision Table, details how recipient data is merged.

interChange Recipient Linking Decision Table

Recipient A Information	Recipient B Information	Action of Link Process
No rows	Has rows	No update performed
Has rows	No rows	Copy A's rows to B
If Recipient A and Recipient B have rows for the same table:		
Dates do not overlap		Copy A's rows to B
Identical data on both recipient's data		No update
Key data matches, dates overlap a single row		Expand B's dates to incorporated A's dates
Key data matches, dates go across multiple rows on B, or vice versa		No update automatically performed as message is written to report
Dates overlap but key data disagrees		No update automatically performed as message is written to report

If Recipient A's row overlaps with the dates on Recipient B's row and other columns on the row are also different, no update will be made to this table for this row, and a row will be written to the linkage-reporting table to indicate which data did not get merged. Wherever there is a linkage action that is unsuccessful, such as eligibility that cannot be merged because of date conflicts, a row detailing that information will be written to the linkage-reporting table. At the end of the Recipient Link process, this information will be used to format the

Link Requests Processed report for manual review and potential correction by the authorized staff.

This report will have information written for every process area for which the system could not automatically perform a merge, and a staff member will review the data and resolve the inconsistency as appropriate. The authorized staff will review the data to make sure the correct data is present in every system.

After an authorized staff member enters a link request, the following processes will take place:

- Recipient deactivated and recipient link cross-reference will be established.
- Eligibility information will be merged.
- Common recipient-specific tables will be merged.
- TPL information will be merged.
- Managed care information will be merged.
- Service authorization information will be merged.
- A Recipient Link Process report will be produced.
- Paid claims will be adjusted.

For auditing and utilization reporting to be accurate, the paid claims from the inactive recipient must be voided from the inactive recipient and allocated to the active recipient. This will be done through an automated, administrative adjustment process that creates exact copies of the paid claims for the inactive recipient and creates adjustments with them.

Only two things will change between an original claim and the adjustment: the recipient key will be changed to the active recipient key, and a new internal control number (ICN) will be assigned, indicating a link/unlink adjustment. Appropriate entries will be made in the adjustment cross-reference tables and the medical policy table used for claims auditing. These claims will not be re-adjudicated but will be written to the week-to-date history tables in preparation for the weekly financial cycle.

To avoid provider confusion, there is logic within the remittance advice (RA) and accounts receivable (AR) area of the financial system to bypass these particular administrative adjustments. Otherwise, they would be treated exactly like normal adjustments. The new linked adjustment claims will become the active claims and can be adjusted by future activity by either the provider or the system, including system-initiated mass adjustments.

Unlinking Recipient IDs

The Recipient Unlink process will be used when two previously active recipients have been merged together through the Recipient Link process and that linkage was later determined to be in error. Only recipients who were previously linked can be unlinked.

Systematically, interChange can sever the link between recipient IDs that were established during the link process, reactivate the inactivated recipient key, and present the previously deactivated recipient's eligibility and recipient-related data as it was prior to the link being established. Both recipients will be active after the Recipient Unlink process has completed. Most of the updates systematically performed when the merge or link occurred cannot be automatically undone because the information in the affected tables may have changed since the link was performed.

When an unlink request is processed, it will set the active indicator on the unlinked (previously inactive) recipient back to active. It will remove the record of linkage visible through the Recipient Link History panel between these two IDs. It will update the recipient link cross-reference table with the unlink indicator and date, and the system automatically will generate a new ID card for the newly unlinked recipient. These are the only activities that are systematically performed as a result of an unlink request. interChange's unlink process will then generate a report of the areas to be manually reviewed for potential updates, but will not actually make the updates.

As the process reads through the various tables such as lock-in, TPL, and Medicare and finds a row for the active recipient, a row will be written to the linkage reporting table for reporting on the Unlink Request Process Report showing the areas that need manual review. An authorized user with the proper security access will review currently held information related to the active recipient to make sure it is correct and current. In some cases, the authorized user may need to use interChange recipient panels to remove information that was merged as a result of the link. Audit tables will be available through the various online panels to help determine what has been added or updated as a result of the link and if that should be manually undone through the online panels.

The identification of the claims to unlink will be facilitated by the Claims Delink Web panel, but the selection of the specific claims is a manual process. The Claims Delink process can search for claims for the active recipient (the recipient who was active before the unlink), including from and through dates of service and also benefit program. Paid claims that meet this criteria will be displayed for the user to review. The user will be able to select any or all of the paid claims presented to be adjusted and thereby moved to the unlinked ID.

Because adjustments can only be performed on paid claims, only paid claims will be available for selection. Denied claims will not be affected by the linking or unlinking process. If there are suspended claims for the recipient, they must be reviewed and an individual determination of which recipient these services should be paid for must be made on each one.

After the user has selected the claims to be unlinked, the claims will flow through the same Claim Link Adjustment process that happens when a link is established. Specialized administrative adjustments will be automatically created

for this selected list of claims. The only thing that will change between the original claim and the adjustment is that the recipient key will be changed to the newly activated recipient key, and the internal control number (ICN) will indicate a link/unlink adjustment.

Linking Provider IDs

interChange can identify a provider by a number of identifiers, including National Provider Identifier (NPI), legacy provider, Medicare provider, license number, or employer identification number (EIN). Each of these numbers can be traversed back to the specific provider. interChange also can use start and stop dates to begin or terminate participation in provider groups or networks, as well as when they can serve specific benefit programs. Therefore, the system will not collapse multiple, distinct provider numbers into a single provider number, but it will offer a complete series of alternatives to manage their information. There will be no need to link or unlink providers because users can access their information through any of the various IDs and apply start and end dates for their eligibility or associations.

Approach to Customization and Modifications

interChange can meet the requirements to merge or decouple recipient and provider records. No customizations nor modifications are required for the Replacement MMIS DDI project.

Enhancements to Functional Requirements

No enhancements are required to the base system.

Response to the System Software Controls Requirement

The following table, EDS Response to the System Software Controls Requirement, records how we will meet the requirement set forth in the RFP.

EDS Response to the System Software Controls Requirement

RFP No.	RFP Requirement	EDS Response
40.1.1.26	Provides capability to update records to reflect changes such as merging or decoupling of recipient and provider IDs	Met by interChange. The Recipient Link process will allow authorized users to merge key data from two active recipients under one recipient ID and deactivate the other recipient ID. interChange also initiated a decoupling of recipient data for improperly linked recipients and will generate new ID cards. The provider cross-reference capability within interChange supports the North Carolina policy for merging and decoupling providers.

User Interface and Navigation (40.1.1.27 to 40.1.1.34)

EDS designed the user interface from the ground up as a browser-based application, allowing for a smooth navigational experience for every user. Our experience in the Medicaid industry has enabled EDS to develop a user-friendly and intuitive system that displays the data elements necessary for users to successfully perform their job functions.

EDS provides the State with a complete suite of tools required to efficiently and effectively adjudicate claims and encounters, authorizations, eligibility enrollment, payments, and related inquiries. We deliver technologically advanced functions for operational effectiveness and real-time interoperability capabilities with a user interface that is intuitive and user-friendly.

Our solution enables users to navigate quickly and easily through browser pages and menus to view critical information. The interface implements functions consistent with Microsoft Windows display standards. For example, users can open multiple browser sessions on the desktop to share information easily between applications and move quickly from one to another.

Because interChange information displays within a browser page, no specific interChange software needs to be installed on the user's workstation. The flexible and configurable interChange user interface is made possible by the powerful toolset that manages the data and business applications. This open architecture is based on industry standards and leads to a modularized system that can be updated easily to meet future needs.

The browser-based technology of interChange is easily understood by nontechnical users and provides access to functional areas of the system. This approach to Web-based access allows the system to interact with various desktop hardware platforms.

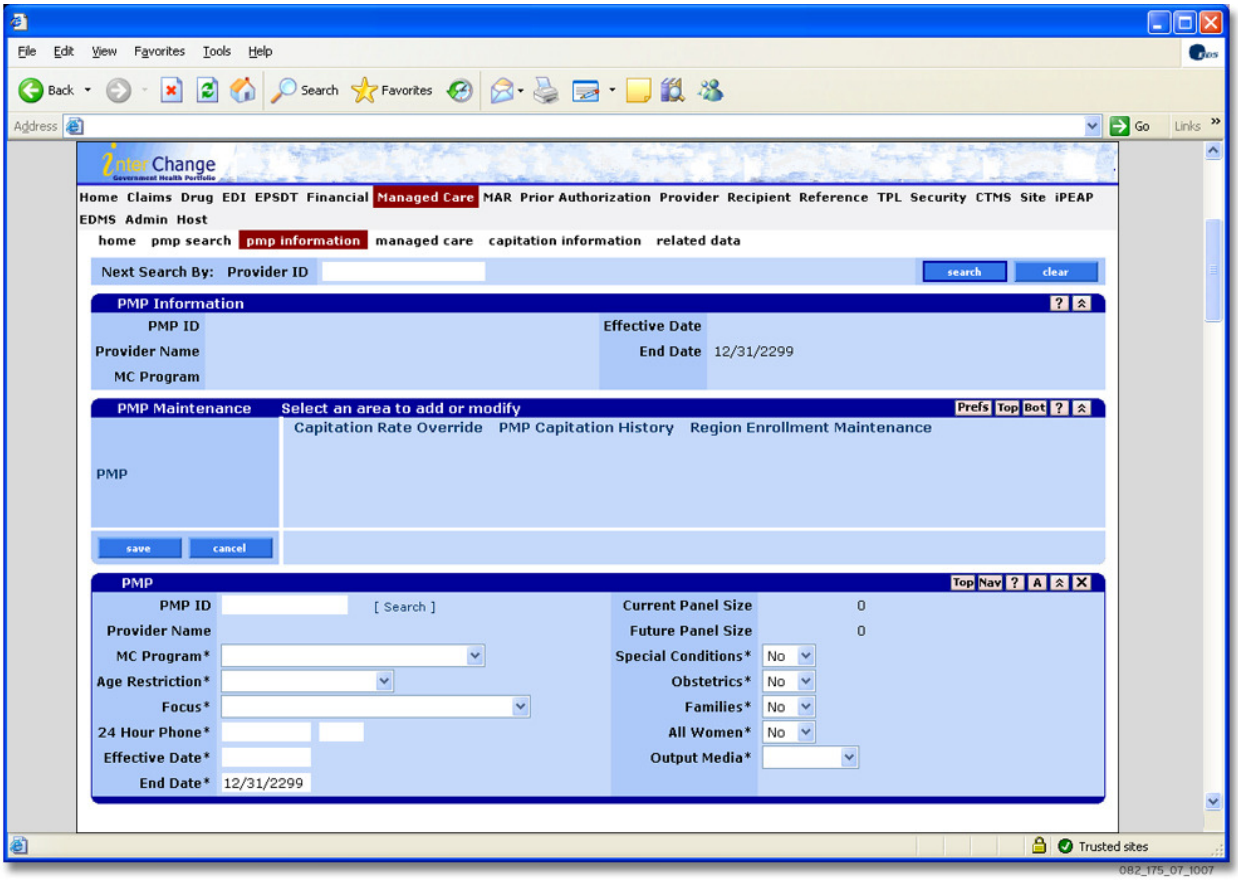
Thin client architecture allows for changes to the interface in one location so users have immediate access to the most current version of interChange. The EDS Replacement MMIS solution is a fully browser-based, thin client solution, allowing access from anywhere in the State enterprise without the need for software distribution. There are no desktop software requirements beyond the standard Internet Explorer version 6.0 or higher for access to interChange.

EDS uses a clear and consistent labeling standard for data elements that mitigates the struggle users may experience while transitioning to a new system.

The presentation layer of interChange, which comprises browser pages displayed to users, takes advantage of the latest technology by using standardized browser pages, incorporating elements such as pull-down navigation menus, drop-down lists, list boxes, and combination boxes. Advanced user interface controls and techniques maximize user productivity.

Browser pages for interChange demonstrate the familiar "Windows look and feel" for navigation features. The key to the interface is a standardized behavior model and a consistent presentation format across each business function that is robust and feature-rich. Every interChange browser page displays one or more panels, and each panel groups related data. The following exhibit, Sample interChange Browser Page, displays examples of the PMP Information and PMP Maintenance panels.

Sample interChange Browser Page



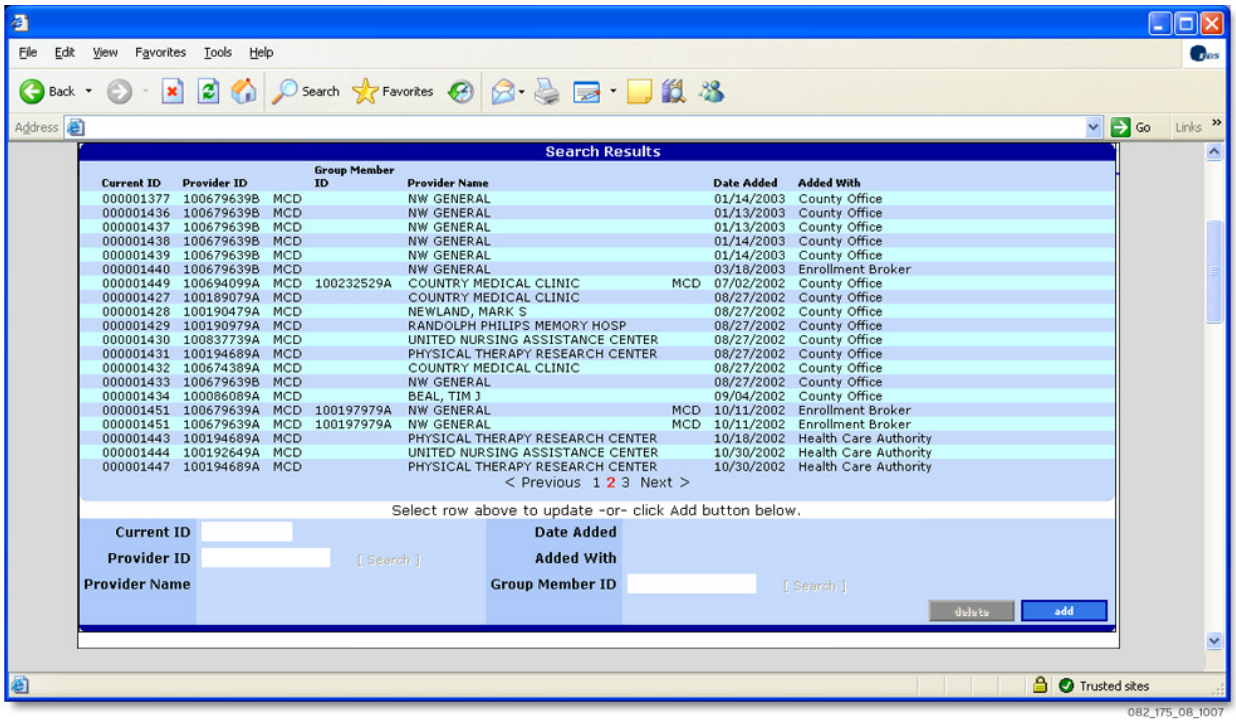
Maintaining the standard Windows appearance, the interChange browser interface uses the latest technologies and interface capabilities.

The interChange user interface displays business functional areas through links across the top of the page. The panels within the page logically group data fields together for fast research.

Hyperlinks are point-and-click text that will transfer the user to a new page or URL. When a user moves the cursor above the hyperlink, the cursor changes to a hand. Hyperlinks to a URL are underlined. The Next and Previous hyperlinks are found on the inquiry Web pages that allow the user to page forward and backward through search results that have more than 20 matches. The following

exhibit, Next and Previous Hyperlinks, displays an example of interChange Next and Previous hyperlinks.

Next and Previous Hyperlinks

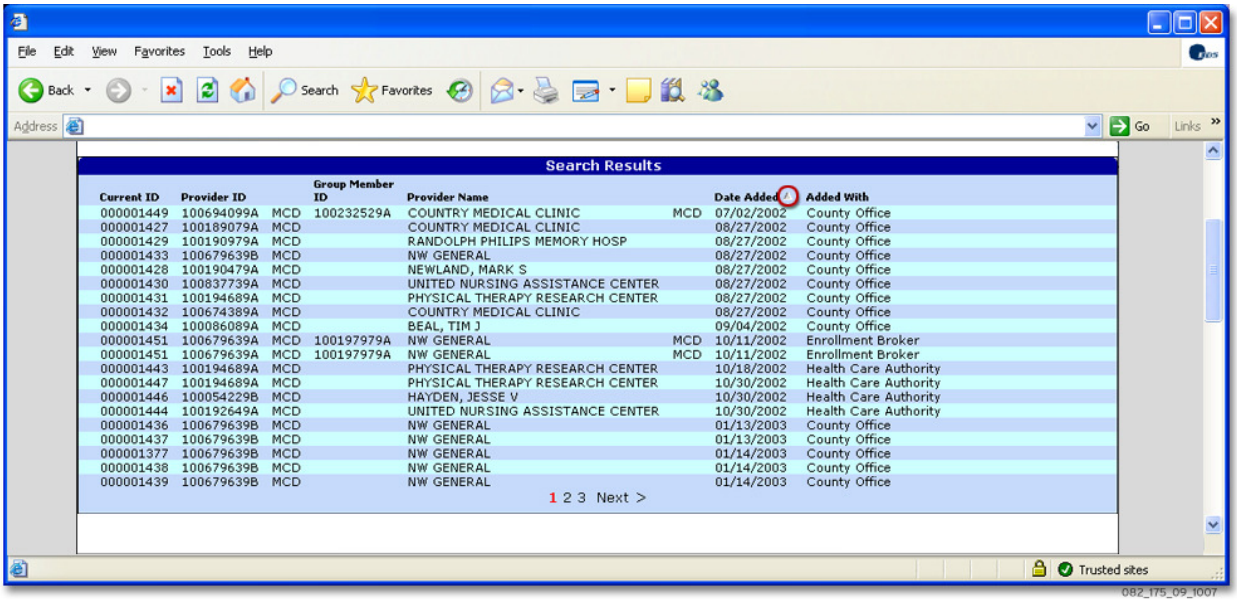


The Search Results panel displays rows of summary data, and every row is a hyperlink. When a user clicks a specific row, interChange displays a page that contains additional details.

The minimum configuration is a PC that can install and run the latest version of the browser software (Internet Explorer), supports ActiveX controls, and has a 1024x768 display. Through configuration settings, the user can resize the monitor resolution without truncation of the Web pages. If the user chooses to resize the monitor resolution below the minimum configuration, the user can scroll to areas that are greater than the monitor resolution. Pages only require vertical scrolling, although pages in the application can be implemented for horizontal scrolling because of special business requirements.

Each page of the user interface displays a navigation bar that provides a standard means of navigating within a Web page, and a scroll bar to indicate when more data is available. This scrolling ability allows the user to view complete current and historical information regarding a provider's claim. Data is organized into panels, which are laid out vertically, down the page. Data elements are presented in columns within a panel. The user can select a column to sort on by clicking on its column header. The following exhibit, Sorting by Date Added, displays the results when a user clicks on the Date Added column heading. An arrow displays next to the heading, indicating what column is sorted and if the sort is in ascending or descending order.

Sorting by Date Added



Users can search results by sorting according to the date the material was added.

interChange works with the Electronic Document Management System (EDMS) to link attachments to a claim or encounter. The following is a brief summary of the key interface standards.

- The Web application can be accessed by multiple browser instances on the same PC.
- Menus, links, buttons, and title bar icons are used to navigate through the system.
- A link is used when the user wants to navigate to a different page or panel.
- A button is used when the user wants to indicate that an action should occur. Because of that action, navigation to a different page or panel also may occur.
- Title bar icons indicate either a link or button.
- Each subsystem has at least one search page, which allows the user to search for the primary entities in that subsystem. A single click on a row in a search results page navigates the user to a more detailed information page.

Most panels contain the following:

- A title bar

- Icons to maximize () and minimize () the panel, which are not present on panels that must remain open or when only a single panel comprises the page content
- A question mark icon () to invoke the panel-level help text
- Drop-down list to make a single choice from a list of available choices when there are more than three but less than 50 available choices
- Data list to display data or records returned by a query
- Multiple select list to pick multiple values from a list of available choices
- Radio button to make a single choice from a list of available choices when there are three available choices or less
- Check box used to select a parameter or option
- Pop-up search hyperlink to make a single choice from a list of available choices when there are more than 50 available choices, or when there are many elements of data associated with a choice that the user needs to see
- Text box to enter alphanumeric strings

Approach to Customization and Modifications

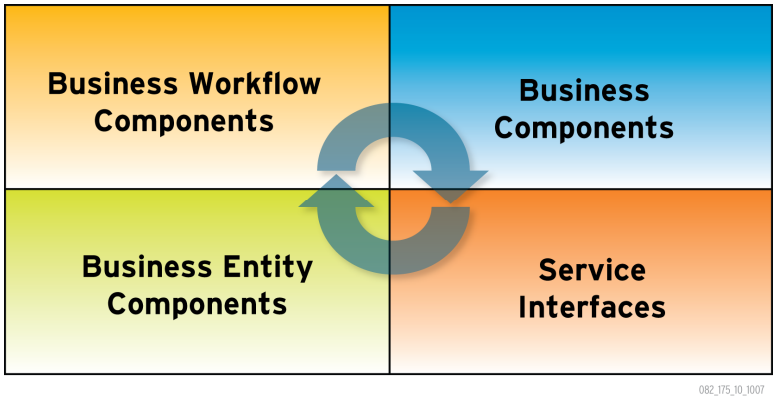
EDS has reviewed the State's accessibility standards that were identified in the RFP, and interChange is in full compliance with State mandates. Our Web applications allow maximum user access, including access to people with disabilities who may be accessing the Web site with the aid of assistive technologies.

The EDS interChange Web-based system is fully compliant with applicable Section 508 requirements to verify that external users can easily access the application. The user interface accommodates individuals who are limited by physical or cognitive disabilities.

Enhancements to Functional Requirements

We meet the user-interface requirements through the base interChange solution. However, specific business features, such as prior approval, DPH eligibility, and provider enrollment, will require enhancements that integrate automated workflow tools with user processes. Statewide business processes will be managed using the EDS interChange business workflow components. These components enable tasks that range from routine inquiries to complex information processing. As shown in the following exhibit, EDS interChange Business Workflow Components, interChange accommodates varying tasks using four primary components.

EDS interChange Business Workflow Components



EDS interChange business workflow components enable tasks that range from routine inquiries to complex information processing.

These primary components are described as follows:

- **Business workflow components—**Enables business processes to occur with the given data from the user interface. This is similar to a shopping cart application, where after the items are added to the cart, the user and the application handle the payment process.
- **Business components—**Validation and business rules are applied to system data. Because business rules vary, the business components can be customized.
- **Business entity components—**Data containers for the application. Business entities are usually mapped to one or more data repositories such as a database table or XML document. This will facilitate an efficient and reliable State healthcare program.
- **Service interfaces—**A critical aspect for highly responsive means of sharing data among applications.

Users can access the information needed for any authorized process without having to leave the application. State users can access documentation, log an issue, view imaged documents and reports, and perform traditional system functions such as claims resolution or inquiry. These capabilities are available by a single logon ID.

Security for the interChange user interface application is based on the network security used by the State, typically role-based security. Network security identifies a particular user by his user ID and the domain server where the user ID permissions are defined. Users can be assigned to security groups. Some common security groups are named Administrators, Users, and Guests. Individual states will set up their security groups based on the access they wish to grant to a particular user. For example, a state might define security groups

such as ClaimsFullAccess or ClaimsReadOnly. Every page, panel, and field in the application can have permissions assigned.

Response to User Interface and Navigation Requirements

The following table, EDS Response to User Interface and Navigation Requirements, describes how we will meet the requirements set forth in the RFP. Where appropriate, we have listed the existing interChange user interface panels, reports, or processes that meet the stated requirements.

EDS Response to User Interface and Navigation Requirements

RFP No.	RFP Requirement	EDS Response
40.1.1.27	Provides capability for standard user interface characteristics, data accessibility, and navigation across all Replacement MMIS business areas	Met by interChange. The interChange user interface has standard characteristics of navigation and data accessibility for every business area. The user interface is built on the .NET framework and uses industry standards such as World Wide Web Consortium (W3C) and government accessibility requirements.
40.1.1.28	Provides capability for compliance with language and accessibility requirements as defined in the Regulatory Compliance Section	Met by interChange. This requirement is met by the standard system user interface.
40.1.1.29	**Goal:** Provides capability for a secure, interactive Web Portal for users twenty-four (24) hours a day, seven (7) days a week, three hundred sixty-five (365) days a year	interChange meets this goal. EDS will deploy a Web portal application framework that provides powerful features, including content security, complemented by the ability to customize features. The Web portal is available 24 hours a day, 7 days a week, 365 days a year, except during regularly scheduled maintenance.
40.1.1.30	Provides capability for a secure, interactive Web Portal to have an informational/introductory Web page twenty-four (24) hours a day, seven (7) days a week, three hundred sixty-five (365) days a year	Met by interChange. The Web portal has an Information Web page that is available 24 hours a day, 7 days a week, 365 days a year, except during regularly scheduled maintenance. This page can be used for broadcast announcements and general introductory information.
40.1.1.31	Provides capability for real-time interaction with all business areas, enabling routine inquiries	Met by interChange. This requirement is met using the real-time access to the application that is built on role-based security. Each of the MMIS business functional areas have real-time access to their respective data through the interChange user interface. Thus, a routine query from the user interface, AVRS, or Web portal provide the same consistent answer, since each query is serviced from the same database.
40.1.1.32	Provides capability for multiple business area views to be displayed concurrently and to facilitate interaction between business area views	Met by interChange. interChange allows for multiple Web pages to be opened at the same time; thereby, fulfilling this requirement.
40.1.1.33	Provides capability for consistency in displaying view/file/report titles, dates, times, and other business	Met by interChange. This requirement is met by the system user interface and online report standards. The user

RFP No.	RFP Requirement	EDS Response
	area-specific requirements	interface standards are inherited by each subsystem within the MMIS, providing the consistency in viewing the data. Online reporting services in TPL and MAR make use of a standard query and results presentation of the data.
40.1.1.34	Provides capability to display error messages, interactive help views and tables, accessible reference files, and hypertext links to appropriate additional files/reports	Met by interChange. This requirement is met by the standard system user interface. On the title bar of the panel is a question mark icon that the user can click to access online help.

Document Management and Correspondence Tracking (40.1.1.35 to 40.1.1.53)

Through the integration of leading COTS products, EDS will provide the State with a paperless, more efficient solution. Our approach parallels our best practice experiences as well as the vision established by MITA for MMISs. interChange integrates the right tool for the right job, enabling more efficient operational work patterns that are innovative and can move the State toward a cost-effective paperless work environment.

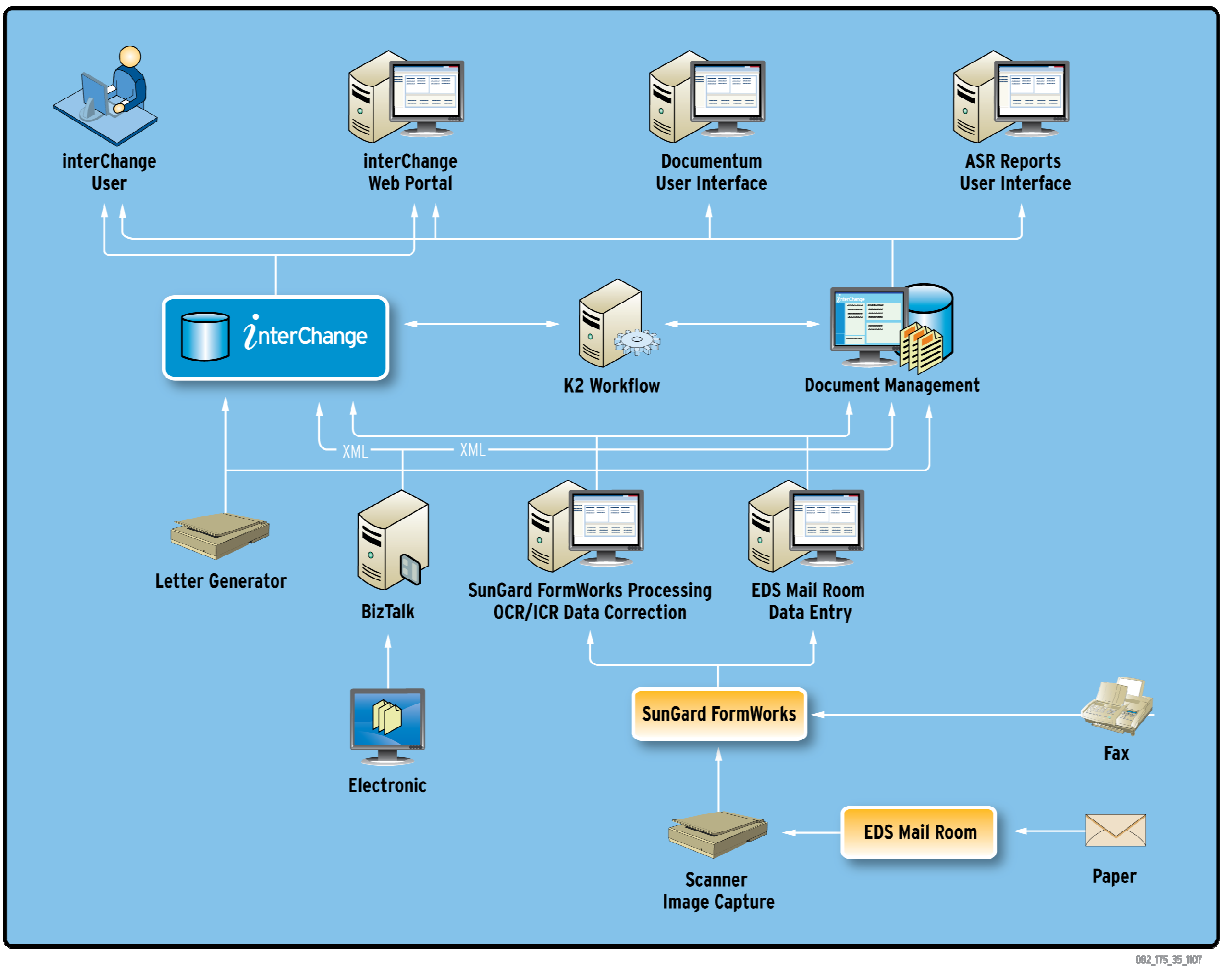
Our approach consists of the following:

- Configuration of EMC | Documentum to support early implementation of document management
- Configuration of SunGard FormWorks to support early implementation of document scanning
- Enhanced interoperability between FormWorks and Documentum to support integrated audit trail (from scan to archive) and rescan capabilities
- Modification of existing MMIS API call to retrieve images from Documentum vs. IAI/DocViewer application
- Migration of the large store of existing images and data from the IAI/DocViewer application to Documentum for the Replacement MMIS
- Analysis and design of additional functional areas that are not included in the early implementation scope, such as data capture and processing, to coincide with the DDI Phase of the Replacement MMIS
- Implementation of additional functional areas as designed within the existing Documentum and SunGard applications
- Implementation and configuration of the Pitney Bowes DOC1 COTS tool for correspondence generation

- Implementation and configuration of Documentum Archive Services for Reports
- Implementation of Web services and/or APIs for interaction with the Replacement MMIS and the Web portal
- Integration of the solution with the Replacement MMIS so certain images, such as claims, can be retrieved directly through the Replacement MMIS pages

The following exhibit, Replacement MMIS Document Management and Correspondence Tracking Integration and Workflow, illustrates the components of the solution through which each document will pass.

Replacement MMIS Document Management and Correspondence Tracking Integration and Workflow



Standard documents, such as claims and prior approvals, and nonstandard documents, such as correspondence and checks, pass through the document management system.

EDS will use SunGard's FormWorks solution set for capturing images of documents. We use the SunGard/FormWorks product for many of our existing

Medicaid clients, such as the states of Tennessee, Alabama and California. For documents on a standard form, such as claims, this solution offers data capture through intelligent character recognition and optical character recognition (ICR/OCR). SunGard/FormWorks' ICR/OCR solution provides a high level of accuracy, repeated data reference files, and processing speed required by a state health program the size of North Carolina. The output of the ICR/OCR process is a formatted claim input file to the claim adjudication process, an image file, and the associated data indices for storage and retrieval of the claim image through the Electronic Document Management System (EDMS). Documents—other than claim forms, prior approval, provider enrollment, and adjustments—are considered to be nonstandard paper documents. The nonstandard documents are scanned, image verified, and manually indexed within the data capture process.

For the document management functions, EDS proposes the commercial off-the-shelf (COTS) product EMC | Documentum for our data image, storage, and retrieval solution. Documentum coupled with the SunGard data capture component will meet the requirements established by the state of North Carolina. Far from dictating a one-size-fits-all approach, Documentum solutions provide multiple, customized interfaces that align smoothly with the way specific organizations work. Due to the strength of this solution, we also are proposing document management as an early implementation component so that users will have direct access to the Documentum interface to review claim images with improved accessibility and security.

Documentum will be integrated with the existing legacy MMIS during early implementation so users of the current MMIS will retrieve images from Documentum through the same mechanisms they do today. Users will quickly discover that Documentum acts as a simple, flexible tool for navigation and interaction, delivering content to the desktop without the need for extensive training. The open architecture and robust integration points of Documentum—the leader in the Gartner Enterprise Content Management Magic Quadrant—was a key factor in our decision to use this tool for North Carolina.

For correspondence generation and tracking, EDS will integrate Pitney Bowes DOC1 software. We use this solution component for our Florida Medicaid client and our MediVance commercial healthcare clients. The DOC1 software works with interChange to automatically generate letters that meet certain criteria. For example, when a provider has completed the stages of enrollment, an approval letter can be automatically generated and sent to the provider. Additionally, users may generate a single letter that may be printed, faxed, or sent by e-mail immediately. Users can send letters to multiple destinations or one person, as well as generate mass mailings. Generated correspondence will have a key index value(s) that will allow association or linkage with other interChange components to support a 360-degree view of claim data.

The following table, Document Management Features and Benefits, lists the key highlights of our document management and correspondence tracking approach.

Document Management Features and Benefits

Feature	Benefit
Single unified repository, where all functions are delivered from a single application implementation and all content, such as images, correspondence, and reports, are housed in the Documentum repository	• Ability to search all content through one software engine • Ability for all workflow content involving documents to be integrated and originate through one repository • Ability to search, link, look up, and annotate by recipient or provider ID, claim number, or other chosen index • Rapid development, as developers only need to understand one set of Web services or APIs • Simplified administration and support • Leveraged infrastructure • Ability to place all content under a standard single security model • Ability to subject all content to a standard set of records management and disposition policies
Service-oriented architecture (SOA)	Full functionality available as discrete Web services for robust integration with the Replacement MMIS, Web portal, and other applications
MITA alignment	Strong alignment with the industry-standard, emerging MITA architecture related to SOA, security, and business process management, laying the platform for current and future compliance
Inclusion of Oracle and EMC in EDS' Agility Alliance	• Extensive corporate relationships to enable implementation success • Imbedded professional staff for rapid issue resolution • Imbedded technical staff for smooth integration within our solution offerings

Documentum will use the existing integration toolsets within interChange to expose its functional capabilities and smoothly interact with other external applications, such as DOC1 for correspondence generation. The Documentum and DOC1 integration with interChange allows the user to easily retrieve aggregated claims information—data, images, and correspondence—from the proposed Replacement MMIS.

After retrieving documents, users can print, fax, or e-mail them. They also can attach electronic sticky notes to documents or highlight areas of documents. These annotations to the images are stored separately from the image file, so the integrity of the original file is intact. Beyond managing the documents themselves, Documentum manages subprocesses within an overall orchestration in which those documents may exist by virtue of user collaboration.

Approach to Customization and Modifications

The base interChange EDMS solution is designed to meet the standard or common functions that EDS typically delivers within our MMIS implementations. Documentum is a robust package and quickly adaptable to unique requirements. For North Carolina, the EDMS is part of early implementation; therefore, some minor customizations or changes to our standard are required to facilitate a continued level of service for North Carolina during the overall implementation.

Customizations

Customization or configuration is required to meet the State requirements. Customization scope is limited to the configuration of application program interfaces (APIs) and Web services to facilitate the smooth integration of Documentum within the interChange user interface environment that will be deployed in the State. Documentum provides, out of the box, a standard set of APIs or Web services for core functional areas that need to be addressed.

Modifications

We will make the following modifications to interChange:

- EDS will integrate Documentum with the existing Legacy MMIS+, which will allow users to continue to function as they do today until the Replacement MMIS is brought online.
- EDS will change the existing Kofax capture release scripts to provide an additional release of index data and images to Documentum, in parallel with the releases that occur today to the legacy MMIS and the DocViewer document repository. This will allow us to place a hard stop on the date of images that need to be converted from DocViewer to Documentum. This will verify that DocViewer data will be available immediately on the switch to the new EDMS. The conversions will be completed as part of the early implementation.
- Overlapping the final testing of the early deployment of the EDMS will be the DDI Phase for other document types that need to be processed. These new document types and processes will be fully tested and promoted into production with no impact to existing business functions.
- We will provide a fully functional document management interface for use inside and outside the interChange environment to provide direct access to authorized personnel to claim images, reports, and other MMIS-related content that will be stored with the repository by a user-friendly Web interface.
- We will construct a search service that will smoothly return to interChange images that have been captured with the new index schema,

images captured using the legacy indexing standard, and values required by interChange converted from the DocViewer application.

These minor modifications performed by EDS provide great benefit for the State. The Legacy MMIS + integration to images and parallel testing will provide a smooth transition between systems. The EDS team has taken a strategic look at early implementation as a way to bring value to the State by providing mechanisms and functions that will ease the change management and transition risks that are typically associated with the implementation of a new MMIS.

Enhancements to Functional Requirements

The interChange EDMS is a feature-rich solution that will deliver the mandated requirements. Specifically, we will make the following changes to the solution.

- The EDMS subsystem will be configured to store and maintain more indexes, including the current indexing configuration used by the existing MMIS, and the expanded index format that will be used by the Replacement MMIS.
- EDMS will provide for annotations—such as sticky notes or highlights—on image files that have been captured. These annotations are stored separately from the image files so that the original image is not impacted.

Response to Document Management and Correspondence Tracking Requirements

The following table, EDS Response to Document Management and Correspondence Tracking Requirements, describes how we will meet the requirements set forth in the RFP. Where appropriate, we have listed the existing interChange user interface panels, reports, and processes that meet the stated requirements. We also have identified when an integrated COTS piece of software is used to meet the requirements.

EDS Response to Document Management and Correspondence Tracking Requirements

RFP No.	RFP Requirement	EDS Response
40.1.1.35	Provides capability to electronically store and view online in an easily readable format all inbound and outbound transactions and correspondence within the Replacement MMIS	Met through COTS integration. The proposed Replacement MMIS can store content or object type and provide viewing access. The transactions and content generated or received will be stored in interChange or Documentum. The interChange panels will provide an online aggregated view.
40.1.1.36	Provides capability for integrated document management and correspondence tracking across all Replacement MMIS business areas	Met through COTS integration. Content and correspondence will be saved within Documentum or DOC1. APIs or Web services will be used to provide smooth interaction, such as search or view, be supported within the native Documentum Webtop client, portal, interChange panels, or the EDS CTMS.

RFP No.	RFP Requirement	EDS Response
40.1.1.37	Provides capability for online access to Replacement MMIS and document management and correspondence tracking with a single log-on	Met through COTS integration. Documentum will support the document management feature, while DOC1 will provide for outbound correspondence generation and tracking. Each of the products provides support of single sign-on methodologies out of the box. This will be used by the proposed interChange Single Sign-On configuration.
40.1.1.38	Provides capability to capture and electronically store all documents, both incoming and outgoing, including claims, claim attachments, data entry forms, images, medical records, X-rays, correspondence, incoming and outgoing fax documents and system-generated reports, tracking date, and time of receipt	Met through COTS integration. The implementation of FormWorks and Documentum COTS tools will meet this requirement. FormWorks will provide for a robust capture capability and subsequently release data and images to interChange and Documentum. Documentum is the single, unified repository for information or content other than system-generated correspondence that will be handled with Group 1. An aggregated query will support a single view to the information through multiple channels such as portal, CTMS, interChange panels, and direct image repository interaction through the Webtop interface.
40.1.1.39	Provides capability to receive, electronically store, and retrieve intraoral/extraoral photographs, digital radiographs, and digital versions of orthodontic models (casts)	Met through COTS integration. Documentum provides a single unified repository for content storage and retrieval. Documentum can store and provide access to any object or content type.
40.1.1.40	Provides capability to link incoming documents, correspondence, and supporting documentation to related documents and correspondence already on file	Met through COTS integration. Documentum provides a single unified repository for content. A unique identifier will be applied to content for association and linkage to existing content within interChange.
40.1.1.41	Provides capability to assign a unique document identifier to each document	Met through COTS integration. FormWorks, during the capture process, will assign a unique document identifier to each document.
40.1.1.42	Provides capability to retrieve all linked documents with one (1) request	Met through COTS integration. Documentum provides a single repository for content, so documents will be virtually linked by unique identifier(s) and available by a single query.
40.1.1.43	Provides capability for documents to be electronically stored by unique document identifier and accessible by online search via hypertext link from all views that reference the image	Met through COTS integration. Documentum provides a single repository for content so documents will be virtually linked by unique identifier(s) and available by a single query. For content such as system-generated correspondence, an aggregated query will be executed to include the letter storage. The request may be executed by portal, CTMS, interChange, or direct interaction with the repository.
40.1.1.44	Provides capability to retain electronic documents for ten (10) years online; once the electronic document has been verified, it becomes the official copy of the document	Met through COTS integration. The system storage has been sized appropriately to maintain 10 years of content online. Documentum has been proposed with Retention Policy Services and Records Manager to provide a platform for

RFP No.	RFP Requirement	EDS Response
		management and disposition of official documents in accordance with State records and regulatory mandates.
40.1.1.45	Provides capability to archive electronic documents offline after ten (10) years and retrieve them for online viewing within two (2) business days of a request	Met through COTS integration. The system storage has been sized appropriately, and EDS proposes to maintain the Replacement MMIS content online for viewing through Documentum. Therefore, the images will be available for immediate viewing. The system can archive items, either manually or automatically; however, EDS intends to keep the images available in the online repository for optimal retrieval.
40.1.1.46	Provides capability for data retrieved from offline storage to be retained online for ten (10) business days, unless otherwise requested	Met through COTS integration. The system storage has been sized for the storage of all historic and future images (life of contract) online. EDS proposes to maintain the Replacement MMIS content in online storage through Documentum. Based on this architectural approach, there is no offline storage configured; however, the system does have the capability for configuration of retention periods for items retrieved from offline storage if any were configured.
40.1.1.47	Provides capability to print hard copies of electronically stored documents	Met through COTS integration. Documentum provides the capability to print hard copies of electronically stored documents through the Webtop interface. APIs or Web service calls will be made to enable this capability from other user interfaces such as interChange, portal, or CTMS. Correspondence printing is handled by DOC1 and its interfaces.
40.1.1.48	Provides capability to print and fax documents	Met through COTS integration. Documentum provides the capability to print and fax documents. APIs or Web service calls can be modified to enable this capability from other user interfaces such as interChange, portal, or CTMS.
40.1.1.49	Provides capability for State and Fiscal Agent staff to retrieve and display any electronically stored documents within eight (8) seconds for the first page, within five (5) seconds for the second page, and within three (3), two (2), and one (1) second(s) or less for subsequent pages	Met through COTS integration. Documentum is configured and sized appropriately to meet the service-level agreement (SLA) for retrieval on standard images. During DDI, the EDS electronic documentation team will work with the State to establish document retrieval metrics for special large documents such as medical images and radiographs. It is possible State network constraints may adversely impact the transit time.
40.1.1.50	Provides capability to make all documents available to the State within two (2) business days of creation	Met through COTS integration. The implementation of FormWorks and Documentum will meet this requirement. Captured content or documents will be processed through FormWorks within two business days and made available immediately on release into the repository.
40.1.1.51	Provides capability to accept input in frequencies as defined in business areas and from multiple sources,	Met through COTS integration. The implementation of FormWorks and Documentum will meet this requirement.

RFP No.	RFP Requirement	EDS Response
	types, and formats, including: • Required electronic transaction formats, (e.g., X12) • Scanners (e.g., paper claims/written correspondence) • Electronic text (e.g., e-mail, e-fax, voice media files) • Paper documents (e.g., correspondence, claims forms, faxes) • Portable media (e.g., magnetic tapes, 3.5" floppy drives, CD/DVD drives)	The proposed Replacement MMIS provides the capability to accept the required sources, types, and formats. • Required electronic transaction formats—such as X12—will be ingested and stored as XML within interChange. • Scanners—such as paper claims or written correspondence—will be ingested within the FormWorks component and stored within Documentum • Electronic text—such as e-mail, e-fax, or voice media files—will be printed and ingested by the FormWorks component or in the case of fax directly ingested from a queue within the fax server environment. Voice media files will also be stored within the EDMS as .wav or .lpt files. • Paper documents—such as correspondence, claims forms, or faxes—will be ingested and processed within the FormWorks component or, in with a fax, directly ingested from a queue within the fax server environment, processed, and subsequently stored in the Documentum repository. • With portable media—such as magnetic tapes, 3.5" floppy drives, or CD/DVD drives—Documentum provides for the ingestion of any content type. Import Manager has been provisioned within the proposed software solution. Import Manager does need to be configured for the various media input devices.
40.1.1.52	Provides capability for all data input (e.g., images of scanned paper documents, voice media files, electronic and EDI transactions) to be transformed as needed for further processing	Met through COTS integration. Documentum has been proposed with transformation services and advanced transformation services. These components will need to be configured for the various transformations that may be required but support industry-standard formats. Other electronic transactions that are received as XML will be stored as XML and rendered through panels within the interChange system. Voice media files will be stored as either .wav or .lpt files.
40.1.1.53	Provides capability to protect all stored images and electronic copies from direct access while allowing authorized copies to be used for further processing	Met through COTS integration. Documentum's trusted content service has been proposed within our solution. This service provides for the encryption of content within the repository and any transmission of content between components. Only users who are authorized through interChange Single Sign-On or a native Documentum interface will be provided access to images or electronic copies of transactions.

Audit Trail (40.1.1.54 to 40.1.1.56)

interChange maintains an audit trail for each transaction update. Our system tracks every insert, update, or delete that is performed on an auditable panel. We identify who made the change, what change was made, the date and time stamp of the change, and a record of the data before the time the change was made. Users can display and review this information using the online audit panels or run an audit history report.

This process verifies consistency of information captured and also applies the standard for audits by tracking not only the specific transaction but also the individual responsible for the change and the date and time the transaction occurred.

MMIS information is captured at a transaction level using triggers directly applied to the database. This approach allows EDS to capture inserts, updates, and deletes to the MMIS critical data automatically without having to create specialized modules for the various programming environments for the batch, user interface, Web, or any other method of modifying data on the MMIS.

The data update panels within interChange contain an audit trail search feature that provides generic transaction-level information. Audit information can be filtered by fields (columns), date ranges, and can display results for the selected record or for each record in the parent panel. The audit results are based on search criteria entered on the panel.

A check box on the search panel allows users to select which fields to display. If not checked, the audit results will display changes to only the single data row selected in the main panel. If checked, the audit results will report changes to each data row contained in the list of the main panel.

Approach to Customization and Modifications

interChange meets the audit trail standards and requirements of the Replacement MMIS, and interChange's audit trail capabilities apply to the major business areas of the application where updates occur and are tracked.

Enhancements to Functional Requirements

The EDS interChange solution provides a fully integrated audit feature that meets the criteria required to effectively provide complete audit trail information.

Response to Audit Trail Requirements

The following table, EDS Response to Audit Trail Requirements, describes how we will meet the requirements set forth in the RFP. Where appropriate, we have listed the existing interChange user interface panels, reports, and processes that meet the stated requirements.

EDS Response to Audit Trail Requirements

RFP No.	RFP Requirement	EDS Response
40.1.1.54	Provides capability to track through audit trail data with date/time stamps: • All access, activity, and system identifier of users or persons making adds, changes, deletes, or queries • All activity that causes any additions, changes, deletions, or queries • All transactions that result in a claim being entered into the system, including EDI transactions, a prior approval being entered into the system, Third Party Liability (TPL) transactions, a financial result (incoming and outgoing financial transactions and system-generated financial transactions), adding, changing, or deleting recipient or provider data, adding, changing, or deleting reference or code data, drug rebate activity, financial activity, and reference file changes	Met by interChange. The audit trail process meets this functional requirement. The audit trail process verifies consistency of information captured and also applies the standard for audits by tracking the specific transaction and the individual or entity responsible for the change and the date and time the transaction occurred. interChange logs the changes to data, tracking by the date and time the change was made, and capturing the following: • When the change occurred • The entity ID that made the change • The type of operation—such as add, change, or delete • The "before" image of the change MMIS information is captured at a transaction level using triggers directly applied to the database. Data fields that are updated through the interChange user interface application have audit trail capabilities enabling authorized users to see the trail of modifications to specific elements, when the updates were made, what the updates were, and who entered them.
40.1.1.55	Provides capability to maintain an automated audit trail of all update transactions, both batch and online, including date and time of change, before and after data field contents, and operator identifier or source of the update	Met by interChange. The interChange user interface application automatically tracks the update transactions, capturing the specific date and time stamp of the changes, and which user or batch ID performed the updates. Each time an entry in a master file table is changed, added, or deleted, an entry is automatically made in an audit history file table recording the image before and after the change, and the date, time, and logon ID of the entity making the change.
40.1.1.56	Provides capability to create audit trail data that can be accessed online in a user-friendly, indexed, searchable format that has the capability to reflect the complete history of the transaction	Met by interChange. The interChange Audit panel provides online access to detailed audit trail data showing a complete history of changes made to the system. These audit trails are available online and are a built-in feature of the interChange MMIS database structure. Audit reports of transactions are stored from the first day of operations forward. Users can print a specific audit report of transactions using the Print Screen function of the Web browser or the Print Screen button on the keyboard. interChange will maintain the audit trail history online for a client-defined period and subsequently archive the material.

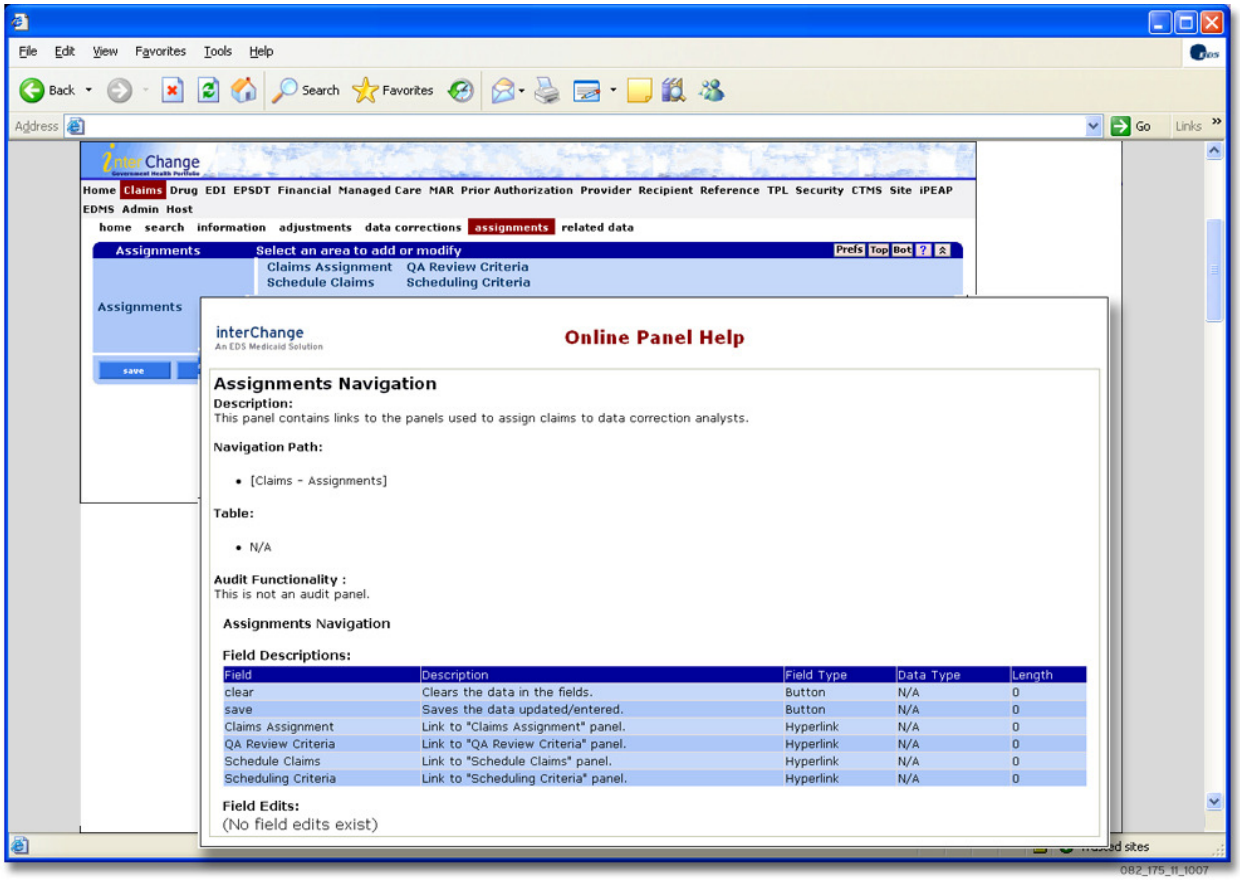
Online Help (40.1.1.57 to 40.1.1.59)

To assist the user community, EDS provides a comprehensive help architecture to guide interChange users. Application-level context-sensitive help is available as a standard feature of interChange. Online help and search capabilities support

every interChange panel. The online help system delivers just-in-time information for the user quickly and efficiently. The help system includes help topics, table of contents, index, glossary, context-sensitive help, and more. Help topics explain interChange features, integrating graphics—such as screenshots of particular panels or Web page objects—into the specific help topic. Additionally, hyperlinks to other related topics, rollover messages, customized pop-up Web pages, and URLs are incorporated. Online help contains comprehensive navigation features so a user can quickly find needed information. The powerful interChange natural language search or full-text document search includes a glossary of terms that a user can access without leaving the topic in use.

When online help is available for a panel, a Help button (?) displays on the right side of the panel header. The following exhibit, interChange Online Help Page, shows an example of the Online Help page.

interChange Online Help Page



EDS provides a comprehensive help architecture to guide interChange users. The EDS interChange online help system provides information such as panel descriptions, navigation path, field descriptions, extra panel features, and a thorough explanation on why error messages occur and how to correct them.

Help within the system is context-sensitive, which means that when the help link is clicked, the starting point for help is the information directly associated with

the page being displayed. Indexes and tables of contents also are available for more in-depth information.

Context-sensitive help links are added to objects—such as text fields—that connect directly to specific help topics. Instructions display for fields that allow users to enter information.

Online help provides an online version of the interChange user documentation. User documentation is available on every Web page, and topics can be printed, as needed. interChange online help has the following features:

- **Using help—**The user-friendly guide shows how to use the help function.
- **Processes and instructions—**This breaks down system business functions into processes. Instructions for completion of each process include an overview of the function, such as claims entry, along with field-by-field instructions for completion.
- **Index and search capability—**This powerful function enables users to conduct a search based on a question, phrase, or word the user enters in a search box. The help system displays an index or list of associated topics for selection.
- **Hyperlinks—**Online help provides hyperlinks to information, starting at a high-level description and building to a detailed explanation. A user can click links to access details, as needed.
- **Print capability—**Online help documentation may be printed directly from the help Web page or exported to Microsoft Word files as needed.

EDS will provide online documentation and instructions for system use. This documentation is at the application level—embedded within browser pages and specific data elements—and at the system level—stored in iTRACE.

iTRACE stores interChange documentation, delivering an innovative online help system that grants State and EDS staff members access to the most current version of the system. iTRACE provides a single source of information that is used to generate content for the online help features. Our single-source online help design enables the retrieval of information that is created and edited once and displayed consistently across each form of interChange.

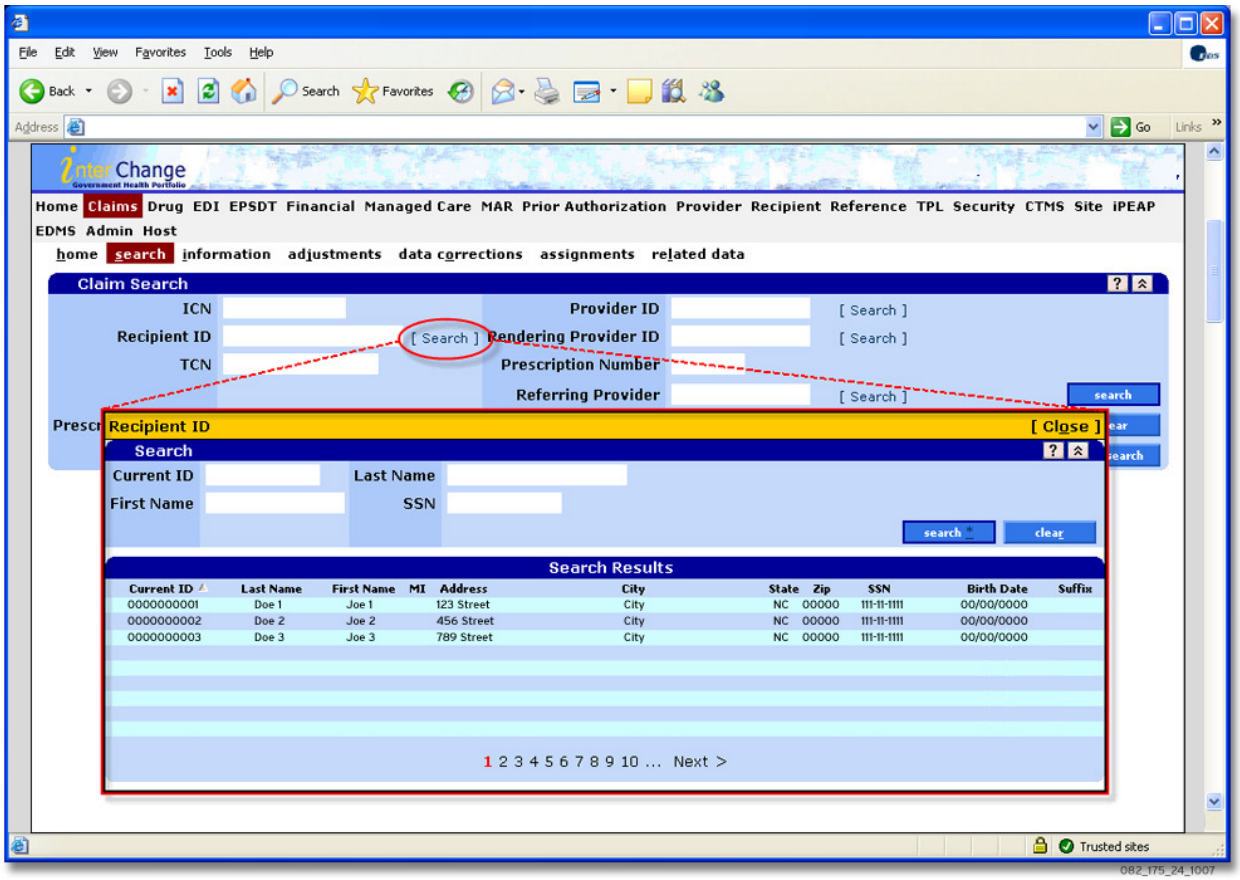
Links to system information such as the interChange user manual, interChange and subsystem documentation, the data element dictionary, provider handbooks, and other State-defined resources will be stored on iTRACE. The data element dictionary comprises data tables and respective data elements for the subsystem or functional areas of interChange.

In addition to the extensive online help features, interChange provides for the standard browser-based functions, including hovering, drop-down list boxes and menus, and point-and-click and cut-and-paste functions. For example, a user can

hover on a field name to get an extended description of the field. General information, panel descriptions, and field descriptions are accessed through panel-level help. These help features provide immediate details, allowing the users to resolve numerous system and business questions easily and quickly.

The EDS online help system implements many other online features that facilitate a positive user experience and make the EDS interChange system intuitive to use. We make extensive use of hyperlinks to make inter- and intra-subsystem navigation easy for the user. For example, the following exhibit, Recipient ID Pop-Up Panel, illustrates how a user, while viewing the claims subsystem, can click on a hyperlink that will launch recipient information in a new panel. The user can then search for specific recipient information while in the claims subsystem.

Recipient ID Pop-Up Panel



Using hyperlinks, users can toggle between subsystems to find information.

For users who prefer to use shortcut keys, interChange supports shortcut keys for common operations such as save, cancel, and add. To transfer information easily from one Web page to another, users can copy and paste any field-level information. Additionally, users can drag and drop data fields as they build ad

hoc queries. Users also can add bookmarks using the Favorite feature of the Web browser.

Approach to Customization or Modifications

No customization is required to meet this requirement. The base interChange MMIS solution contains the help features to meet the requirements.

Enhancements to Functional Requirements

No enhancement is required to meet this requirement.

Response to Online Help Requirements

The following table, EDS Response to Online Help Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Online Help Requirements

RFP No.	RFP Requirement	EDS Response
40.1.1.57	Provides capability for selectable online help views for user functionality that duplicate or link to system documentation	Met by interChange. The online help feature is available at the field, panel, and page level, and links to iTRACE, thereby providing access to system documentation.
40.1.1.58	Provides capability for online help for all features, functions, and data element fields as well as descriptions and resolutions for error messages, using help features, including indexing, searching, tool tips, mouse-over, field value options, hypertext links to files, reports, and context-sensitive help topics	Met by interChange. The online help feature is available at the field, panel, and page level, and links to iTRACE, thereby meeting this requirement.
40.1.1.59	Provides capability for context-sensitive help to view, window, or dialog	Met by interChange. The online help feature is available at the field, panel, and page level, and links to iTRACE, thereby enabling this requirement.

Search and Query (40.1.1.60 to 40.1.1.66)

Through our extensive experience in the Medicaid industry, EDS has gained valuable knowledge in the areas of common user and provider search needs. We have used this knowledge to tailor the search capabilities within interChange to most accurately match the typical data elements used in searches. This approach makes interChange more intuitive and efficient.

Authorized users can search the major business areas of the application using common data such as Provider ID, and then narrow the search using the interChange integrated advanced search option that provides additional search fields. Providers also can use the interChange Web portal to search for and access their claims, and search for provider billing information. The Web portal includes the ability to search for claim status information, payment history,

recipient eligibility and benefit information, and existing prior approval (PA) information.

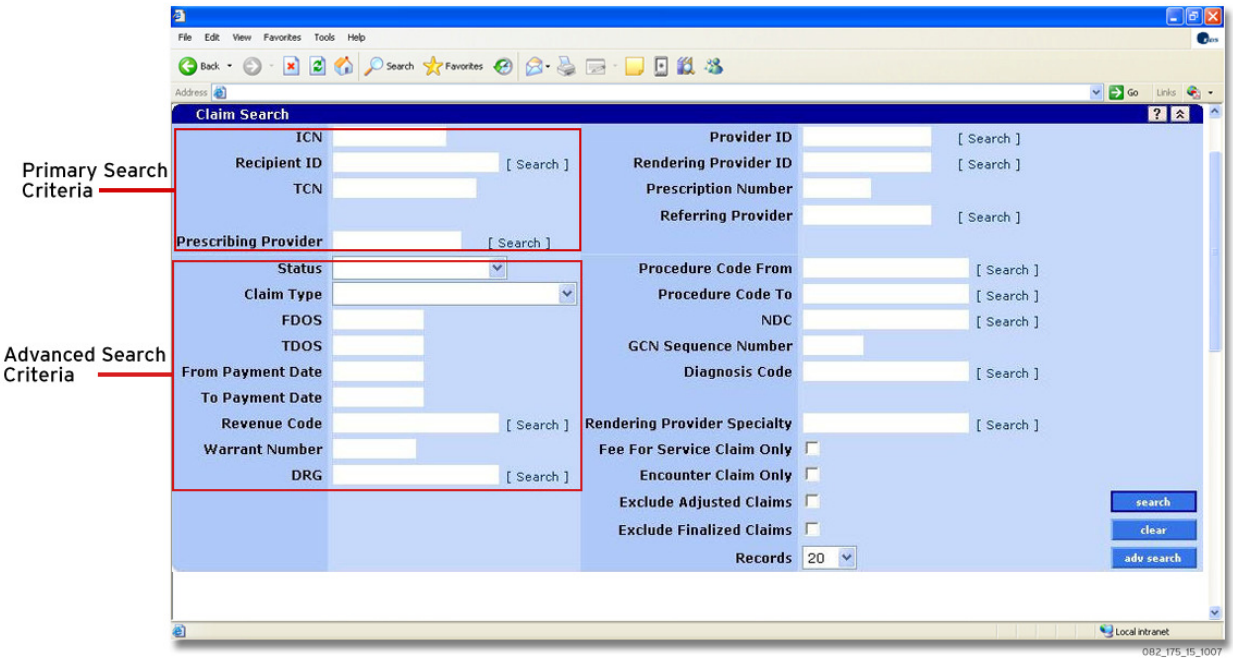
With interChange and iTRACE, the EDS browser-based documentation repository, users and providers benefit from Web-based features such as online access to user-friendly search capabilities. Records are selectable and searchable by fields specific to each business area, and interChange also offers the capability for users to query by running parameterized standard reports and viewing online production data.

Common Data Search

Users can search using common data, such as an internal control number (ICN), provider ID, or recipient ID number, to perform an initial search or expand the search panel to use the advanced search option. The advanced search feature more narrowly defines the search criteria and, thereby, the search results. Using this feature will offer many more claims-related search fields and, because the number of returned records will be fewer, the user can more quickly access the desired record.

The search fields available will vary depending on the subsystem, and users can perform a search using a combination of the available fields on a search panel. For example, the Claims Search panel, as depicted in the following exhibit, Sample Claims Search Panel, has search options that will allow users to view only the claims requested. The primary selection fields are ICN, Prescribing and Rendering Provider, or Current ID. Users may select claims by using one or more of the primary selection choices. Additional search criteria include claim type, claim status, from date of service, to date of service, and payment date. Users enter the specific selection criteria, and then click on the search button to initiate the search.

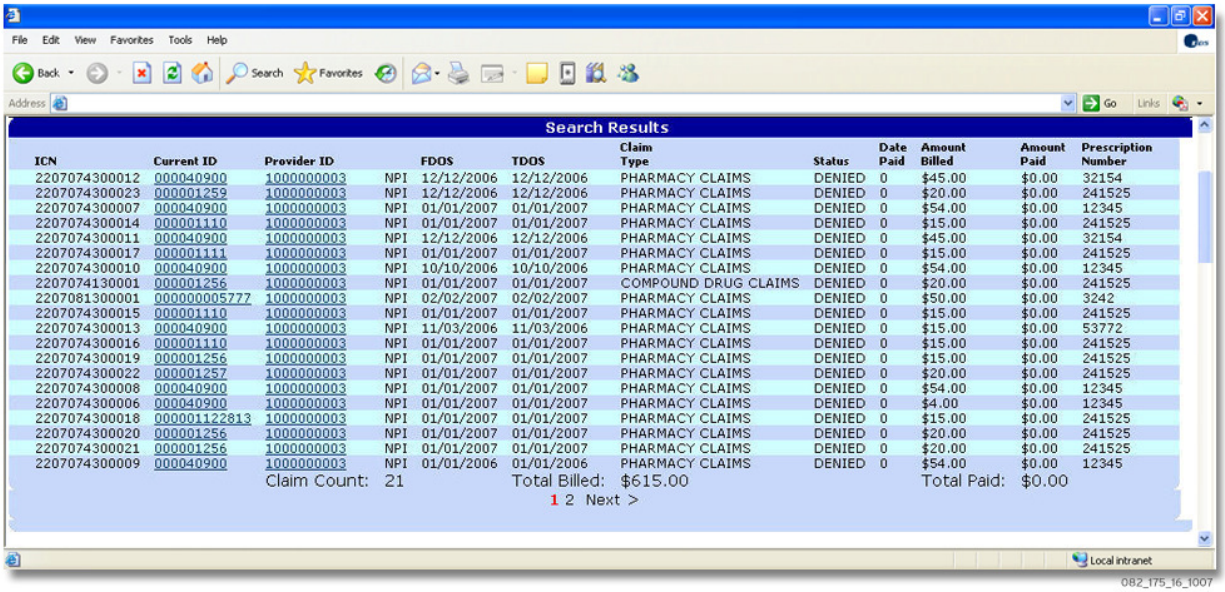
Sample Claims Search Panel



Detailed claim status results that are HIPAA content-compliant are populated on the user's panel from the strong search feature.

The system will search the database for the claims that meet the criteria and will display them on the Claims Search Results display panel, as shown in the following exhibit, Sample Claims Search Results Panel. If users want to access more details about any of the records in a search results panel, clicking on the record will drill down to record-specific information.

Sample Claims Search Results Panel



The claims histories that users want to see are clearly displayed.

The search function will retrieve lists of claims that match the entered search criteria, including any of the following—recipient ID, claim status, claim type, from and through dates, or paid dates. Even claims in suspense can be retrieved and reviewed. From the list of claims returned, providers can select an individual claim to see the detail related to that claim.

Our interChange solution is flexible and allows users to select the number of records that will be displayed in the search results panel—such as 20, 50, or 100. When the requested number of records display in the search results panel, a pager bar can be used to navigate through the matching records.

Text Search

The second category of search capability is to search within the MMIS site for pages that contain certain words. interChange provides sitewide search capabilities for documents within the Web portal.

EDS will configure the software to set up a system folder to include the search paths for the folders to be included in the search. The interChange MMIS will provide search capability based on wild cards or on combinations of selected fields.

When the setup process is complete, users can search Web pages, including PDFs, for words or phrases in a similar fashion to Yahoo or Google searches. Ifilter 6.0 displays a list of hits and a count of hits against the page on which the word or phrase was found. The following table, Search and Query Key Features and Benefits, lists the highlights of our solution.

Search and Query Key Features and Benefits

Feature	Benefit
Easy-to-navigate pages	Fast access to required information
Online access for authorized users to submit queries and get results	Better, faster, and more direct information retrieval
High-level, detailed, or text searches	Easily defined criteria by which authorized users can search
Flexible provider access to current information such as claim status or service authorization status, claim submission, and correction	Increased provider satisfaction

Approach to Customization and Modifications

interChange meets the RFP search and query standards and requirements. interChange's search and query capabilities apply to each major business area of the application. Users can create and change searches using common data such as Internal Control Number or Provider ID, and further customize the results by selecting additional record elements allowed by the advanced search capability.

The interChange Management and Administrative Reporting (MAR) Web pages allow users to generate parameter-driven standardized financial and operational statistical reports that are stored in a summary datamart that provides a data history, and allows interactive queries into the historical data for customized views for analysis. interChange also offers the capability to generate query-based, on-demand, online reports that allow for real-time reporting and analysis of user activity.

Enhancements to Functional Requirements

The EDS interChange solution provides a fully integrated search and query capability that supports access to MMIS data based on user-defined criteria and standardized-parameter reporting. Therefore, no enhancements are required to meet the requirements of the RFP.

Response to Search and Query Requirements

The following table, EDS Response to Search and Query Requirements, describes how we will meet the requirements set forth in the RFP. Where appropriate, we have listed the existing interChange user interface panels, reports, and processes that meet the stated requirements.

EDS Response to Search and Query Requirements

RFP No.	RFP Requirement	EDS Response
40.1.1.60	Provides capability to allow all records to be selectable and searchable by record elements, as specified within business areas	Met by interChange. The interChange search and query capabilities apply to the major business areas of the application. Search panels allow users to search using common data such as Provider ID, then narrow the search using interChange's integrated advanced search option to access additional record elements to further define the search results. To access details about a record in the search results panel, the user clicks on the desired record. Users also can search the Web portal for pages within the MMIS site that contain text or keyword criteria.
40.1.1.61	Provides capability to query and search information based on user-defined criteria or by data elements as specified within the business areas	Met by interChange. The interChange Business Intelligence Analytical Reporting (BIAR) system meets this functional requirement. Besides the system search capabilities, the interChange BIAR data repository supports user-defined criteria searches, as well as an advanced search option that provides additional search fields to more narrowly define the search result records.
40.1.1.62	Provides capability for search by phonetic/mnemonic, full-text, partial-text, keyword, Boolean operators, specific date, date ranges, partial Postal/zip code, and wildcard	Met by interChange. Besides the system search capabilities, the interChange BIAR system supports advanced data mining searches. The interChange text search provides sitewide search capabilities using full or partial text entries. Query capabilities will include Boolean operator, keyword, and searches. Data search fields will vary depending on the business area. However, the available fields on a search panel will include dates, date ranges, and partial field data with wild cards.
40.1.1.63	Provides capability for users to query via parameterized standard reports and view online production data	Met by interChange. The interChange MAR online parameter-driven reports meet this functional requirement, allowing users to generate parameter-driven standardized financial and operational statistical reports. These user-driven parameter reports are snapshots of financial, eligibility, participation, and filing statistics. The reports list results by various data elements. They are stored in a summary datamart so that a user can refer to prior periods to compare results. The State also can perform interactive queries and drill into historical data for customized views for analysis. interChange also offers the capability to generate query-based, on-demand, online reports that allow for real-time reporting and analysis of user activity.
40.1.1.64	Provides capability to generate descriptive alerts that specify any invalid query parameter(s) and to generate alerts when the anticipated return time on a query or search exceeds a defined time limit	Met by interChange. The interChange query capabilities meet this functional requirement. EDS will configure query capabilities to alert a user who enters an invalid parameter into any search field. The application enables thresholds on inquiries using a governor process to set limits on the time

RFP No.	RFP Requirement	EDS Response
		it takes to perform an inquiry. When the return time on a query or search is greater than a threshold, a system message will alert the user.
40.1.1.65	Provides capability to permit users to easily locate specific information in the online documentation, e.g., user manual, operating procedures, and online system help	Met by interChange and iTRACE, our online documentation repository. Documentum provides a simple, flexible tool for data image storage and retrieval. interChange provides site-wide search capabilities for documents within the Web portal. iTRACE provides online access to interChange documentation, including narrative overviews of functional areas with links to documentation for programs, reports, panels and pages, and system and business processes maintained by each functional area, including user manuals, operating procedures, and online help.
40.1.1.66	Provides capability to govern queries so that run time does not exceed defined limits	Met by interChange. The interChange BIAR query component meets this functional requirement. interChange features allow thresholds on inquiries using a governor process to set limits on the time it takes to perform a search.

Correspondence and Letters (40.1.1.67 to 40.1.1.88)

The Automated Letter Generator component of interChange is part of our Replacement MMIS solution, which will maximize the efficiency of the State's health programs. This component of the solution is an application that will support timely and cost-effective communication to DMA, DMH, DPH, ORHCC, and the State's providers and recipients.

We will provide a method of automatically generating letters to providers, recipients, and other necessary stakeholders in North Carolina. The Automated Letter Generator is an integrated COTS tool, Pitney Bowes DOC1, which is an easy-to-use tool that allows users to generate letters for mailing, e-mailing, faxing online, or delivery to the secure Provider Web Portal.

The Automated Letter Generator will work with the Replacement MMIS to automatically generate letters that meet certain criteria. For example, after a provider has completed enrollment, the system can automatically generate an approval letter and send it to the provider. Additionally, users can generate a single letter that may be printed, faxed, or e-mailed immediately on completion of a letter request. Authorized users can send letters to one person or multiple destinations, or send mass mailings to many people in many destinations.

Approach to Customization and Modifications

EDS will work with the State to customize letter templates for use in correspondence. The solution will allow for free-form text and also for more complicated correspondence types. This will be accomplished by using the letter

generator tool for data acquisition from the data repository and the use of DOC1, a component of Pitney Bowes Group 1 software, for letter generation and distribution. DOC1 will store the generated letters in the Documentum document management repository. The customization work, besides the letter templates, will be the text in the specified languages supported by the solution.

Enhancements to Functional Requirements

The correspondence and letters work during the DDI Phase is a customization and configuration task. The COTS DOC1 product meets the stated RFP requirements.

Response to Correspondence and Letters Requirements

The following table, EDS Response to Correspondence and Letters Requirements, describes how we will meet the requirements set forth in the RFP. Where appropriate, we have listed the existing interChange user interface panels, reports, and processes that meet the stated requirements. We also have identified when an integrated COTS piece of software is used to meet the requirements.

EDS Response to Correspondence and Letters Requirements

RFP No.	RFP Requirement	EDS Response
40.1.1.67	Provides capability to produce system-generated standardized letters as specified in business area requirements and to electronically store saved images of each letter produced	Met through COTS integration. Using the Automated Letter Generator tool and the Pitney Bowes DOC1 application, we will provide a method of automatically generating letters to providers, recipients, and other necessary stakeholders. We will track and retain an image of outgoing correspondence. As outgoing correspondence is created, each image will be prepared for posting on the Web portal, e-mailing, faxing, or printing for mailing, and the electronic non-updatable image will be stored in the Documentum document management system.
40.1.1.68	Provides capability to produce updatable, form-based, version-controlled, customized templates for letter generation with capability for free-form text as specified in business area requirements and to electronically store saved images of each letter produced from the templates in an easily accessible, searchable format	Met through COTS integration. We will provide a method of automatically generating letters to providers, recipients, and other necessary stakeholders in North Carolina. Letters designated as “updatable” will allow the user to enter free-form text as specified in business area requirements. There are no size limitations to the text fields. Version control for letter templates is provided within the Automated Letter Generator tool. Only the current version of a template is available for the generation of new letters. Previous template versions are archived within the system and are available on request. Images of the generated letters are stored within the Documentum document management system for archival purposes.
40.1.1.69	Provides capability for letter and template generation to comply with US DHHS Title VI Language Access Policy	Met through configuration of interChange parameters and features and through COTS integration. The flexibility of

RFP No.	RFP Requirement	EDS Response
	based on flag that defines recipient language preference	interChange allows the user to configure parameters such as the language preference on a recipient's base information file, which provides needed information for communication with the recipient. Using the language preference and the DOC1 language encoding scheme allows for the generation of standard and routine recipient correspondence in preferred language and complies with US DHHS Title VI Language Access Policy.
40.1.1.70	Provides capability to create and manage stakeholder correspondence, clinical policy documentation, bulletins/publication, business rules, and business forms	Met through COTS integration. Using the Automated Letter Generator tool and DOC1 Designer, we will create base templates. DOC1 Designer meets the stakeholder correspondence component of this requirement. For the clinical policy documentation, bulletins and publications are done by the Provider Relations team. That information is distributed to the provider portal for historical reference by the providers and easy downloading.
40.1.1.71	Provides capability to perform desktop publishing of documents for all stakeholders	Met by operational processes and procedures. Using standard applications such as Microsoft Word and Adobe Professional, EDS will implement procedures for the production of provider handbooks, policies, system documentation, training materials, notices, and other documents. We will provide a robust, standardized tool for efficient and consistent publication of quality, multilingual documents. This tool will meet the requirements detailed in this section.
40.1.1.72	Provides capability for on-demand and batch-driven correspondence creation and mailing	Met through COTS integration. At any step in the workflow process, the user may generate on-demand letters that may be printed, faxed, or sent by e-mail immediately on completion of the letter request. Also, the Automated Letter Generator and DOC1 will support batch-driven mailings. The letter can be defined within the Automated Letter Generator tool. EDS will work with the State agencies to determine the selection criteria, provide online reports to verify and finalize the selection, and generate the letters.
40.1.1.73	Provides capability for letter-generation solution that has the flexibility to use form letters and/or on-demand text generation	Met through COTS integration. With the Automated Letter Generator tool and the DOC1 tool, letters designated "interactive" will allow the user to enter any free-form text. There are no size limitations to the text fields. At any step in the workflow process, the user may generate on-demand letters that may be printed, faxed, or sent by e-mail immediately on completion of the letter request.
40.1.1.74	Provides capability for all stakeholders to create and electronically store correspondence templates for private and community use	Met through COTS integration. With the Automated Letter Generator tool and the DOC1 tool, the letter templates are updated easily by those users granted edit rights to the stored letter templates. Access to these templates will be

RFP No.	RFP Requirement	EDS Response
		based on role-based security profiles in the interChange EDMS. These predefined templates can support text, data fields, graphics, and multiple page orientations, including State letterhead and signature blocks.
40.1.1.75	Provides capability to use spellchecker functionality	Met through customization of interChange. EDS will use industry-standard tools to validate proper spelling, punctuation, grammar, capitalization, and check for technical compliance with printing industry standards before publication.
40.1.1.76	Provides capability to use business rules intelligence to determine the best choice for correspondence communication and allow for the identification of the best selection for combination of address(es), USPS, fax, e-mail	Met by interChange. interChange allows addresses to be scrubbed to facilitate the preferred correspondence method. The letter generation process allows the user to determine the optimum correspondence communication method when selecting the generation of the letter.
40.1.1.77	Provides capability to bulk distribute to target populations messages and communications via e-mail, fax, or Really Simple Syndication (RSS)	Met through COTS integration. The bulk e-mail generation ListServ tool allows for bulk e-mail distributions of messages and communications.
40.1.1.78	Provides capability to integrate the letter-generation solution with the Replacement MMIS and import required data elements identified in the business rules that must be included in the letter text	Met through COTS integration. The letter templates are updated easily by users granted edit rights to the stored letter templates. Access to these templates will be based on role-based security profiles in interChange. These templates can support text, data fields, graphics, and multiple page orientations, including DHHS letterhead and signature blocks. The tool is integrated with the EDS correspondence query generator, which pulls the detailed data from the database and passes it to DOC1 for processing.
40.1.1.79	Provides capability to send correspondence through workflow management for approval, where business rules require secondary approval	Met through configuration of interChange parameters and features and through COTS integration. The Automated Letter Generator and the DOC1 tool will provide a chain of review process within the workflow that will allow a user to create a letter and have it reviewed by an approver, such as a quality assurance analyst, supervisor, or business specialist before the letter is finalized and produced.
40.1.1.80	Provides capability to integrate and link all correspondence to the document management solution in real-time from point of origin (State, county, Fiscal Agent, or other State-contracted entity's location)	Met through COTS integration. DOC1 saves the postscript stream to the Documentum document management system. The EDMS provides the capability to link correspondence in real time from point of origin.
40.1.1.81	Provides capability to track the correspondence creator, date, recipient, and time stamp and maintain this information historically	Met through COTS integration. Version control for letter templates is provided within the Automated Letter Generator. Only the current version of a template is available for new letters. Previous template versions are archived within the system. Images of the mailed letters are stored in the Documentum document management system for archival purposes.

RFP No.	RFP Requirement	EDS Response
40.1.1.82	Provides capability to enclose attachments to meet recipient's language requirements	Met through configuration of interChange parameters and features and through COTS integration. The flexibility of interChange allows the user to configure parameters such as the language indicator on a recipient's file, which provides needed information for communication with the recipient. This feature further demonstrates how interChange is designed to accept fields that are required to establish a recipient's record and provide sufficient information for processing. Using the language preference in interChange along with the DOC1 language encoding scheme, standard and routine recipient correspondence will be generated in the required languages, which are Spanish, Russian, and Hmong.
40.1.1.83	Provides capability to create and distribute documents to multiple addresses	Met through configuration of interChange parameters and features and through COTS integration. The Automated Letter Generator will support sending letters to one person or multiple destinations, or mass mailing to many people in many destinations. EDS will work with the State to determine the selection criteria, provide online reports to verify and finalize selection, and generate the letters.
40.1.1.84	Provides capability to redistribute static letters	Met through COTS integration. The image of each letter that is generated will be stored in the Documentum document management system. To view outgoing correspondence, users will access the recipient or provider and select the hyperlink to the letter image.
40.1.1.85	Provides capability to create performance reporting associated with correspondence	Met by interChange and the Automated Letter Generator. The ability to generate performance reports with items such as volumes and dates is available within interChange.
40.1.1.86	Provides capability to allow user to designate address to be used	Met through customization of interChange. The flexibility of interChange will allow the user to configure parameters such as the address indicator on a recipient's file, which provides needed information for communication with the recipient. This feature further demonstrates how interChange is designed to accept fields that are required to establish a recipient's record and provide sufficient information for generating required correspondence.
40.1.1.87	Provides capability to enforce security rules to control who issues each type of letter and to designate and enforce a chain of review for certain letters	Met by interChange. Security controls will be imposed to restrict users to appropriate letter types for their job functions. For example, a provider enrollment clerk can enroll a provider in interChange and also generate an enrollment letter. A chain of review also can be implemented, allowing a user to create a letter and have it reviewed by a quality assurance analyst or business specialist before the letter is produced.

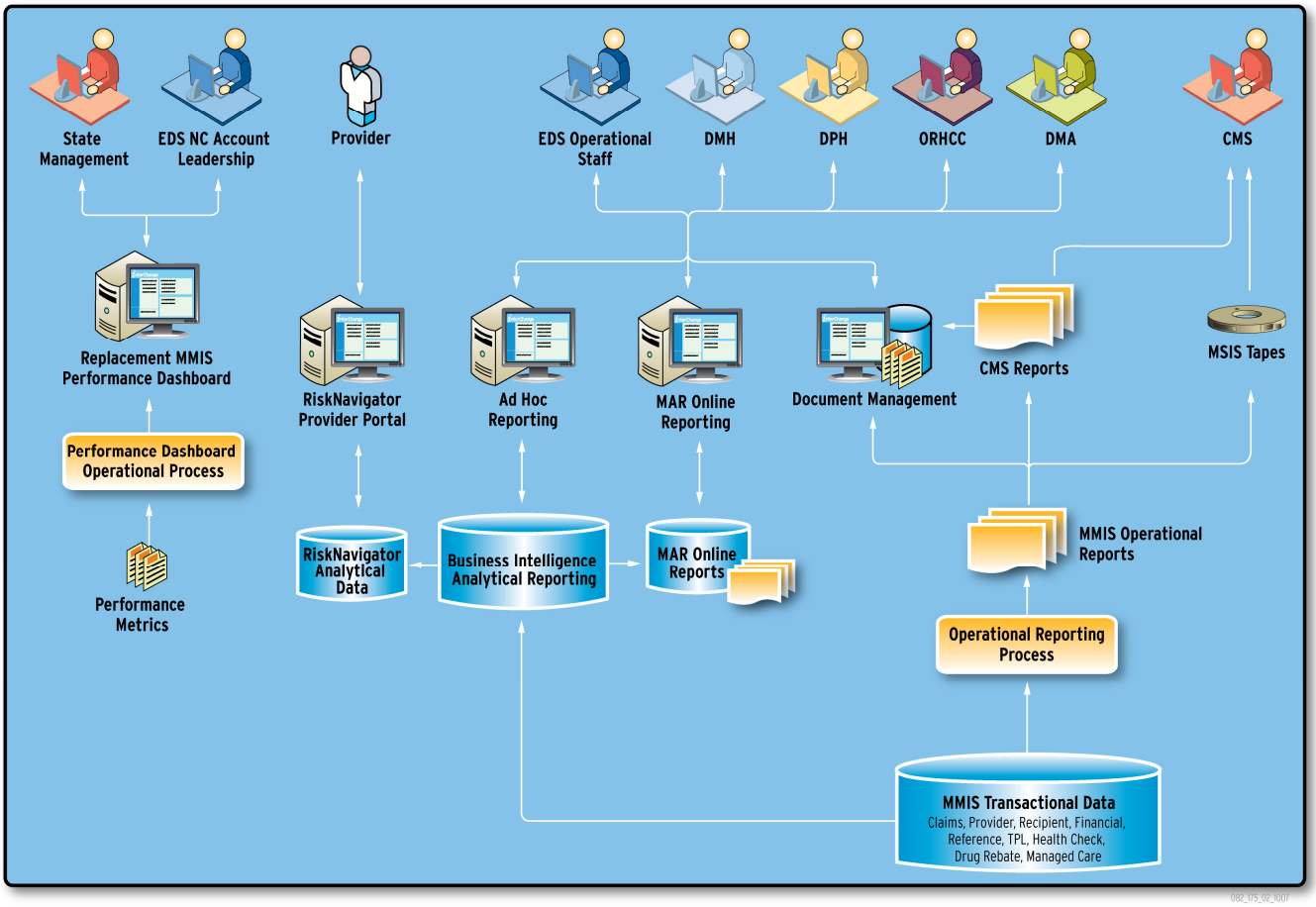
RFP No.	RFP Requirement	EDS Response
40.1.1.88	Provides capability for a user-friendly, English-text index that allows easy access to templates and easy retrieval of initial letters generated per requested parameters: business area, date of generation, topic, recipient name, etc.	Met by interChange. The interChange document management system creates an index that is passed along with the PDF letter template files, which includes requested parameters such as recipient, provider code, and letter image number as a part of the Letter Generator history.

Reports (40.1.1.89 to 40.1.1.91)

The management of State healthcare programs is a complex and demanding task. The ability to make timely and informed decisions regarding policies and the affected stakeholders is a must. EDS understands that one of the State's objectives is increased reporting capabilities for the State's programs. This is a common need for our clients, and we can take advantage of the success that we have delivered to our other clients for North Carolina's benefit. The interChange solution has many MMIS-generated business functional area reports that assist the claims and encounters, financial, provider, recipient, managed care, third-party liability (TPL), and other operational functions.

In addition to the operational reports, we will deliver our interChange Business Intelligence and Analytical Reporting (BIAR) data repository. This is a critical feature of our solution designed to empower the State staff and program stakeholders to have the greatest access to MMIS data at their desktops. The following exhibit, Replacement MMIS Reporting Solution, provides an overview of our reporting solution regarding the stakeholders accessing the data.

Replacement MMIS Reporting Solution



Our reporting solution is a critical feature designed to empower the State staff and program stakeholders.

EDS' approach to reporting brings the greatest flexibility and fast access to data available within an MMIS solution. Through various reporting options, data is gathered faster, helping to answer those "what-if" questions that arise and need to be answered quickly. EDS has continually invested in our reporting capabilities, as detailed in the subsections that follow.

Federal and State Reporting

With the interChange solution, federal reports are provided in compliance with current regulations, including the State Medicaid Manual Parts 7 (Quality Control) and 11 (MMIS), while maintaining the ability to accommodate future requirements.

Federal data reporting including Medicaid Statistical Information System (MSIS) files and 372 Waiver reporting is generated within the interChange solution. interChange has been federally certified to meet the requirements of Part 7 and 11 of the State Medicaid Manual. The summary process for the base MAR solution has been implemented in many states including Oklahoma, Indiana, Pennsylvania, Tennessee, Kansas, and Kentucky. For additional details

regarding the federal and state reporting, refer to proposal section 40.13.1 MARS Requirements.

Report Creation Capability

Besides the standard federal and state management reporting, the interChange MMIS BIAR module comprises market-leading, COTS ad hoc query tools and scalable hardware. When combined with our state healthcare-based dimensional data model, these tools will enable the State analysts to access and summarize large volumes of data from multiple inputs and produce customized reports such as the report titles described in Appendix G of the RFP.

The Replacement MMIS reporting data repository's desktop user interface and query tool, BusinessObjects, will allow direct access to critical program data and the ability to drill down into the details.

BusinessObjects is used as the MMIS ad hoc reporting tool, enabling users to develop and execute their own reports, queries, extracts, and results sets. Within BusinessObjects, data elements from the database are defined as objects in the business functional BusinessObjects Universes. A BusinessObjects Universe provides an easy-to-use and understandable interface for nontechnical BusinessObjects users to run queries against the database to create reports, queries, extracts, and result sets for data analysis.

Performance Management

Another slice of the reporting solution comes from executive reporting capabilities of the interChange solution. The interChange reporting solution includes the integration of BusinessObjects Dashboard Manager COTS tool. This tool brings the performance metric measurements and reporting to the manager's desktop, enabling the monitoring of business activities to meet the State's goals. By using dashboards to track and monitor business performance, the State will be more agile and adaptable to new internal or external conditions.

The performance measures are targeted at the State and EDS leadership for overall tracking of the operational performance. EDS has assumed that there will be 30 users of the BusinessObjects Performance Dashboard for the State. The State can track key performance indicators across time to identify trends. Measuring and tracking business metrics across time provides an important dimension to understanding the State's key business questions.

The powerful Dashboard Manager metrics engine stores metrics across any calendar period using prebuilt or custom calendars. EDS and the State will define and store requested metric history so that users can quickly compare today's business activities with any previous period, thereby gaining insight into trends and exceptions. For additional details and examples, please refer to the Performance Dashboard subsection of the Proposed Early Implementations section of this proposal.

Standard Parameter-Driven Reports

The Replacement MMIS MAR solution includes online, parameter-driven reports designed to quickly allow users to drill into the program data needed for research and evaluation of the program. The online reports generate financial and operational statistical reports that provide information regarding current and previous payment periods. Users can trend cash flows from period to period across time. The State also can perform interactive queries and drill into historical data for customized views of cash flow analysis.

These user-driven parameter reports are snapshots of financial, eligibility, participation, and filing statistics by logically grouped data elements. The following exhibit, Sample Payment Comparison by Provider Type Report, is a monthly and yearly comparison report by provider type. There are also lists by place of service, State category of services, specialty, county, provider ID, recipient ID, and revenue code. These snapshots are stored in a summary datamart so that a user can refer to prior periods to compare results.

Sample Payment Comparison by Provider Type Report

1/29/2007 13:24

State of MMIS
Payment Comparison By Provider Type
Fee For Service

Report Criteria			
Benefit Plan	ALL	County/Region	ALL
Provider Type	ALL	Fund Code	ALL
Provider Specialty	ALL	Reporting Period	MAR 2006

	This Month		Same Month Last Year		SFYTD This Year		SFYTD Last Year	
Provider Type / Specialty	Paid Claims	Paid Amount	Paid Claims	Paid Amount	Paid Claims	Paid Amount	Paid Claims	Paid Amount
## Unknown	0	$0	0	$0	0	$0	3,468	$318,308
01 Hospital	1	$0	100	$196,865	1	$0	113	$230,213
02 Ambulatory Surgical Center (ASC)	0	$0	3	$177	0	$0	3	$177
03 Extended Care Facility	0	$0	12	$27,185	0	$0	14	$32,978
05 Home Health Agency	0	$0	22	$2,234	0	$0	27	$2,427
07 Capitation Provider	1	$0	9	$0	1	$0	63	$6,759
08 Clinic	4	-$60	7	$380	4	-$60	20	$693
09 Advance Practice Nurse	0	$0	0	$0	0	$0	2	$243
11 Mental Health Provider	0	$0	33	$6,833	0	$0	45	$7,604
18 Optometrist	0	$0	11	$327	0	$0	28	$3,115
21 Case Manager (Targeted)	0	$0	17	$748	0	$0	23	$822
24 Pharmacy	11	$0	57	$4,844	9	$0	160	$17,766
25 DME/Medical Supply Dealer	0	$0	5	$305	0	$0	29	$5,266
26 Transportation Provider	0	$0	20	$1,304	0	$0	34	$2,529
27 Dentist	2	$0	78	$4,997	2	$0	102	$12,001
28 Laboratory	0	$0	6	$190	2	$0	6	$190
30 End-Stage Renal Disease (RSD) Clinic	0	$0	0	$0	0	$0	0	$0
31 Physician	14	$0	124	$29,996	18	$346	507	$482,552
36 Personal Care Services	0	$0	2	$43	0	$0	25	$406
Totals:	**33**	**-$60**	**506**	**$276,428**	**37**	**$286**	**4,669**	**$1,124,049**

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The example report results show tracking and reporting on home health services, and the ability to compare home health services to mental health services and rural health services based on selection of provider types.

When selecting this report, the user enters the qualifying conditions, which are listed at the top of the report. For this example, the only parameter with a restriction is the Reporting Period, which is limited to 2006. After the user selects the report criteria, the report is generated dynamically and presented to the user in the format shown.

Additionally, other reports in the Replacement MMIS MAR solution will allow the State to perform provider type analysis on items such as filing statistics, denied claims and encounters, and provider participation statistics. Payment comparison by category of service (COS) reports also are available that list the same data elements as the provider type report, but lists by COS. The State will realize direct analysis benefits from the 26 Replacement MMIS MAR online reports that allow research to be performed quickly and accurately when needed.

Approach to Customization and Modifications

Multiple aspects to the customization and modifications are required of interChange for the reporting solution. The overall approach is built on tight data integrity between the operational MMIS transaction data and the reporting data store. The interChange reporting solution shapes the report creation and presentation methods to meet the needs of the deliverables from federal reporting, report generation capabilities to performance reporting, and parameter-driven online reporting.

The CMS-defined output reports are performed by interChange batch processes that efficiently handle the large volume processing and the detailed North Carolina mapping of healthcare groupings to the federal categorization. The mapping of the State-specific data to the federal reports is the customization work that we will perform with the State during DDI.

Enabling user report generation is accomplished through the integration with BusinessObjects, which puts the power of report generation in the hands of the users. The data attributes available for North Carolina are customized in this approach for business areas such as Health Check (EPSDT), which is a business function that requires additional MMIS modification to process the required business functions.

The initial delivery of the performance measurement dashboard will use the existing MMIS performance criteria as the definition of what to measure and report. The values from the performance spreadsheet will be directly input into the dashboard presentation tool, providing continuity with the existing management review activities between EDS and State leadership.

The final approach to reporting customization and change is through the configuration definitions of the North Carolina healthcare codes available to drive the MAR online parameter reports. These code definitions provide the details.

The following table, Software Modules and Features, is a listing of the software modules configured as part of the Replacement MMIS reporting solution.

Software Modules and Features

Software Package Module	Feature	Number of Licenses
BusinessObjects Query and Reporting	MMIS ad hoc report creation and analysis of the detailed data processed by the multi-payer system	100
BusinessObjects Dashboard	Contract performance reporting to agency and EDS managers	30
interChange MAR online reports	Management metrics used for healthcare program analysis and provider education	Unlimited
interChange MMIS operational reports	Reports from the various MMIS business functional areas available through the document management system	500

Each software access will be in part defined by the role-based security, as defined during the implementation. Across the reporting interfaces to the Replacement MMIS, the user profile security requirements will be defined. For predefined reports, security is applied at the report level, while the ad hoc and parameter-driven report security is applied at the data attribute level, meeting the requirements for multi-payer security presentation of the data.

Enhancements to Functional Requirements

The interChange reporting solution is a feature-rich offering that spans the mandated federal reporting and local State reporting needs. It provides online, parameter-driven reports for fast and accurate analysis of the State healthcare programs. The Replacement MMIS solution also will take MMIS reporting to the next level through direct user MMIS ad hoc request capabilities for report generation and analysis.

The following are specific changes required to meet the requirements of the RFP:

- Customize the BIAR reporting data store based on the State-specific data field updates to claims, provider, recipient, major reference files, financial, TPL, drug rebate, prior approval, health check, and managed care and provide the State with 100 user licenses for this reporting capability
- Customize the performance management dashboard using the existing account spreadsheet measures as the scope of the initial dashboard reporting and provide the State management team with 30 user dashboard licenses
- Perform the internal State code mappings for the MSIS files and 372 Waiver reporting federal requirements

- Define the detailed multi-payer report security approach and application for the report and data access layers within the reporting database

Response to Reports Requirements

The following table, EDS Response to Reports Requirements, describes how we will meet the requirements set forth in the RFP. Where appropriate, we have listed the existing interChange user interface panels, reports, or processes that meet the stated requirements. We also have identified when an integrated COTS piece of software is used to meet the requirements.

EDS Response to Reports Requirements

RFP No.	RFP Requirement	EDS Response
40.1.1.89	Provides capability for system-generated reporting to include, without limitation: • Federal- and State-required report and distribution • Reports identified in Appendix 40, Attachment G of this RFP • Fiscal Agent operations and system performance • Contract compliance • Cost allocation • Contract invoicing • Standard pre-formatted reports with parameters selection criteria	Met by interChange. The solution provides for the capability of system-generated reports, from operational reports to management and performance reporting, in addition to the CMS-required reports and analytical reporting. The MAR subsystem provides the output for the federal and State-required reporting including the MSIS tapes and waiver reporting. The solution includes the interChange BIAR module, which provides the State analysts the capability of generating the reports listed in Appendix 40. The fiscal agent operations, system performance, and contract compliance are met through the interChange performance management dashboard. The cost allocation and contract invoicing are met through operational processes. The interChange MAR reporting solution extends to include standard preformatted reports that are parameter-driven criteria directly to the user's browser.
40.1.1.90	Provides capability for online access for users (based on role-based security) to reports, enabling downloads for export/import into multiple software formats and availability for use in multiple media	Met by interChange. Reports are protected by role-based security, which will be defined in conjunction with the agencies during the DDI design and analysis phases. The operational reports are stored in the document management system and available to the users through their desktop browser. Security is provided at the report level by the defined user role configured within the MMIS security module. Additionally, the interChange system provides 26 online, parameter-driven reports in MAR, which enable the user to render the output as Excel, PDF, or HTML for export—including the Comparison by Category of Service, Error Code, Expenditures by COS, Payment by Provider Type, Provider Filing, Provider Ranking, Recipient Ranking, Throughput Date of Receipt to Date of Payment reports, and others.
40.1.1.91	Provides capability to maintain all reports that cannot be regenerated to reflect the report contents as originally represented	Met by interChange and through COTS integration. The operational reports from the system are stored in the Documentum document management system as a

RFP No.	RFP Requirement	EDS Response
		permanent storage media snapshot of the reports as they were originally created. Users can view the reports directly from their browsers for easy access to these snapshots of reports.

Workflow Management (40.1.1.92 to 40.1.1.106)

With communication critical to successful business operations and process improvement, interChange is adding a new focus to the typical MMIS—managed workflow. Because communication technology must facilitate the necessary interaction between providers, recipients, the State, EDS, and the interChange system, our team has made improved communication and coordination a continual focus.

Our automated workflow management solution includes the integration of the K2 workflow engine into interChange within the areas of provider enrollment, prior approval (PA), and DPH eligibility processing. The K2 workflow engine is an XML and standards-based workflow solution used for enabling task-sharing across multiple enterprises using Web services. It provides a framework for designing, deploying, monitoring, and administering workflow processes and provides support for the following features:

- Unique workflow paths per requirements of provider types and specialties
- Standards processing for timely high-quality DPH enrollment processing
- Workload monitoring and balancing for optimal PA review processing
- Dehydration, which enables the states of long-running processes to be automatically maintained in a database and correlation of asynchronous messages
- Service-oriented architecture (SOA) framework, laying a foundation for long-term value to the State as workflow usage expands
- Fault-handling and exception management
- Audit trails for tracing business flow history

Approach to Customization and Modifications

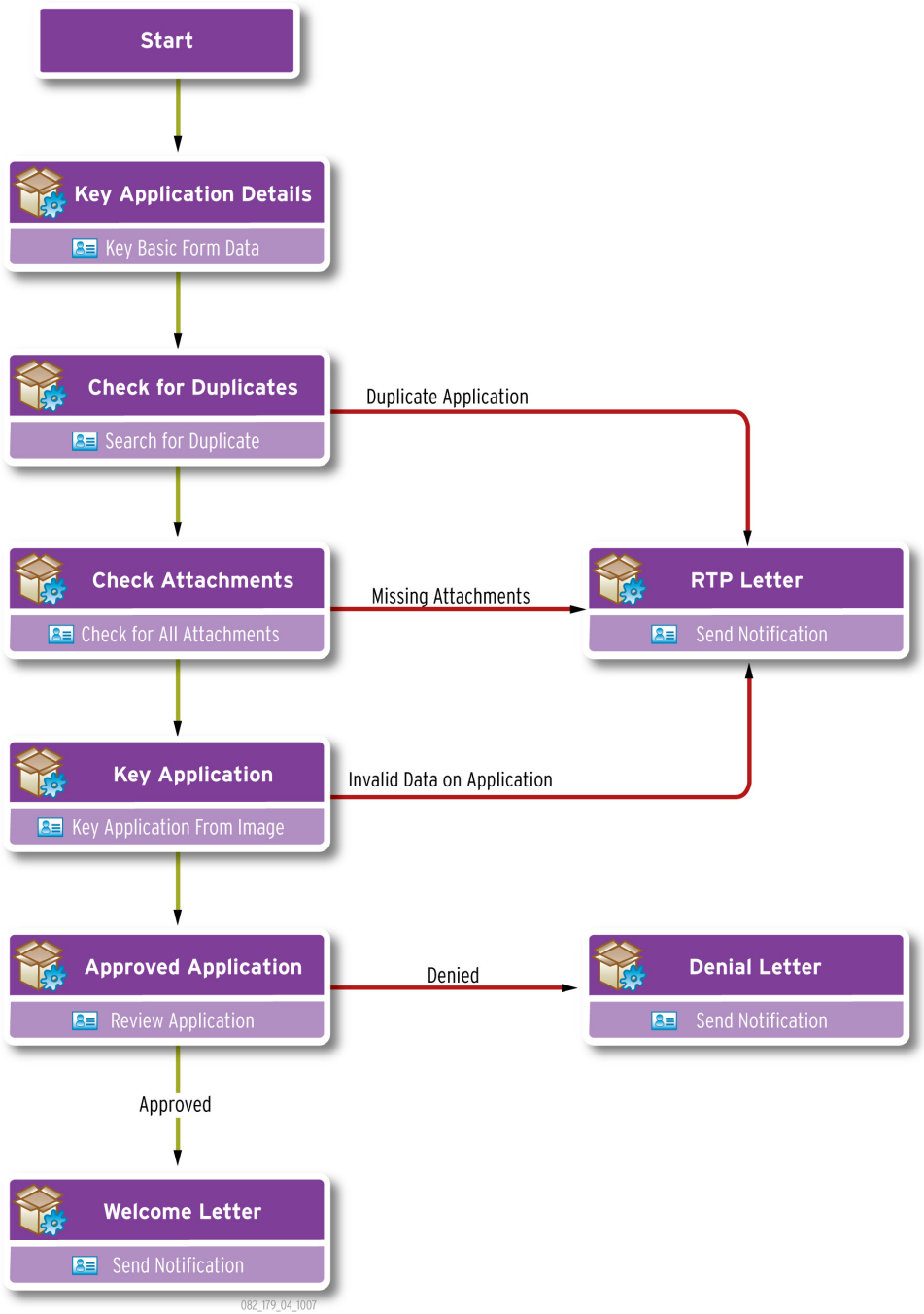
The customization and modification approach to the Replacement MMIS will focus on the provider enrollment processes. The unique State rules surrounding provider types and specialties will be customized within the interChange workflow processes to best meet the business workflows.

The K2 workflow engine enables workflow definitions to be viewed and managed by several audiences, including business users, business analysts, and developers. interChange provides smooth integration to these capabilities through the interChange portal Web application. Each workflow in the EDS interChange solution is created to be configurable. This enables authorized users to configure, manage, override, change, or suppress flexible processing rules to support workflow activities in real time. For example, a workflow may include some decision logic related to a provider specialty that requires additional review or certifications. The workflow is customized to process this specific provider specialty as needed in the workflow implementation. The configurability of the EDS interChange workflows maximizes the State's ability to easily manage or configure workflows so they meet the State's needs and minimize the effort required to implement the changes.

Business workflows often are coupled with interChange user interface pages to enable the workflow items or tasks to be worked on. For certain types of workflow changes and modification, these pages will require modification. In these scenarios, EDS will work with the State to arrive at an optimal solution for the required changes.

For developers, the logic of an automated business process can be implemented directly in a language such as C# or Visual Basic. Yet creating, maintaining, and managing complex business processes in conventional programming languages can be challenging. As shown in the following exhibit, Workflow Provider Enrollment Decision Point Diagram, the K2 workflow solution allows for the creation of business processes and workflows graphically.

Workflow Provider Enrollment Decision Point Diagram



The provider enrollment workflow process clearly identifies each step in the process for consistent application of the provider enrollment rules.

Doing this can be faster than building the process directly in a programming language, and it also can make the process easier to understand, explain, and change. Business processes built in this fashion can be monitored more easily, too, a fact that is exploited by the monitoring technology built into interChange.

Interacting with the interChange workflows occurs at various times and by various groups within the interChange solution. A user will be interacting with the interChange workflow in the context of a participant. This is someone who is actively involved in a workflow. The user may be working on a provider enrollment by keying data or reviewing and approving a provider enrollment application that has already been entered into the system.

In this context, the work done by the user enables the workflow process to progress to the next step or activity based on how the workflow is defined. For example, after enrollment data is keyed and verified, the workflow engine will move the process to the next activity, which may be an activity that verifies that the attachments have been received and are valid. This activity may in turn be worked by the same user who keyed the data or a different group of users.

During the process of working in a workflow instance, authorized users can view a picture or diagram that shows them where they are in the workflow process and what the next steps are. This helps the users understand the process and how what they are doing or working on fits into the bigger picture. Team leaders or business unit managers also can interact with the system. The system provides several workflow management panels that enable the configuration and management of workflow instances in the system by these types of users. These panels allow authorized users to reassign work from one user or group to another, as well as change certain properties about a given workflow instance, such as priority. There also are panels that allow an authorized user to configure a workflow and modify how a new workflow instance will be processed.

interChange workflows are configurable and allow the user to make various changes that impact the processing of a given workflow. However, the ability to configure a workflow is restricted when the changes required are significant. When this happens, developers, partnering with the State, will use various development tools to modify and extend the interChange workflows. The developers will make sure the parts of a workflow are handled when changes or extensions are requested. Because of the robust tools from K2, modifying or extending these workflows is much easier and more efficient than ever before.

When changes are required to a given workflow, they can be released into production before the existing versions of the workflow are completed because the K2 workflow engine supports versioning of workflows. Therefore, multiple versions of the same workflow may be operating in the workflow engine at the same time. This enables the State's workflows to always be current.

Enhancements to Functional Requirements

The interChange workflow environment comes with extensive internal monitoring on active processes, users, and exceptions. Additionally, scalable and configurable logging tools make it possible to log a fine granularity of system interaction for management, reporting, and compliance needs. Significant events

can lead to alerts that indicate events such as changes in policy, system features, status, and other pertinent activity. This means that the solution can be applied in the most demanding audit, management, monitoring, and compliance-based scenarios. The following specific interChange areas will be enhanced with the workflow engine COTS tool:

- We will build PA workflows for PAs that require more review than adjudication.
- We will build our DPH eligibility workflow for the eligibility applications entered for that agency.

Statistical and audit information captured by the interChange workflow solution will be stored within a Microsoft SQL Server repository. While this solution provides many reports out of the box, any custom reporting requirements can be acted on by using these statistics stored within the back-end database. EDS will work with the State to meet and fulfill its reporting requirements.

Response to Workflow Management Requirements

The following table, EDS Response to Workflow Management Requirements, describes how we will meet the requirements set forth in the RFP. We also have described how the K2 COTS software product is integrated within the solution.

EDS Response to Workflow Management Requirements

RFP No.	RFP Requirement	EDS Response
40.1.1.92	Provides capability to maximize work queue technologies that enable a business rule empowered workflow, end-to-end enterprise-wide strategic solution that generates prioritized, sequential first-in/first-out delivery of work items that are generated as either media event or application event work items Provides capability to support: • Documentation retrieval (link to imaged documentation) • Alert agent on events such as work item creation, assignment, work item updates, and status changes • Assignment tracking and retrieval • Aging report(s) • Work item monitoring • Work item reassignment	Met through COTS integration. The K2 workflow engine and the interChange user interface for PA and provider enrollment meet this requirement. While the K2 workflow engine provides the capability to maximize work queues, prioritize work items, retrieve documents, provide alerts on various events, track and retrieve assignments, age reports, monitor work items and reassign work items, these capabilities will need to be integrated into the appropriate areas of the overall interChange solution as the State determines the necessity for this capability to be implemented.
40.1.1.93	Provides capability to input requests/inquiries into the workflow/imaging application to enable processing to be automated and forwarded to designated work and print queues	Met through COTS integration. While this capability is native to the K2 workflow engine, EDS will work with the State to determine areas where this capability can be exploited.

RFP No.	RFP Requirement	EDS Response
40.1.1.94	Provides capability to move requests to the next work queue based on expertise required for completion	Met through COTS integration. This capability is native to the K2 workflow engine.
40.1.1.95	Provides capability to allow the assignment or routing of tasks by the user	Met through COTS integration. This capability is native to the K2 workflow engine.
40.1.1.96	Provides capability for tickler and/or to-do list capability	Met through COTS integration. This capability is native to the K2 workflow engine.
40.1.1.97	Provides capability to support the tracking and resolution of contacts, including calls, on-site visits, override requests, prior approvals, and written inquiries	Met through customization of the COTS K2 workflow engine. State-specific requirements for tracking and resolution can be built into the K2 workflows.
40.1.1.98	Provides capability for the unlimited entry of notes with date/time stamp, user identity, and categorization as to type of note	Met through customization of the COTS K2 workflow engine. State-specific requirements for the entry of notes can be built as necessary into K2 workflow functionality.
40.1.1.99	Provides capability to designate certain notes as confidential and restrict access to notes to authorized users	Met through customization of the COTS K2 workflow engine. State-specific requirements for restricting access to notes can be built as necessary into K2 workflow functionality.
40.1.1.100	Provides capability for automated work load balancing	Met through COTS integration. This capability is native to the K2 workflow engine.
40.1.1.101	Provides capability for convenient, instant access to current and historical information without requiring a separate sign-on beyond the initial Replacement MM IS sign-on	Met through customization of the COTS K2 workflow engine. State-specific requirements around single sign-on can be built into the K2 workflow engine.
40.1.1.102	Provides capability to produce work management reports to include, without limitation, performance measures online by individual business unit and business process and compare them to actual performance	Met through customization of the COTS K2 workflow engine. State-specific requirements around work management reports can be built into the K2 workflow engine as necessary.
40.1.1.103	Provides capability to use user-defined templates that support various workflow processes	Met through COTS integration. The use of user-defined workflow templates is native to the K2 workflow engine.
40.1.1.104	Provides capability for a graphical interface to support the development and maintenance of the business processes; provides capability to allow users to create a visual capability or flowchart that controls the sequencing of manual and automated tasks performed throughout the business cycle	Met through COTS integration. This capability is native to the K2 workflow engine.
40.1.1.105	Provides capability of integrating with a rules engine	Met through customization of the COTS K2 workflow engine. The K2 workflow engine can be integrated into the interChangeRules engine using Web services.
40.1.1.106	Provides capability to allow State access to work queue to assist in evaluation and disposition of work queue items	Met through COTS integration. This capability is native to the K2 workflow engine.

Rules Engine (40.1.1.107 to 40.1.1.120)

EDS' interChangeRules provides a comprehensive solution to encapsulate North Carolina's business policies. EDS applies the appropriate solution to the proper situation in rules integration. Our approach balances the high-volume transactions and tight data integrity needs of claims processing with the flexible and highly configurable third-party COTS approach in the areas where throughput requirements are not as aggressive.

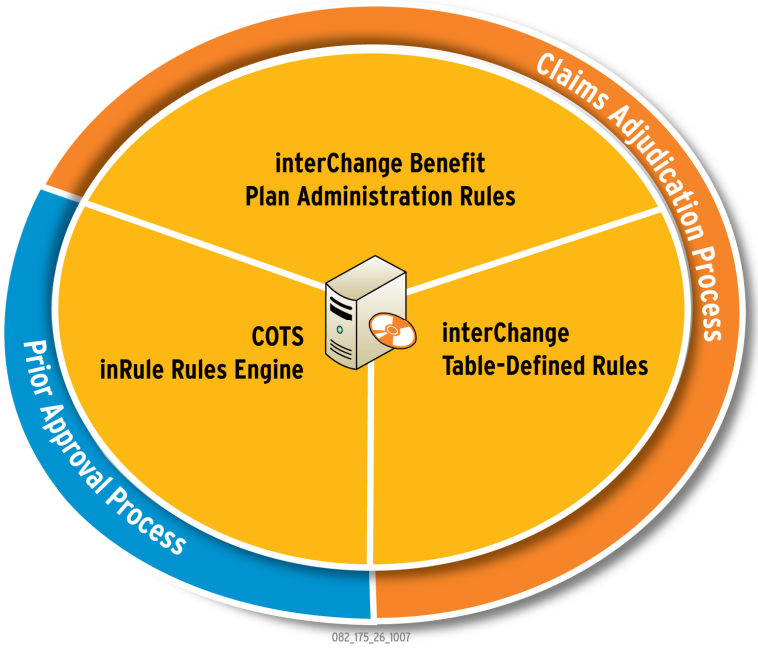
As shown in the following table, interChangeRules Components and Functions, there are three distinct components that are integral to the accuracy of the State's healthcare processing. These components play important and distinct roles in the system processing for optimal configuration and maintenance of the system.

interChangeRules Components and Functions

Rule Component	Feature and Function
interChange Benefit Plan Administration (BPA) rules engine	These rules define the claims adjudication rules. This rules engine is an integrated module of the interChange application and designed specifically for state healthcare rule definition needs. This rules engine is exposed to authorized benefit user analysts for configuration and maintenance of the business rules used to process claims.
InRule COTS rules engine	This rules COTS product is integrated within the overall solution to define business rules, such as prior approval (PA) rules, by the business analysts who will define and enter the policy for processing the PA requests.
interChange table-defined rules	These table rules build the relationship of the data within the system, such as the relationship between claim type and the submission form type and the provider type to specialty cross-reference. These table-driven rules are maintained through the interChange user interface by authorized business analysts during system configuration and maintenance activities.

This triad of rules components provides a strong foundation for the overall application, while opening up the process of entering rules to the business analyst community rather than hard-coding the rules within the application. The following exhibit, interChangeRules Components, is a representation of how the EDS solution applies rules in a logical and proven manner.

interChangeRules Components



interChangeRules opens up the process of entering rules to the business analyst community rather than hard-coding the rules within the application.

This COTS rules engine is incorporated into the PA functional area to meet the State's needs. For higher transaction volume areas such as claims adjudication, the interChange BPA and table-defined rules are used.

The EDS-developed rules-authoring tool is designed to allow analysts to configure rules used during the processing of claims within the claims engine. These rules define the following specific criteria needed to develop four distinct types of rules:

- Benefit plan rules establish which services are covered—or excluded—for a given benefit plan and the conditions that allow that coverage.
- Provider contract rules define who can perform, bill, and be reimbursed for given services.
- Reimbursement agreements define exactly which pricing methodology should be applied to a service and which pricing adjustment factors to consider.
- Other insurance rules allow the analyst to configure the coverage of different third-party liability (TPL) programs, which are used in setting TPL edits.

Each type of rule controls an aspect of the claims processing. The interChange system enforces rule compatibility by preventing rule collisions or overlaps and

by recommending rule simplification strategies when the newly authored rule is compared to the existing rules in the system.

The interChangeRules online reporting capability supports searching for rules by numerous parameters and allowing rules to be compared across recipient populations or rule types for a complete picture of what coverage rules, provider contracts, or reimbursement agreements play a part in defining the business policy of a benefit plan. For research purposes, any rule used to authorize payment of a claim is stored with that claim's history. This facilitates answering provider's questions and providing input to future policy direction.

Please refer to the Configuring the System section of 40.8.1 Claims Processing System Requirements for exhibits and details about how this rule-authoring capability is used within the claims processing system.

EDS' interChangeRules provides table-driven, online, near-real-time customizable business rules that can be configured and adapted to accommodate changing business needs. The EDS solution enables the authoring, management, and verification of business application rules by nontechnical and technical personnel.

By presenting application decision logic and user interface components in a familiar business context, users can encode, verify, and evolve their business rules much more effectively. For example, if the policy relating to the authorization of a PA for a given service were to change, a technical coding change would not be necessary. An authorized user can directly change or edit these rules and apply them immediately.

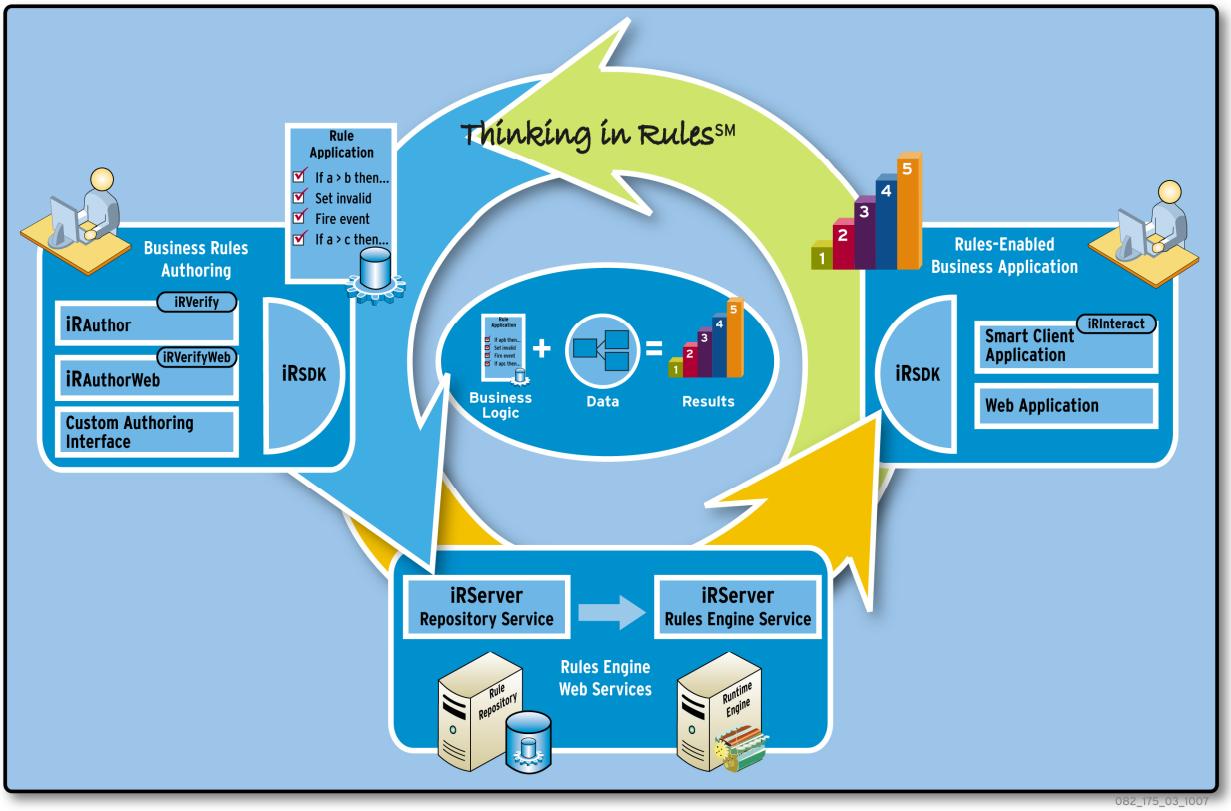
EDS' interChangeRules provides configurable business rules that encompass edits and audits, medical policy, cost avoidance, funding source code, budgets, benefit plans, PA, and other system drivers required to complete the core business processes. Within interChangeRules, authorized users will have the tools necessary to implement policy changes without the need for technical assistance, saving valuable time and eliminating costly programming expenses. These changes can be applied in near real time rather than in days or weeks. This will allow the Replacement MMIS to quickly respond to policy change or legislative mandate. Policy changes are tied to cost savings in many instances, so rapid policy implementation can translate to earlier cost reductions for State programs.

One of the core components of the interChangeRules is the InRule business rules engine. InRule provides technology for the authoring, management, and verification of application decision logic that involves rules, calculations, and user interfaces required for recipient management. The second is the COTS InRule rules engine, rated as "visionary" in Gartner's 2005 Business Rules report. InRule's declarative development approach captures business intent by allowing users to encode rules without the overhead of custom programming, which results in adaptive business processes. InRule's industry-leading rules console

approach uses a rules catalog that provides visibility into core logic and facilitates the sharing of that logic across applications.

The following exhibit, InRule Business Rules Engine Capabilities, shows the different capabilities of InRule.

InRule Business Rules Engine Capabilities



InRule's industry-leading rules console approach uses a rules catalog that provides visibility into core logic and facilitates the sharing of that logic across applications.

InRule is built entirely on the .NET platform, using a component architecture that delivers rule-processing performance and flexibility. From the feature-rich rule-authoring environment to the optimized execution of the business rules engine, InRule unifies the domains of managed business logic and traditional systems processes. Using open industry standards, the InRule engine can be used from anywhere in the infrastructure using Web services or a native .NET application program interface (API).

For areas of the solution where high throughput and quick response times are essential, EDS uses our highly customized rules engine, interChangeRules, which incorporates database table-driven rules and custom rules components. For example, the benefit plan administration (BPA) system allows states to quickly and easily manage benefits through the interChange user interface.

This system manages the benefits and rules that are applied during claims adjudication as a part of the operations management business functions. Rules may be applied to payment processing to determine how and when copayment is applied, and they may be used to define provider contract and billing restrictions. The interChangeRules is designed around the State's needs to define how services are covered, delivered, adjudicated, and managed.

The interChangeRules operates with business process automation services through Web Service calls, allowing workflow automation to work with and be driven by State business rules.

With interChangeRules, business rules are represented using numerous representations, such as decision tables and pseudo-linguistics. Rules can be sequenced to provide easy changes in execution. Rule testing will allow rule consistency checks and logic collision checks.

The following are key features that enable ease of administration and use:

- **Intelligent authoring—**Even novice rule authors can create complex context-driven rules and expressions.
- **Context-aware rule authoring—**The rules are maintained in the context of their use so the author may have a full understanding of how and where the rule will be applied.
- **Integrated near-real-time testing—**Users can inspect how rules work and what the results are and get a full understanding of why a rule returns the results it does.
- **Web services enhancements 2.0 support—**InRule is the only rules engine that complies with Web services enhancements 2.0, which implements the latest Web services standards for security and policy for the best interoperability between Web services and applications.
- **Superior calculation engine—**A calculation engine supports analytics and mathematical operations with visual decomposition. Examples include running totals, time series data, and aggregate functions.
- **Extensible representation of rules—**Using industry-standard technologies, rules can be represented in various formats.
- **Rule availability—**Rules may be made available for review using a Web browser and are maintained using either a Web browser or Windows form application.
- **Rule configurability—**Rules can be configured in various ways, including enabling them to be date-time-sensitive so they only apply when appropriate.

Approach to Customization and Modifications

Using rules-authoring functions, interChange is highly configurable. One of the larger efforts of the transition to the Replacement MMIS will be the analysis, definition, and configuration of State business, pricing, and payment policy. This will require a collaborative effort involving meetings, discussion, bidirectional education, and thought to achieve successfully. The Replacement MMIS has many additional capabilities that allow many of the old policies and processes that were based on existing system constraints to be rethought and redefined. EDS has the experience to guide this discovery and transform the Legacy MMIS+ of today into the Replacement MMIS of tomorrow.

The EDS team will work closely with the policy subject-matter experts of the four agencies to analyze, extract, review, and confirm the current claims processing business rules to be configured in the EDS table-driven and BPA rules components. The EDS analysts will enter the confirmed rules into the application.

For the PA rules configuration, the interChange team will leverage the design and definitions work from the current Unified Screening Project (NC-USP) as a jump start to the integration of business rules for PA adjudication through InRule.

The EDS interChangeRules solution will fully support the State's policy and business requirements. The interChangeRules solution provides maximum flexibility in administration and scalability. The interChangeRules management is facilitated by an easy-to-use Web interface and can be maintained through a Web browser or Windows form application. A drag-and-drop Web page designer of InRule lets authors create rules that can be tested directly from the authoring tool or one of the other integrated testing tools available in our solution. Using the integrated testing tools, changes to rules may be analyzed before implementing the change into the production environment.

Enhancements to Functional Requirements

EDS recognizes that it is important to follow a promotion schedule when it comes to adding or changing business rules because the effect of a rule change can be significant to the delivery of healthcare for the consumer and financial resources of a state. A policy change may affect how claims are paid or not paid. A strict promotion policy must be in place and followed. The EDS team will perform enhancements to the base functional requirements for the following areas of the Replacement MMIS:

- We will build out the DPH rules and how they are to be applied.
- We will build the PA rules by leveraging the current unified screening project analysis and definition and review in relation to interChange and the integration with the COTS rules product, InRule.

The rule-authoring environments are secure, preventing unauthorized users from viewing or changing the business rules without first being granted access. Because changes in rules may be implemented immediately, we recommend that only skilled business administrators be authorized to make changes.

Response to Rules Engine Requirements

The following table, EDS Response to Rules Engine Requirements, describes how we will meet the requirements set forth in the RFP. Where appropriate, we have listed the existing interChange user interface panels, reports, and processes that meet the stated requirements. We also have identified when an integrated COTS piece of software is used to meet the requirements.

EDS Response to Rules Engine Requirements

RFP No.	RFP Requirement	EDS Response
40.1.1.107	Provides capability to register, classify, inquire, manage, and automate date-specific business rules in a graphical, user-friendly rules engine	Met by interChange. interChangeRules provides a rule-authoring and inquiry environment to manage, define, and report on date-specific business rules in a graphical, user-friendly rules engine.
40.1.1.108	Provides capability to modify rules, allowing the application to be adaptable with the dynamic rules	Met by interChange. interChangeRules meets this functional requirement. Authorized users can change rules, allowing the application to be adaptable with the dynamic rules.
40.1.1.109	Provides capability for generating media events or application events as a result of the execution of a business rule	Met through customization of interChange. interChangeRules will be customized to generate media or application events because of a business rule.
40.1.1.110	Provides capability to structure in a modular concept so the same rules engine can be used by different services or be called as a service itself	Met by interChange. Within interChangeRules, the InRule engine is a modular, COTS rules engine that can be used by different services or be called as a service itself.
40.1.1.111	Provides capability for a debugging process that automatically analyzes and identifies logical errors (i.e., conflict, redundancy, and incompleteness) across business rules	Met by interChange. InRule and BPA rules include a debugging process that automatically analyzes and identifies logical errors—such as conflict, redundancy, and incompleteness—across business rules. Please see the Claims Processing response for specific exhibits of this capability.
40.1.1.112	Provides capability to allow for rules to be tested against production data prior to installation	Met by interChange and operational processes and procedures. The rules will be configured and tested from the UAT environment before being transferred to the production environment.
40.1.1.113	Provides capability for a built-in rule review and approval process that will identify any conflicts in business rules as they are being developed	Met by interChange. interChangeRules meets this functional requirement. Both rule-authoring formats insist that each conflict in business rules be resolved before saving new rules. Every rule must have only one outcome when compared with the other rules in the system. No conflicts or overlaps are allowed.

RFP No.	RFP Requirement	EDS Response
40.1.1.114	Provides capability to track and report rules usage	Met by interChange. interChangeRules meets this functional requirement. The specific rules used during the adjudication of a claim are stored with the claims history and available for subsequent reporting.
40.1.1.115	Provides capability to produce and maintain documentation regarding all business rules	Met by interChange. interChangeRules meets this functional requirement. The BPA rules capability provides two distinct methods of producing printer friendly documentation about the business rules. The more robust rules catalog search capability can produce a printer-friendly document or a delimited data file that can be imported into a spreadsheet for further analysis. A standard text file also can be generated. InRule provides a similar printer-friendly printing capability.
40.1.1.116	Provides capability for integration with a workflow management process	Met by interChange. interChangeRules meets this functional requirement. The interChangeRules can be integrated with the K2 workflow engine.
40.1.1.117	Provides capability to identify impact of business rule changes to claims adjudication	Met by interChange and operational processes and procedures. The rules will be configured and tested from the UAT environment before being transferred to the production environment. This environment can be used to identify impact of business rule changes to claims adjudication.
40.1.1.118	Provides capability to reuse business rules across processes	Met by interChange. interChangeRules provides the ability to copy rules to allow them to be used by another benefit plan or provider contract.
40.1.1.119	Provides capability to change business rules independent of process	Met through configuration of interChange parameters and features. interChangeRules meets this functional requirement.
40.1.1.120	Provides capability to apply Procedure Code Pricing (PR) File Cleanup business rules against current Procedure Code Pricing (PR) File	Met by interChange. Through the existing procedure code pricing panels, policy analysts can apply updates, including cleanup business rules as compared to the current Procedure Code Pricing file.

Integrated Test Facility (40.1.1.121 to 40.1.1.128)

The integrated test facility (ITF) will be a combination of several testing environments and a physical area where the State can test on-site. From an environment point of view, the ITF will include model office, UAT, and parallel environments, where testing can be executed concurrently. The UAT environment will enable the State to have a hands-on approach to testing. A central feature of the base interChange system is its user configurability, which will make it possible for the State to set up, test, and review policy changes without technical intervention. The ITF environment will have the most current version of code available for the users to test, whether that is production or

testing of a new feature before production. The EDS facility will be set up with a training/testing room that can accommodate as many as 25 State personnel to use while verifying that the business requirements and system features are working as expected. The UAT environment also will be made available to State users in off-site locations with access to the MMIS wide area network using accepted security protocols.

The environments will be populated with converted production data from North Carolina payers to give an accurate representation of various claim types. System testers will coordinate testing between the applications within the Replacement MMIS. Outside interface entities also will be tested during Inter-System Testing. The interface coordinator will make sure the data passed to and from the Replacement MMIS is accurate and compatible. The ITF also provides the capacity for volume and stress testing. Ongoing State communication and monitoring of the facets of the project plan are critical to our testing approach. Through ongoing reviews of status reports, status meetings, and metrics, the project requirements will be tested to make sure the level of risk is low. Because it can concurrently execute various testing phases, the ITF will enable the State to monitor the project's status as it progresses.

Approach to Customization and Modifications

EDS will use proven development processes and tools refined from past successful interChange system implementations. A suite of predefined test cases will make sure the base interChange features are working as expected. UAT will use North Carolina converted data that will be a superset of the data used in the parallel environment for policy verification. The Replacement MMIS provides various provider-specific parameters, enabling the unique business policies of North Carolina to easily be set up and tested. The customization and modification work to be performed for the multi-payer implementation is to define and execute the test cases for the North Carolina–specific requirements that require changes to the Replacement MMIS. The other customization work is done in conjunction with the data conversion team so that the ITF has good data from which to execute test cases.

Enhancements to Functional Requirements

The Replacement MMIS base solution includes successfully used development and operational processes to execute testing concurrently in multiple independent testing environments. Data scripts will be developed to synchronize the testing environments as enhancements are promoted to production.

Response to Integrated Test Facility Requirements

The following table, EDS Response to Integrated Test Facility Requirements, describes how we will meet the requirements set forth in the RFP. Where appropriate, we have listed the existing interChange user interface panels, reports, or processes that meet the stated requirements.

EDS Response to Integrated Test Facility Requirements

RFP No.	RFP Requirement	EDS Response
40.1.1.121	Provides capability for an Integrated Test Facility (ITF) with multiple test environments to allow for different phases of testing to be conducted concurrently during the DDI Phase and throughout the life of the Contract	Met by operational processes and procedures. There will be multiple testing environments—model office test, UAT, and parallel test. Combined, these environments will meet the ITF requirements.
40.1.1.122	Provides capability for the ITF environment to operate independently from production, either physically or logically separated, so that performance within the production and ITF environments are not adversely affected by the other, regardless of activity level	Met by operational processes and procedures. The model office, UAT, and parallel ITF environments will be logically independent of the production environments.
40.1.1.123	Provides capability to maintain the ITF environment as a mirror image of the production system environment to be used for testing all Replacement MMIS changes throughout the life of the Contract	Met through customization of interChange. The ITF environment will include data scripts for refreshing data from production into the ITF environments. The ITF environments will have the most current version of code available to the users to test, whether that is production, or testing of a new feature before production.
40.1.1.124	Provides capability for the automated migration of new business areas and application fixes between the ITF environments and production environment	Met by interChange. The configuration management process meets this functional requirement.
40.1.1.125	Provides capability to perform assessments without affecting production and/or data	Met by interChange. The UAT or parallel test environment meets this functional requirement. The UAT environment will enable the State to test changes in business policies. The parallel environment enables the State to monitor impact to claim adjudication resulting from changes in edits and audits, which may vary by payer.
40.1.1.126	Provides capability for State access to all test system files	Met by interChange. The State will identify individuals who need required access to UAT files.
40.1.1.127	Provides capability for version control in the ITF	Met by interChange. The configuration management process meets this functional requirement through our defined release schedules and associated code and data model versioning.
40.1.1.128	Provides capability to synchronize the ITF with the production environment when updating the Replacement MMIS production system	Met by interChange. The ITF environment will include data scripts for refreshing data from production.

Training (40.1.1.129 to 40.1.1.136)

We understand the importance of identifying the audience for the specific training courses offered and tailoring the courses to meet users' needs. Whether the audience is the State, the provider community, or EDS, our classroom and computer-based training (CBT) program will address each facet of the Replacement MMIS subsystem, functional components, interfaces, and procedures. For further details on the training approach, please refer to proposal section 50.2.4.4 Training Approach, which outlines our entire training approach, software, operations, and team members performing the work, including our sample curriculum.

We will provide professional trainers who understand interChange functions and Medicaid business processes and procedures. The interChange training teams will comprise instructional design specialists (IDSs), training specialists, and provider field representatives.

Approach to Customization and Modifications

The customization and modification of interChange will allow advanced technology and training to meet the needs of North Carolina providers. CBT will allow topics to be taught and produced for the State's healthcare communities.

EDS will use various software for training development, including Microsoft Word and PowerPoint. Additional software will be used for development and maintenance of CBT and WBT courses. We will use a learning management system (LMS) product for the creation and presentation of online training courses. The LMS also functions to track enrollment of individuals in WBT classes, offer standard reporting on user or provider proficiency results, give course progress, and offer course completion information. The LMS will offer a flexible platform that streamlines administration of training, regardless of the delivery method.

Enhancements to Functional Requirements

Enhancements to the functional requirements led us to a training group that can meet the daily requirements that will serve the State's training goals. Features include CBT and Web portal support for training, documentation, and information. For an example of this training, please refer to the Sample Provider and Recipient Training Curriculum table in proposal section 50.2.4.4 Training Approach.

Response to Training Requirements

The following table, EDS Response to Training Requirements, describes how we will meet the requirements set forth in the RFP. Where appropriate, we have listed the existing interChange processes that meet the stated requirements.

EDS Response to Training Requirements

RFP No.	RFP Requirement	EDS Response
40.1.1.129	Provides capability for computer-based-training (CBT) courses for all users (State staff, Fiscal Agent staff, county staff, local agency staff, and providers)	Met through customization of interChange. Our CBT and WBT solutions function as a training application, tutorial, or reinforcement training. Because of our experience in Medicaid implementations, we already have developed several CBT and WBT courses for users.
40.1.1.130	Provides capability for online CBT courses for all Replacement MMIS application systems	Met through customization of interChange. Our CBT and WBT solutions function as a training application, tutorial, or reinforcement training. Because of our experience in Medicaid implementations, we already have developed several CBT and WBT courses for users.
40.1.1.131	Provides capability for proficiency testing, quality reviews, and retraining, as needed, for Fiscal Agent staff	Met through customization of interChange. A continuous training environment will be established and maintained to support the training requirements. We develop our CBT and WBT solutions with an integrated electronic proficiency test that requires each user to answer the questions correctly before recording a "course complete" status.
40.1.1.132	Provides capability to deliver provider training through Web-based services and electronic media	Met through customization of interChange. Provider training through Web-based services and electronic media will be supported, created, and met through customization.
40.1.1.133	Provides capability for a Web Portal to access training news, schedules, training registration and evaluation forms, CBT and Web-based training content, provider bulletins, and frequently asked questions (FAQs) by provider type and subject	Met through customization of interChange. The Provider Web Portal will provide access to this content, as required, and the content will be maintained by the provider relations team and the training team. The portal will be the technology mechanism to keep the stakeholders informed, but the operations teams will be the key to this effort by keeping the information updated and accurate.
40.1.1.134	Provides capability for the Web Portal to include document management, version control, and contextual queries related to Replacement MMIS rules and operations	Met through customization of interChange. A search engine capability for the Web portal will be included in the design, interfacing with informal document management processes, which include features such as version control.
40.1.1.135	Provides capability for Web-accessible downloads of training documentation that will be synchronized with provider policy and billing updates	Met through configuration of interChange parameters and features. EDS will maintain this information within the provider team and the training team described previously. The Provider Web Portal provides an easy mechanism to post, maintain versions, and update the documentation needed for each provider type.
40.1.1.136	Provides capability for a training evaluation tool to analyze and report to the State on training effectiveness	Met through customization of interChange. Each training session will include a participant evaluation that gathers data regarding the training materials. The trainer will share those results with the IDS, verifying that the materials reflect the latest version of interChange.

Call Center Services (40.1.1.137 to 40.1.1.149)

As a part of our call center responsibilities, we will include activities required to support the functions within the fiscal agent and MMIS business model. Through our efforts supporting the State and with our experience in Medicaid support across the country, we bring a unique understanding of opportunities to improve and streamline call center functions. Our knowledge base of the business processes and current challenges will enable us to improve current operations and operate the call center to meet State requirements.

As the North Carolina payer groups have grown in the past 25 years, so has the need for proactive and responsive communication. EDS answered more than 203,000 North Carolina provider telephone inquiries in 2006.

interChange provides the following:

- Options to "opt out" of any self-service transaction
- Screen-pop features that will allow information that callers enter for self-service transactions to be displayed for the customer service representative, allowing the callers to be served more quickly and making the toll-free call shorter
- Automated call tracking to log the length of each call
- Online notes to record call resolution
- Call forwarding that allows a customer service representative to forward a call to another customer service representative along with the call history to keep providers from having to restate their information
- Document images that customer service representatives can access during the call to aid in inquiry resolution
- Complete tracking of provider interactions
- Capability for call monitoring by authorized EDS personnel and State personnel
- Support requirements of Civil Rights Act for Persons of Limited English Proficiency (LEP) and Hearing Impaired

EDS will use COTS products for our telephone system. The telephone system is built on proven and innovative automatic call distribution (ACD) technology by Avaya that offers a suite of call routing and resource selection capabilities. The ACD allows the system to intelligently route incoming telephone calls that are handled by the most suitable customer service representative, rather than simply choosing the next available customer service representative. The functions within the Avaya telephone system are designed to help customer service representatives handle calls more effectively and enhance the overall level of the call center's productivity.

Calls will be assigned to a specialized skilled group of customer service representatives based on different levels of expertise. The skill groups will be based on provider types and specialties—special programs such as Health Check, provider enrollment, and a dedicated ACD group to support requirements of Civil Rights Act for Persons of LEP and Hearing Impaired. Managing calls by specialized customer service representatives will verify that callers are receiving reliable information and managing the call center workload.

To best provide effective customer service, EDS recommends that all callers access self-service interactions. Callers who need to gain quick access to the customer service representative can do so by self-transferring.

EDS understands that operating a successful call center includes managing by the numbers, and real-time metrics will be an integral part of the call center solution. We will have dedicated call centers, including the Provider Services Unit, Recipient Services Unit, Prior Approval Unit, Electronic Commerce Services (ECS) Unit, Integrated Payment and Reporting System, and Pre-Admission Screening and Annual Resident Review (PASARR). It is important that the quantity of staff matches the call center workload. We have staffed our call center team to effectively meet the needs of the State, providers, recipients, and other State business partners.

Approach to Customization and Modifications

The base interChange and COTS Avaya solutions are designed to meet many standards and common functions of the call center process.

A majority of the work regarding the call center will be completed with the COTS Avaya tools. EDS has developed customizable integration applications within InterChange where the COTS Avaya solution did not fully meet the specific needs called for by the RFP. Please refer to proposal section 40.4.1 AVRS System Requirements for additional details about the customization work performed for the solution.

Enhancements to Functional Requirements

No enhancements are required to meet these requirements. The functions within the call center will use interChange, COTS Avaya tools, or the configurable EDS' Medicaid Interaction Center integration applications.

Response to Call Center Services Requirements

The following table, EDS Response to Call Center Services Requirements, describes how we will meet the requirements set forth in the RFP. Where appropriate, we have listed the existing interChange user interface panels, reports, and processes that meet the stated requirements. We also have identified when an integrated COTS piece of software is used to meet the requirements.

EDS Response to Call Center Services Requirements

RFP No.	RFP Requirement	EDS Response
40.1.1.137	Provides capability for Customer Service Call Center/Help Desk to include, without limitation, hardware, software, and toll-free telephone access to operate the Customer Service Call Center/Help Desk System	Met by interChange, through operational processes and procedures, and through COTS integration. The Avaya tool will be used to meet this requirement.
40.1.1.138	Provides capability for an automatic phone attendant that provides a hierarchical, menu-driven capability for directing calls to appropriate Replacement MMIS Program Fiscal Agent or State staff	Met through COTS integration. The Avaya voicemail system is a comprehensive software package that meets the State's delivery expectations.
40.1.1.139	Provides capability to receive, appropriately route, and manage all telephone inquiries from Federal, State, local, and county workforce members, recipients, and in-state and out-of-state providers regarding prior approval, technical support, provider services, etc.	Met through customization of interChange, through operational processes and procedures, and through COTS integration. The Avaya tool and the voice response systems will be used to meet this requirement.
40.1.1.140	Provides capability to integrate voice and electronic transactions into a single workflow with integrated queues that allow work blending and load balancing	Met through COTS integration. Using the Avaya tool, the customer service representative will receive voice calls or electronic transactions from callers requesting help in areas with which the customer service representative is qualified to assist. The customer service representative's skills are assigned based on his or her knowledge and capabilities. This allows the caller to reach the right person the first time.
40.1.1.141	Provides capability to support requirements of Civil Rights Act for Persons of Limited English Proficiency (LEP) and Hearing Impaired	Met by interChange and operational processes and procedures. We will provide multiple language options and services for the hearing impaired. The ability to have the caller select a language option and route to a language-specific representative is part of the Avaya ACD and Expert Agent Selection (EAS) software. Operators will be staffed in the primary threshold languages of English and Spanish. We will use Language Line for additional interpretation services. We will offer a Telecommunications Device for the Deaf Teletype (TTY) and the hearing disabled.
40.1.1.142	Provides capability for call monitoring by supervisors and State monitors	Met through COTS integration. We will use a feature of the Avaya system called Service Observing to meet this requirement. This will allow the EDS-authorized personnel and State monitors to monitor a call without the operator's knowledge and participate in the conversation if necessary and assist the representative. This minimizes misinformation to the caller and ultimately increases customer satisfaction.
40.1.1.143	Provides capability for automated call-tracking of all calls received to include, without limitation, online display, inquiry, and updating of call records that will	Met by interChange. The Based Edit, Information, Search, and Call Questions panels meet this functional requirement. With the Contact Tracking Management System (CTMS), users

RFP No.	RFP Requirement	EDS Response
	also be available to State staff	have a single interface for researching and maintaining contact information for providers or recipients within the enterprise repository. After the State staff members are given proper access to browser-based online CTMS, the staff members also can retrieve and update the contact records.
40.1.1.144	Provides capability to maintain free-form notes for each call record, coordinate these notes in the document management and correspondence tracking business area, and make the notes available for State and Fiscal Agent access	Met by interChange. Using the CTMS Information panel, call center specialists create, maintain, and update contact records that include contact type, demographic information, questions, resolutions, or contact reasons whether received through telephone call, written mail, e-mail, Web-based interaction, fax, meetings, or on-site visits to the call centers. Each contact encounter is associated with a unique contact tracking number (CTN). CTMS Search Web page allows call center specialists access to contacts based on various criteria. With proper access to an online CTMS, State staff members also can retrieve and track the contact records.
40.1.1.145	Provides capability for the automated population of call views with relevant recipient and provider information; provides capability for the system to track information such as time and date of call, identifying information on caller (provider, recipient, and others), call type, call category, inquiry description, customer service clerk ID for each call, and response description	Met by interChange. The CTMS Information panel meets this functional requirement. The panel displays the summary of the contact record, which includes the time and date of the call, identifying information about the caller (provider or recipient), and the customer service clerk ID for the contact.
40.1.1.146	Provides capability to automatically fax back (or e-mail back, when there is no protected health information involved) to callers with attachments containing requested information, such as claims histories, copies of pertinent policy or rules, and provider letters	Met by interChange. The Letter Generator can fax, e-mail, or print physical correspondence.
40.1.1.147	Provides capability to transfer calls, along with all related documentation that was collected	Met through customization of interChange. interChange will be enhanced to include the capability to transfer calls and the related documentation that was collected.
40.1.1.148	Provides capability for callers to interact with an automated attendant or speak to a customer service representative	Met by interChange. The AVRS has a shortcut capability, enabling callers to interrupt any AVRS prompt or message, enter information, or request to speak with a contact center representative. The menu-driven design supports easy navigation through the prompts to obtain information.
40.1.1.149	Provides capability for technical help desk to support inquiries on system processes and system troubleshooting from providers, value-added networks (VANs), State, and Fiscal Agent users	Met through COTS integration. The use of the Avaya tool will meet this requirement.

System Availability (40.1.1.150 to 40.1.1.152)

EDS has designed the interChange implementation to meet the RFP's system availability requirements. Our design for the State directly uses our proven environment configurations used by five interChange states already in production. This best practice policy of using established solutions for the benefit of our new implementations reduces delivery risks and enables the long-term performance needed to support the providers, recipients, and State users of the Replacement MMIS. Specific features provided to support system availability include the following:

- **UNIX servers—**Multiple system boards that can be dynamically configured into processing "zones" to provide continued resources if a failure occurs
- **Application servers—**VMWare virtual machine images on the storage area network (SAN) that can be allocated dynamically to physical Windows servers in the event of a failure
- **Load balancing—**High availability achieved through load balancing between multiple virtual machines running the same virtual server image, a method used to maintain transaction response time for users of the interChange Web portal
- **Local area network (LAN) interface—**Physical servers with dual network interface cards
- **SAN interface—**Physical servers with dual fiber channel interfaces with the SAN and EMC Powerpath software, running on the servers, performing load balancing and failover between the interfaces
- **Network—**A wide area network (WAN) that features redundant circuits, routers, and firewalls
- **Monitoring—**Servers continuously monitored using the HP SiteScope tool, with indicators such as CPU utilization, memory utilization, and I/O throughput measured and alerts automatically raised for support staff response if thresholds are reached

The SiteScope tool also will be used to gather the system availability statistics to meet RFP requirement 40.1.1.150. User transaction response time from the Web portal also will be measured using the SiteScope tool.

Approach to Customization and Modifications

The customization of the North Carolina environment in support of system availability has occurred during the procurement analysis and design. The North Carolina volumes, history of detailed data, and claim and report images were taken into account when designing the supporting architecture and network. Having existing knowledge of DMA's and DMH's current solutions has aided in

our ability to customize a solution that minimizes the State's risk for system availability.

EDS will implement business practices for technical operations management. The technical operations management team will make sure the Replacement MMIS meets the system availability requirements through proactive monitoring and support of the system's infrastructure, including servers, storage, and network.

Enhancements to Functional Requirements

No enhancements to the base interChange are necessary to meet these requirements.

Response to System Availability Requirements

The following table, EDS Response to System Availability Requirements, describes how we will meet the requirements set forth in the RFP. We also have described how an integrated COTS piece of software is used to meet the requirements.

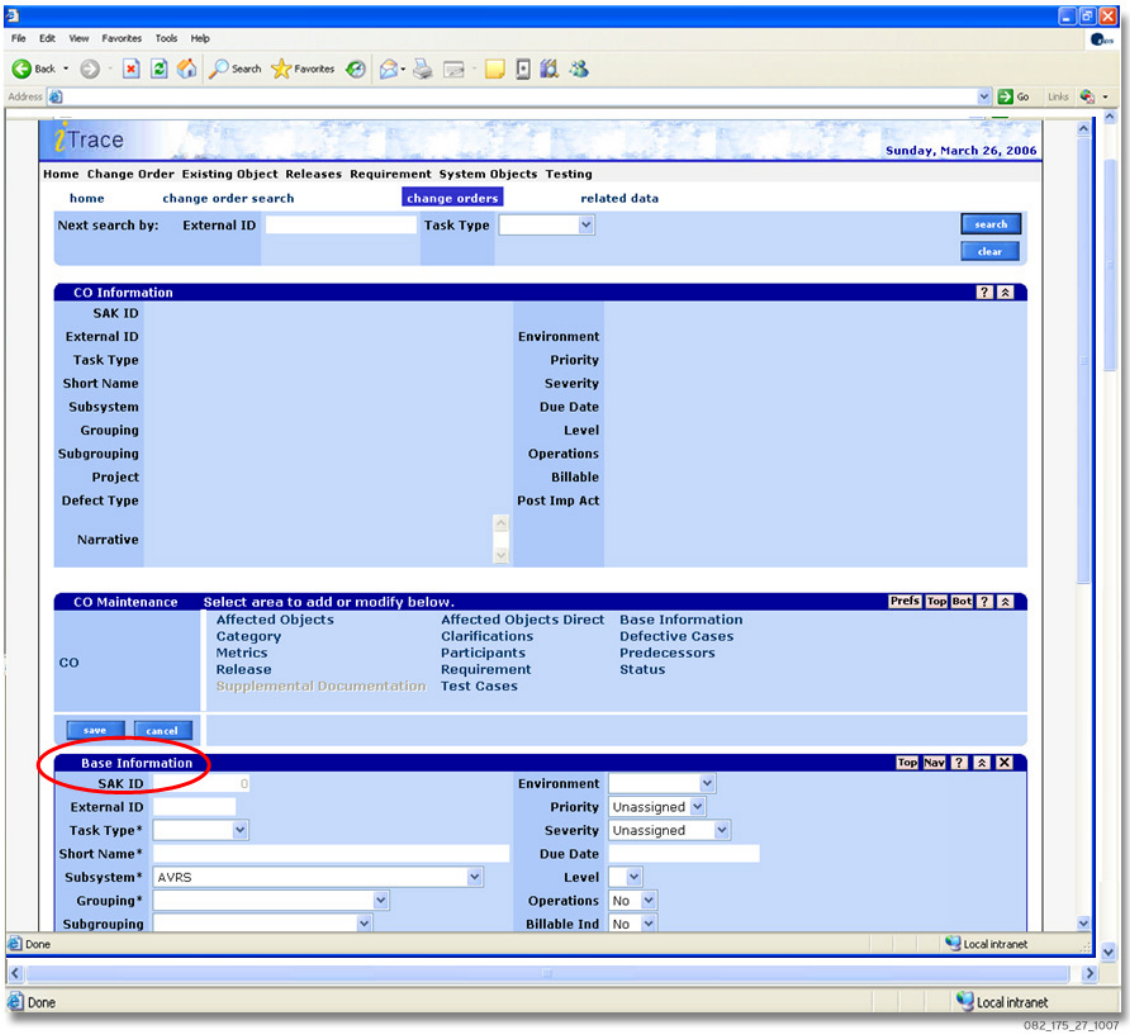
EDS Response to System Availability Requirements

RFP No.	RFP Requirement	EDS Response
40.1.1.150	Provides capability for the system to be consistently and persistently accessible to authorized users in compliance with the System Availability Policy in Appendix 40, Attachment I of this RFP	Met by interChange. We will monitor system availability using the COTS HP SiteScope tool to verify compliance with this requirement.
40.1.1.151	Provides capability for the system to be available and substantially compliant with its complete specification for ninety-nine and six tenths (99.6) percent of the time on a monthly basis during production hours of operation, excluding planned system down-time	Met by interChange. We will monitor system availability using the COTS HP SiteScope tool to verify compliance with this requirement.
40.1.1.152	Provides capability for transaction response time to be consistent for all users directly interacting with the production environment, based on a common Web Portal access for network access point, processed and returned to the network access point; provides capability for: • Ninety (90) percent of transactions to occur in four (4) seconds or less • Ninety-five (95) percent of transactions to occur in five (5) seconds or less • Ninety-seven (97) percent of transactions to occur in six (6) seconds or less • Ninety-nine (99) percent of transactions to occur in seven (7) seconds or less	Met by interChange. We will monitor Web portal transaction response time using the COTS HP SiteScope tool to verify compliance with this requirement.

Customer Service Request Tracking System (40.1.1.153 to 40.1.1.158)

As with any DDI project, organized change control is critical for success. Changes to meet new requirements or add functions will be identified by system users. These change requests are received as customer service requests (CSRs). When a CSR is received, the iTRACE mechanism that begins the process is the creation of a change order. The change order terminology is used in iTRACE whether a change is deemed in scope or out of scope during DDI and for new requests during the Operations Phase. The following exhibit, iTRACE Change Order Entry, shows the initial change order creation entry panel in iTRACE.

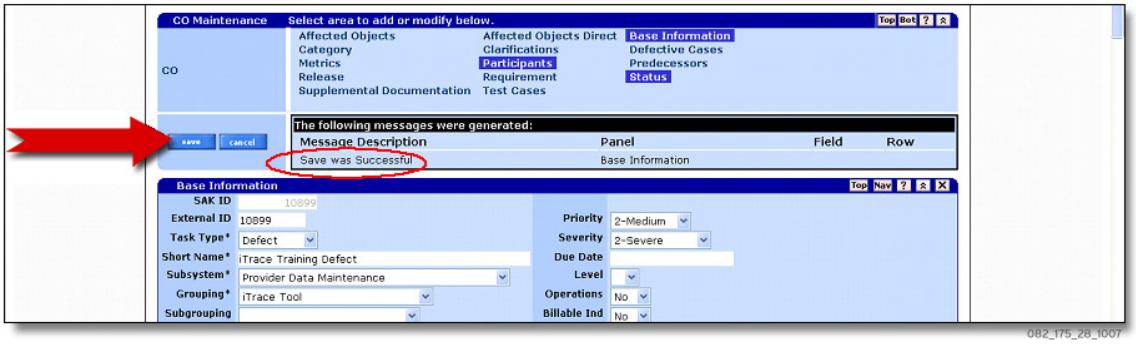
iTRACE Change Order Entry



Users access the initial entry panel for new change order creation.

After initial data entry save, as shown in the following exhibit, Saving a Change Order, a unique number is assigned for tracking, status, and reporting purposes.

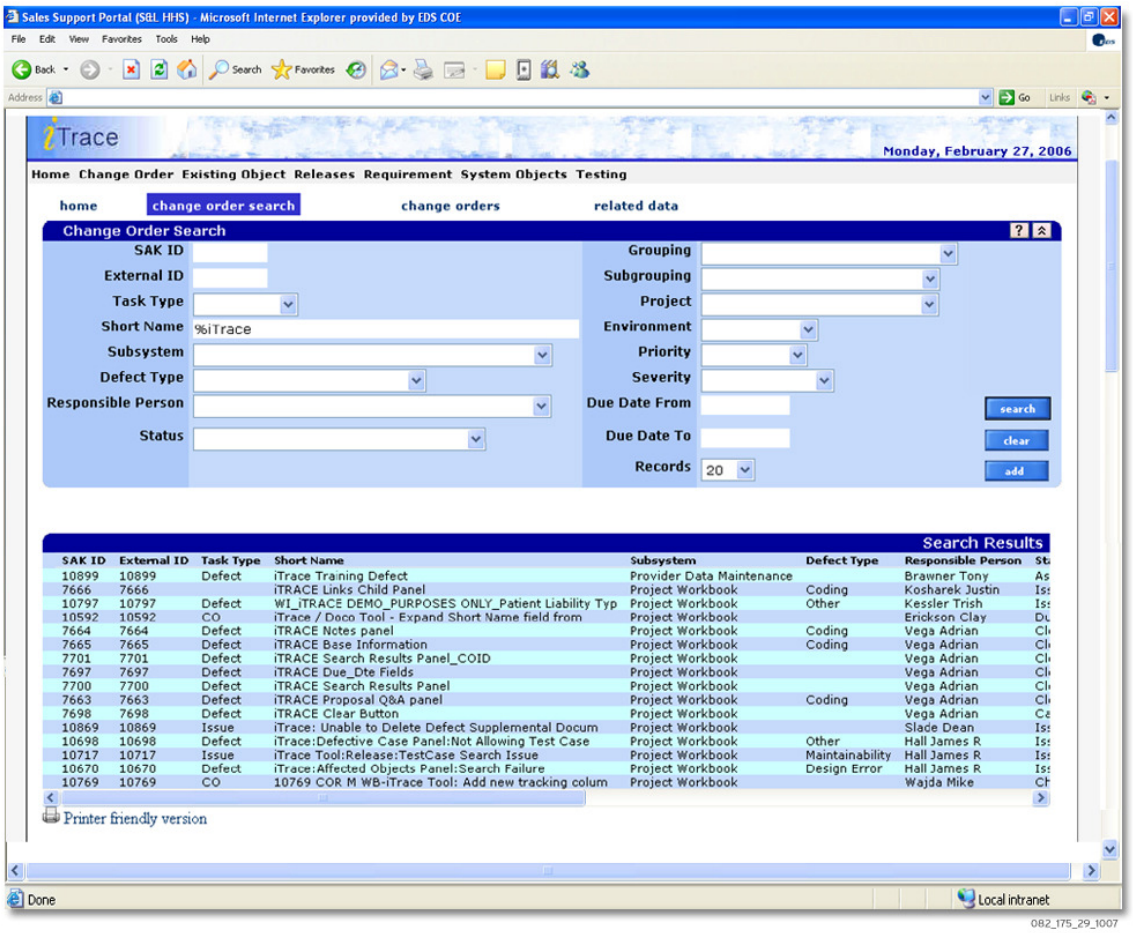
Saving a Change Order



Unique numbers are generated for new change orders so users can track them.

The iTRACE tool allows easy search capability of all change orders in the system, regardless of status, as shown in the following exhibit, Change Order Search.

Change Order Search



iTRACE makes it easy for users to search for change orders.

Change order data is visible and accessible in various parts of iTRACE and through iTRACE reports, as described in proposal section 50.2.5 Section E—Project Management Plan.

CSRs will be cross-referenced to iTRACE change order numbers, allowing management to check status throughout the change order/CSR life cycle. With easy browser access into the iTRACE tool, the State will have full visibility of the information used by EDS during implementation operations. iTRACE is a major part of EDS' change management solution, providing an automated, online system of capturing, tracking, and reporting system maintenance and modification projects with full accessibility to users. iTRACE will provide further benefits by acting as a conduit for knowledge transfer, access to information, and enhancement of the systems life cycle by opening access to system and business documentation.

With our proven, structured change management procedures, and ongoing reporting and communications, iTRACE will assist the State in establishing reasonable completion dates and setting priorities for modifications. The State and EDS management staff also will review current priorities and time lines, change priorities by adding new tasks and target dates, and immediately see the effect of the new priorities on preexisting priorities and their target dates. Additionally, our project management reporting capabilities will enable review of system programmer or analyst slack time, status of phase completion, and rapid readjustment of target dates based on system staff members being reassigned to new projects and priorities.

Approach to Customization and Modifications

EDS has already begun the process of customization for the CSR tracking process. The team has created the initial North Carolina iTRACE application and loaded the RFP's detailed requirements. As part of our analysis of the RFP, the team performed a gap analysis comparing the detailed requirements to interChange. It was during this process that the requirement status was determined, such as "Met by interChange" or "Met through COTS integration." Besides classifying each requirement, the interChange system objects that meet specific requirements are associated with the requirements in iTRACE. This provides long-term documentation of specifically how the system meets the requirements. EDS' approach to a successful implementation for the four divisions has already been put in motion through this work. This base set of product-to-requirements mapping is used as the starting point for requirements validation sessions and subsequent design and development activities.

Enhancements to Functional Requirements

No enhancements are required to the iTRACE application to meet these requirements.

Response to Customer Service Request Tracking System Requirements

The following table, EDS Response to Customer Service Request Tracking System Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Customer Service Request Tracking System Requirements

RFP No.	RFP Requirement	EDS Response
40.1.1.153	Provides capability for online tracking and workflow management of requests for service	Met by interChange and iTRACE. Requests for service can be tracked and managed using the easy and open access to project status information available through the iTRACE repository.
40.1.1.154	Provides capability to track the system Change Management Life Cycle Phases, schedule, and work breakdown structure (WBS) for systems maintenance and modification requests	Met by interChange and iTRACE. iTRACE provides an automated, online system of capturing, tracking, and reporting system maintenance and modification projects. We use our proven software development methodology as the underlying process for verifying that maintenance and modification activities are controlled and managed effectively and efficiently in each phase of the contract.
40.1.1.155	Provides capability to track resources for all CSR work breakdown structure, including maintenance and modification requests during the DDI and Operations Phases	Met by interChange and iTRACE. A key benefit of iTRACE is that it can track resources associated with requests for service, and can transition the relevant information—including resources—from the Design and Development Phase into the Operations Phase.
40.1.1.156	Provides capability for tracking CSR status by multiple data elements consistent with the Change Management Process	Met by interChange and iTRACE. iTRACE can trace CSRs by multiple data elements for the Change Management Process. The State can use several predefined reports to perform queries against this information to meet specific needs.
40.1.1.157	Provides capability to generate reports for request management tracking, with flexibility for variable content, format, sort, and selection criteria to meet State and Fiscal Agent reporting needs	Met by interChange and iTRACE. The iTRACE repository provides online reporting and status inquiry for any CSR and contains extensive reporting capabilities. The State can create reports using the information retained in iTRACE to meet State and fiscal agent reporting needs.
40.1.1.158	Provides capability to maintain accessibility to all completed project requests for analytical purposes throughout the life of the Contract	Met by interChange and iTRACE. iTRACE offers easy access to project information, including completed project requests. State staff members can see the status of virtually any aspect of the project by linking to the appropriate Web page in iTRACE. This information will be maintained for the life of the contract.

Web Portal (40.1.1.159 to 40.1.1.172)

With interChange we propose a solution that will continue to expand on the embedded Web portal capability, providing a foundation for required and future functionality. Combining our solutions through a single "launch" page will give smooth integration of services to the stakeholder and recipient communities. Throughout this section, we present some of our sample public portal pages. The State can customize and brand the portal.

The Internet facilitates access and exchange of information through our Web-based DHHS portal. Our portal solution provides direct data entry, file uploads and downloads, easily customizable user preferences, and access by providers, as well as other stakeholders and agencies that need Medicaid healthcare administration data. The portal transforms the daily healthcare business of groups such as the Kentucky provider community, which averaged 1 million Web portal–based eligibility verifications a month the first three months of operation. In Oklahoma, 17 percent of the claims processed are direct data entered through the Web portal. These portal capabilities enable the provider communities to access information and business functions quickly and easily, changing the way they perform their business.

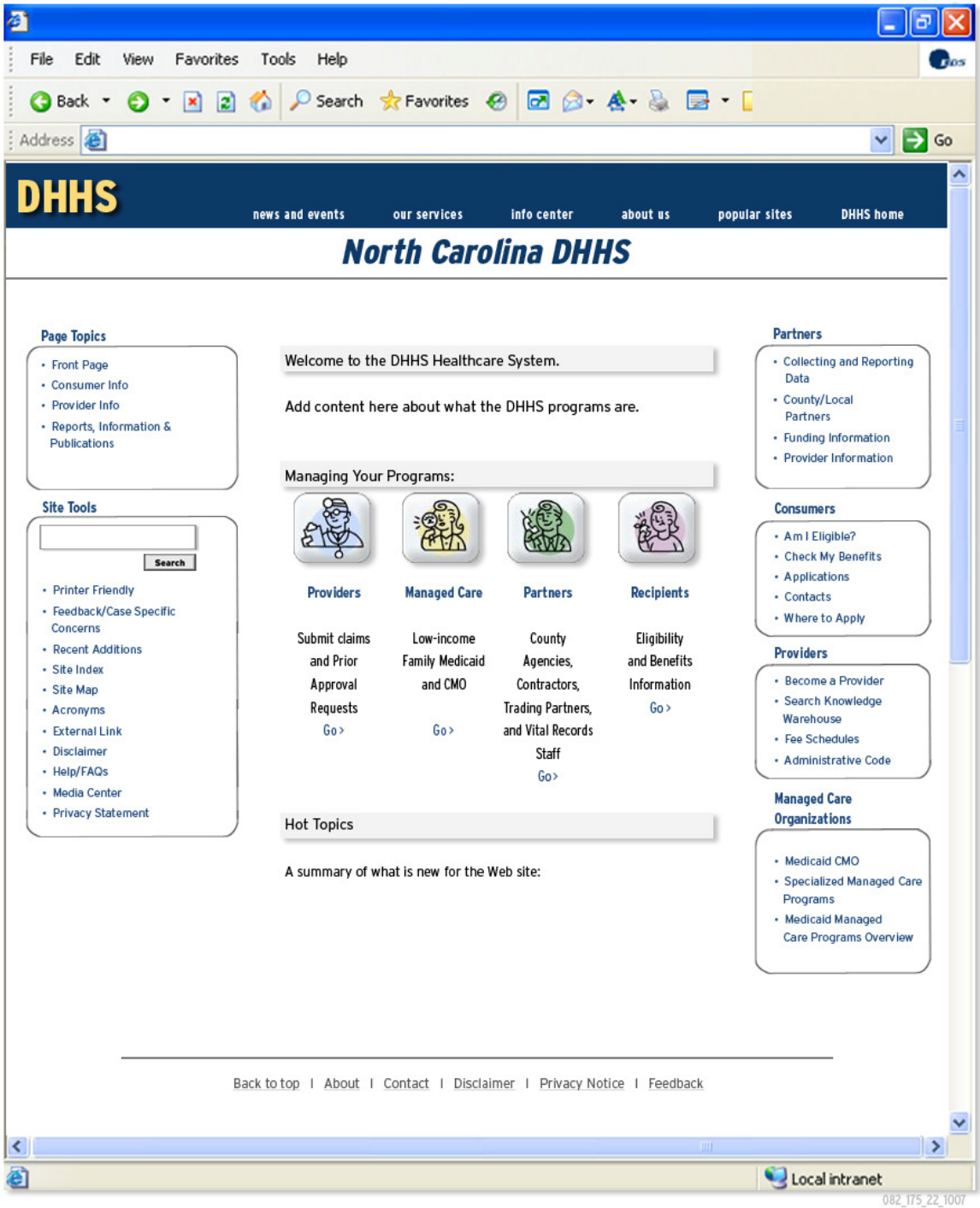
Where there are requirements throughout the RFP that address specific functional area requirements of the portal, we have addressed those in the applicable section. Within this section EDS provides a high-level overview of the Web portal and the features available directly to public consumers and program stakeholders. Each component of the portal will be accessed through a single launch page enabling public and "secure" users to interact with the appropriate and necessary information. This launch page provides the starting point to access the different areas of the Medicaid program.

Internet transport and usage of MMIS information must be secured, protecting its sensitive and confidential nature. Facilitating open access of information to the public and protecting confidentiality of MMIS information requires two sites—one public and one secured. The two areas provide the benefits of the Internet while making sure sensitive information remains confidential.

The portal, shown in the ensuing exhibit, Sample interChange Web Portal Page, displays the following:

- The public portal contains information applicable to every entity and links to other State sites and applications and allows stakeholders to access their respective secure sites.
- The providers' secure Web site provides features to the providers and authorized State agencies supporting healthcare.
- Recipient's secure Web site provides features to Medicaid recipients related to their specific claims and coverage.

Sample interChange Web Portal Page



The interChange Web portal provides secure and nonsecure access to program information for program stakeholders including providers, recipients, agencies, and other stakeholders.

As such, the portal will have secure and nonsecure areas. Access to secure areas with protected health information (PHI) meets State and federal security and

privacy requirements. The portal provides access to information and services for the following stakeholders:

- General public
- North Carolina providers, office administrators, and office staff members
- Medicaid recipients
- State, office administrators, and office staff
- Billing agencies, office administrators, and office staff

The Web portal will provide Medicaid consumers and stakeholders with general and program-specific information and interactive functions—such as a provider locator, ability to explore eligibility for various Medicaid programs, verify existing eligibility, enroll or administer enrollment, and link to other agencies and resources.

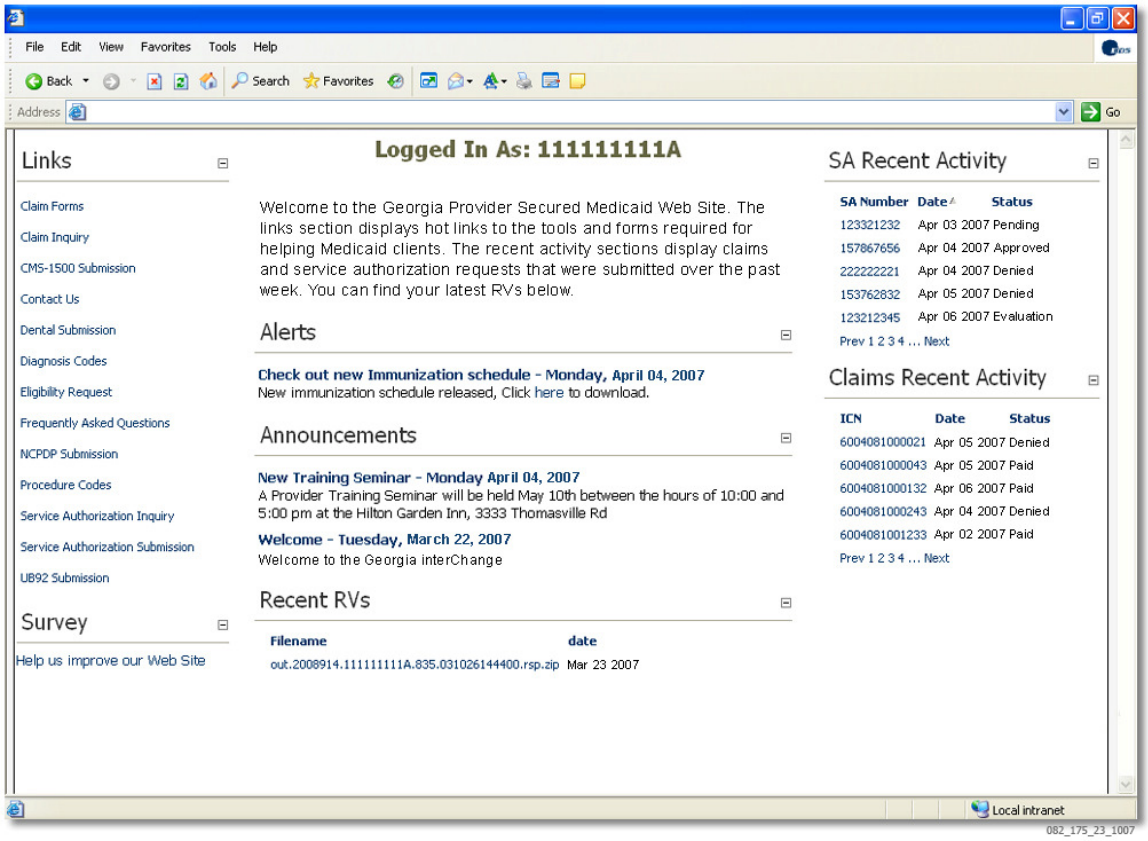
Within the secure area, the information presented will change based on the ID and role that logs in. Providers can only see their own claims, remittance advice, prior approvals (PAs), or other related information. The service-oriented architecture (SOA) of the interChange solution and the modular design provides data integrity and promotes efficiency and flexibility. For example, Web-based direct data entry (DDE), the automated voice response system (AVRS), ANSI X12N batch inquiries, and ANSI X12N inquiries call the same modular functions for eligibility, claim status, third-party insurance, and other similar routines. Because the same modules are called regardless of the source of the request, providers receive consistent, accurate answers regardless of which method they use to access the system.

Because the system uses XML to create a common denominator, changes in the originating input format can be isolated from the modules. This modular design makes it easier to add or change functions and share that capability instantly across the system.

The portal online pages are easy to navigate and use. Our expertise implementing Web portals will facilitate faster, efficient dissemination of health information, and provide a means for the collection of Medicaid program metrics for managing daily operations and initiating lasting reform.

The following exhibit, sample interChange Provider Web Portal, shows the easy-to-navigate nature of the portal.

Sample interChange Provider Web Portal



interChange's Provider Web Portal will be easy to navigate and use, minimizing disruption to providers and increasing their satisfaction.

Web Site Content

EDS understands that Web site content needs to constantly evolve to keep the information current. We are prepared for this constant change and will work with the State to keep this information current and easy for the providers and recipients to find and understand. We understand and will maintain the content and transactions required in the detailed requirements of the RFP in each section. The following table, Web Site Content Examples, provides a high-level understanding and overview.

Web Site Content Examples

Program Data	Description
Manuals	• Provider manuals • Program-related manuals
Publications	• Provider bulletins • Documentation • Fee schedules
Forms and Applications	Commonly used forms
News and Information	• Important announcements • Provider relations workshop schedules and workshop registration • Notices to providers and recipients • Managed care information • Links to other sites • Answers to frequently asked questions (FAQs)

Interactive Web Transactions

The following table, Interactive Web Transactions Examples, illustrates some of the features to which providers will have access.

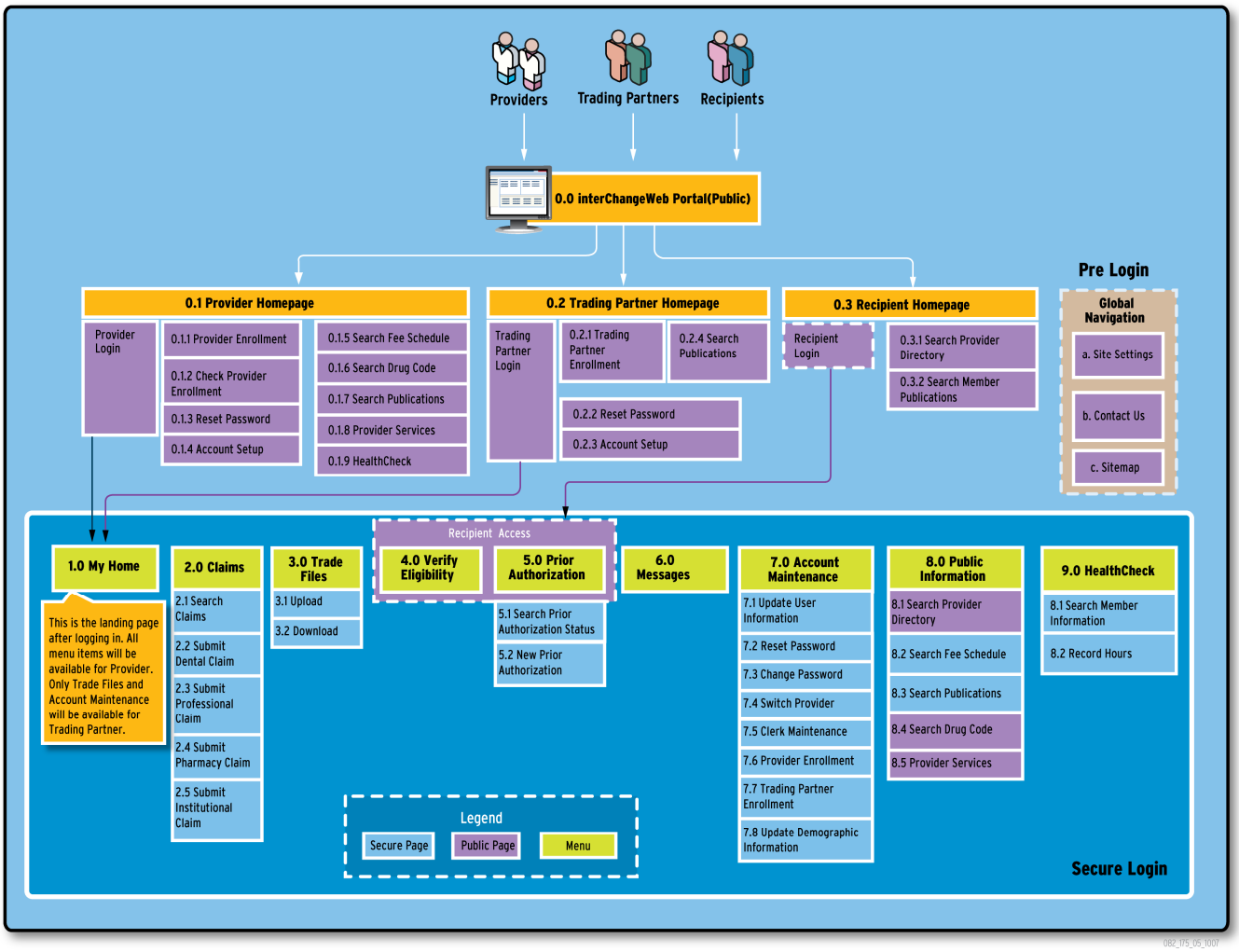
Interactive Web Transactions Examples

Transaction	Description
Provider Enrollment and Update	Allows new providers to complete enrollment applications and existing providers to update limited profile information using the Web
Eligibility Verification	Allows providers to submit eligibility verification requests and view the response information
Prior Approval Inquiry	Allows providers to inquire on the status of a prior approval request
Claim Filing/Submission	Allows providers to enter a claim and submit it for processing, with processing results available within seconds
Upload Files	Upload files, such as the ASC X.12 837 standard format for claims, for processing
Claims Inquiry	Allows providers to inquire on the details of a previously submitted claim
Download Files	Download files, such as the ASC X.12 835 standard for electronic remittance advices (RAs), using the ASC X.12 format, with RA files available for the 10 most current payment cycles

To detail the power of these interactive transactions, the following exhibit, Web Portal Interaction Flow Chart, provides a site map of the interChange Web

portal. The dark blue section identifies the secure portion of the portal requiring an ID and password for identification and authentication of the user.

Web Portal Interaction Flow Chart



The interChange Web portal provides access to key stakeholder information in a controlled and easy-to-use structure.

The interChange system interface allows users to navigate without having to enter identifying data multiple times and have multiple browser sessions open at a time. The browser-based system automatically passes key information between the linked pages as the user navigates. The default presentation style will be a single document interface (SDI) in which only one Web page is opened at a time. The advantage of using SDI is that subsequent Web pages are independent and aware of previous transactions. This is unlike a multiple document interface, where the Web pages have a parent-child relationship that is confined to the parent, and the subsequent Web pages do not interact with each other.

Additionally, the interChange browser-based interface uses the latest technologies and interface capabilities. The key to this interface is a standardized behavior model and a consistent presentation format across business functions.

Approach to Customization and Modifications

The approach to customization and modification for the North Carolina delivery of the interChange Web Portal begins with the installation of the base product, which includes both secure and public pages as well as the inherent query features such as eligibility and claim status lookup.

The development team will build on this working portal through the following customization work:

- Branding the Web portal for the North Carolina DHHS look and feel
- Inclusion of the downloadable and static content that is unique to DMA, DMH, DPH, and ORHCC
- Integrate the EFM Feedback product from Vovici for enabling survey processing through the portal
- Integration with the North Carolina instance of single sign-on

EDS will take the low-risk approach to customization work during the DDI project. Specifically, we start with a working application that works in conjunction with the MMIS to provide the data entry and query support within the processing times needed for the State. From this solid base, we will weave into the portal solution the customization and modification work, such as the tasks listed above, being careful not to impact the performance of the application.

For instance, "themes and skins" development will be used to customize the visual design of the portal. Themes will be used to define fonts, colors, spacing, and other visual elements. They comprise cascading style sheets and images. Skins are decorations and controls placed around portlets, such as title bars, borders, and shadows. Because the look and feel of each top-level Web page can be completely different, themes, skins, and access control can be used to create multiple virtual portals running on the same portal instance. In this manner we will comply with the State's usability and content standards, as specified in the style guide.

From the standard base interChange portal product, through the use of proven DDI processes, the Replacement MMIS Web portal will be created with the personalization for the State's needs.

Enhancements to Functional Requirements

The EDS interChange Replacement MMIS will be customized to meet the functional requirements listed in the following table through the software development life cycle and the customizations listed in our response. Customization will include the following:

- The Health Check portal capabilities for the county workers will be constructed for the Replacement MMIS project.
- The logging of inquiry transactions for eligibility and claim status checks will be enabled.
- The links to the stakeholder Web sites will be customized to the State's specific needs.

Our approach to the Web portal architecture has secured our ability to meet the needs of the State through creating additional configurable Web panels and integrating a few COTS software upgrades.

Response to Web Portal Requirements

The following table, EDS Response to Web Portal Requirements, describes how we will meet the requirements set forth in the RFP. Where appropriate, we have listed the existing interChange user interface panels, reports, and processes that meet the stated requirements. We also have identified when an integrated COTS piece of software is used to meet the requirements.

EDS Response to Web Portal Requirements

RFP No.	RFP Requirement	EDS Response
40.1.1.159	Provides capability for Web Portal access to the Replacement MMIS by the State staff, providers, government employees, and the general public	Met by interChange. The single launch page and our single sign-on solution meet this functional requirement.
40.1.1.160	Provides capability for a Web Portal that adheres to the State's User Interface and Navigation requirements and simplified sign-on	Met through customization of interChange. EDS will implement the interChange portal for the recipients, providers, and stakeholders of the programs. EDS will work with the State when finalizing content standards and explain how the interChange portal meets the usability guidelines. To this point extensive development and design research has been performed to provide a high level of usability for the interChange portal. The results of this effort are encapsulated in the graphical user interface (GUI), which will adhere to the State's user interface and navigation requirements. Design standards are used to control the complexity of application development by applying commonality and proven technologies, processes, and frameworks. The design standards are as follows: • The portal will be built using open architecture and industry standards. • Developed libraries will be reentrant for interaction by multiple users simultaneously. • Standard libraries that are nonreentrant will be protected

RFP No.	RFP Requirement	EDS Response
		against threads making damaging calls. EDS will use interChange Single Sign-On for security and user access for the Provider and Recipient Web Portals. The provider and recipient home pages are affected in this integration. These are the first Web pages a user sees after entering the secure site. This Web page displays some user-specific information, claims, messages, PAs, and RAs. It also has a Quick Links panel that has links to claim status inquiry, client eligibility verification, PA inquiry, and RA download.
40.1.1.161	Provides capability for browser independence and to ensure the browser has broad usage (approximately 500,000 users nationally) and the version is consistent with State usage	Met by interChange. Our testing strategy meets this functional requirement. As part of our testing strategy, we perform Web panel validation testing for the specified browsers. In Web panel validation testing, we have a Web panel checklist for each Web panel within the interChange system. Each Web panel is accessed and checked to verify that it is displaying properly, that it functions properly (such as correctly links to other panels, provides correct help, or displays error messages), and processes data correctly.
40.1.1.162	Provides capability to post announcements or alerts that are displayed at user sign-on	Met by interChange. The portal meets this functional requirement. interChange supports the ability to post announcements and alerts on the launch page after entering the site. When the message is no longer applicable or relevant, it is removed. An example of a banner announcement was previously shown through the sample portal welcome page.
40.1.1.163	Provides capability to maintain archives of posted announcements and non-provider specific alerts, including the date and message	Met by interChange. The interChange application meets this functional requirement. The interChange application stores the information that is presented on the launch page message area. EDS will archive announcements and nonprovider-specific alerts by date and message. The announcements and alerts will be archived by date received, date sent, or expiration date, and will be stored on a table for a predetermined length of time, in a mutually agreeable format and order.
40.1.1.164	Provides capability to access, complete, and submit online surveys	Met through COTS integration. EDS will use the EFM Feedback from Vovici to meet the online surveys requirements. The State and EDS will use Windows-based surveys with common point-and-click functions familiar to users. This online feature will enable the State to effectively communicate important program information, collect valuable metrics, and be more responsive to current or outstanding business needs. EFM Feedback from Vovici for the Internet is an easy and powerful survey software tool to help users gather questionnaire and feedback responses online. EDS' unique blend of MMIS experience, professionalism, objectivity, and

RFP No.	RFP Requirement	EDS Response
		innovation enables us to offer a sophisticated solution that offers the following: • Minimal resources expended to collect data • Enhanced speed and accuracy of survey results • Quality services, statistics, metrics, and reporting • Outstanding product support From a technical standpoint, survey design and deployment will be quick and simple using auto-wizards.
40.1.1.165	Provides capability to link to CBT course presentations	Met through customization of interChange. EDS will create a page that contains a link to the CBT courses. The courses will be provided by the training team, and the Web portal will provide a link to the courses. EDS will provide for the rapid implementation of a CBT course presentation and recordkeeping through the Web portal. A COTS system will offer CBT and recordkeeping that includes instruction for course navigation and content and proficiency testing. EDS will use a core curriculum that has been used successfully in other State interChange implementations.
40.1.1.166	Provides capability to create, organize by topic, and post FAQs and responses online	Met through customization of interChange. This capability is not met by base interChange, but it is something we do today and requires no major change in the system. EDS will integrate our CTMS solution with the Web portal. Communicating and sharing business experiences is an essential learning tool. We will monitor proactively statistics contained with the CTMS, management reporting, quality assurance, and survey results to determine the FAQs. When we determine the FAQs, EDS staff members will draft clear and concise answers and provide online links to additional documentation where appropriate. FAQs, links, and responses will be reviewed and approved before posting to the Web site. The FAQs function includes the following: • FAQ content will be static and maintained in the content management system. • The FAQ function will contain a list of questions that will be hyperlinked to the corresponding answers. FAQ items that are categorized similarly—such as Navigation Questions—will be grouped together.
40.1.1.167	Provides capability to maintain version history of previous forms, user manuals, etc.	Met through customization of interChange. EDS will add versions to the publication posting Web page. This page will provide a tool for searching for publications such as forms, fee schedules, and other publications.
40.1.1.168	Provides capability to create configurable Web pages of	Met by interChange. The interChange architecture allows for

RFP No.	RFP Requirement	EDS Response
	Replacement MMIS functions	configuration. Some fields, field edits, and Web panels are configurable. See our response to requirement 40.1.1.159 for more information.
40.1.1.169	Provides capability to view and download standard Replacement MMIS reports in a readable format	Met by interChange. The interChange browser meets this functional requirement. Users can access reports through their browser out of the EDMS solution.
40.1.1.170	Provides capability to request and view parameter-driven standard formatted reports	Met by interChange. This requirement is met by the MAR Reporting Services and implemented Business Intelligence Analytical Reporting (BIAR) solution. The BIAR solution can render reports in PDF format, which can then be published to the Web portal as required.
40.1.1.171	Provides capability to link to stakeholder Web sites	Met through customization of interChange. EDS will create a Web page and install the links to external Web sites such as the DHSR Health Care Personnel Registry (HCPR) and the DHSR Nurse Aide Training & Registry (NATRA) for inquiry on DHSR registry information, which are identified as requirements in the AVRS section of the RFP.
40.1.1.172	Provides capability to populate user/security profile-related data for Web Portal access prior to implementation	Met by interChange. Mail PIN letters meet this functional requirement. EDS will mail PIN letters in advance for early provider's self-registration.

Data Integrity (40.1.1.173)

Maintaining the integrity of data is critical for any data processing environment. For a system as complex and dynamic as a state healthcare system that includes DMA, DMH, DPH, and ORHCC programs, the ability to maintain data integrity over time is vital, particularly in light of changing program and system requirements. The confirmation of data integrity enhances the accuracy of historical data studies, fraud and abuse investigations, and program and waiver reporting.

interChange accomplishes data integrity through the following means. Historical claims records are permanently stored, with adjusted claims being processed as a separate record so as to not overlay the original transaction. Other portions of the system, such as recipient and reference, build date-effective segments for each record on the tables. Each segment record is retained for accurate data integrity over time.

Additionally, audit and control procedures are integrated into the overall architecture of the interChange application and operating procedures. The interChange audit trail feature will support RFP requirement 40.1.1.172 for each transaction by identifying who made the change and what change was made and providing a date and time stamp of the change. The audit trail feature also will

provide a record of the data before the time the change was made, which will allow for a historical review of individually dated versions. The audit trail function comes with interChange, which is CMS-certified. Audit trails are available online and are a built-in feature of interChange's database structure.

Approach to Customization and Modifications

No customization is required to meet this requirement.

Enhancements to Functional Requirements

No enhancement is required to meet this requirement.

Response to the Data Integrity Requirement

The following table, EDS Response to the Data Integrity Requirement, describes how we will meet the requirement set forth in the RFP.

EDS Response to the Data Integrity Requirement

RFP No.	RFP Requirement	EDS Response
40.1.1.173	Provides capability for each record or file to be saved as created, not overwritten by updates or changes, to allow a historical review of individually dated versions	Met by interChange. The audit trail function within the base interChange application meets this functional requirement. The previous value (the historical value) is stored on the audit trail. The "after" image is the current value displayed in interChange for a given field.

40.2.1 Recipient System Requirements

Our recipient solution best fits your needs for a flexible system with a solid foundation that will be able to easily adjust to the ever-changing face of health-care. Our support does not stop at the technology; we also have the right people to help you track developing standards and respond appropriately.

State of North Carolina

To support your efforts to enable additional consumer-centric publicly funded healthcare programs, you need accurate, valid information regarding recipients and the ability to communicate this information to appropriate stakeholders when needed. interChange's design meets the need for real-time, accurate information that incorporates the consumer experience and quality performance information. interChange provides a solid foundation for any publicly funded program for electronic healthcare management.

We know the healthcare industry is changing, and many of the changes still are undefined. EDS offers the State user-configurable technology to support the need to maintain diverse recipient data. Our solution best fits the State's needs for a flexible system with a solid foundation that can adjust easily to the ever-changing face of healthcare. Our support does not stop at technical competency. We also have the right people to help the State track changing healthcare industry standards and respond appropriately.

EDS has the experience, knowledge, and technology to work with the State to meet the RFP requirements and accomplish the following objectives:

- Interface with other systems to receive and store recipient data and allow direct entry of recipient and entitlement data from authorized staff or departments
- Apply appropriate business rules to accurately merge the data from the distinct systems in accordance with State policy
- Set rules for benefit plans for enrolling recipients
- Enroll recipients in the appropriate benefit plans
- Support accurate buy-in processing of dual eligibles
- Support Medicare data exchanges, including beneficiary data exchange (BENDEX), the Medicare Modernization Act (MMA), and eligibility database (EDB) files
- Support lock-in and lock-out control of recipient service utilization
- Support recipient linking and unlinking activities and reporting

- Enable recipient premium payment, refund processing and invoicing activities, and reporting
- Support cost-sharing activities
- Generate Certificate of Credible Coverage (COCC) letters as appropriate
- Inform, initiate, and track follow-up of early and periodic screening, diagnosis, and treatment (EPSDT)–eligible recipients, known in North Carolina as Health Check services
- Provide access to the same HIPAA-compliant recipient information over multiple channels, including the Web, automated voice response system (AVRS), and electronic data interchange (EDI)
- Provide a contact center for identification (ID) card requests, notices, and recipient communication

In the subsections listed in the following table, Recipient Management Solution Features, we describe our approach to the recipient management business processes.

Recipient Management Solution Features

Subsection	Proposed Solution	Features
Eligibility Determination and Integration	• interChange • Microsoft BizTalk Accelerator 2006	• Ability to accept and integrate eligibility files and transactions • Ability to allow online access to authorized users for nonbatch transactions • Flexibility to support real-time or daily batch updates from external interfaces • Management of data interfaces
Benefit Administration	interChange	• Ability to handle recipient data for multiple health programs • Automatic or manual assignment of primary care providers (PCPs) • Rule-driven assignment to appropriate benefit plans • User-configured benefit plan coverage
Recipient Enrollment	interChange	• Professional, experienced contact center staff • Comprehensive tracking of recipient interactions • Lock-in administration control access to services • Recipient linking and unlinking • Correct entitlement issues

Subsection	Proposed Solution	Features
Buy-In and Medicare Data Exchanges	interChange	• Centers for Medicare & Medicaid Services (CMS)–certified buy-in capability • Online repository of buy-in transactions • Full integration with financial reporting • Full support for MMA, EDB, and BENDEX data exchanges
EPSDT (Health Check)	interChange	• Easy access to real-time EPSDT/Health Check data for authorized users • Automated workflow and tracking of EPSDT/Health Check outreach efforts • User-configured parameters for periodicity schedules and abnormality tracking

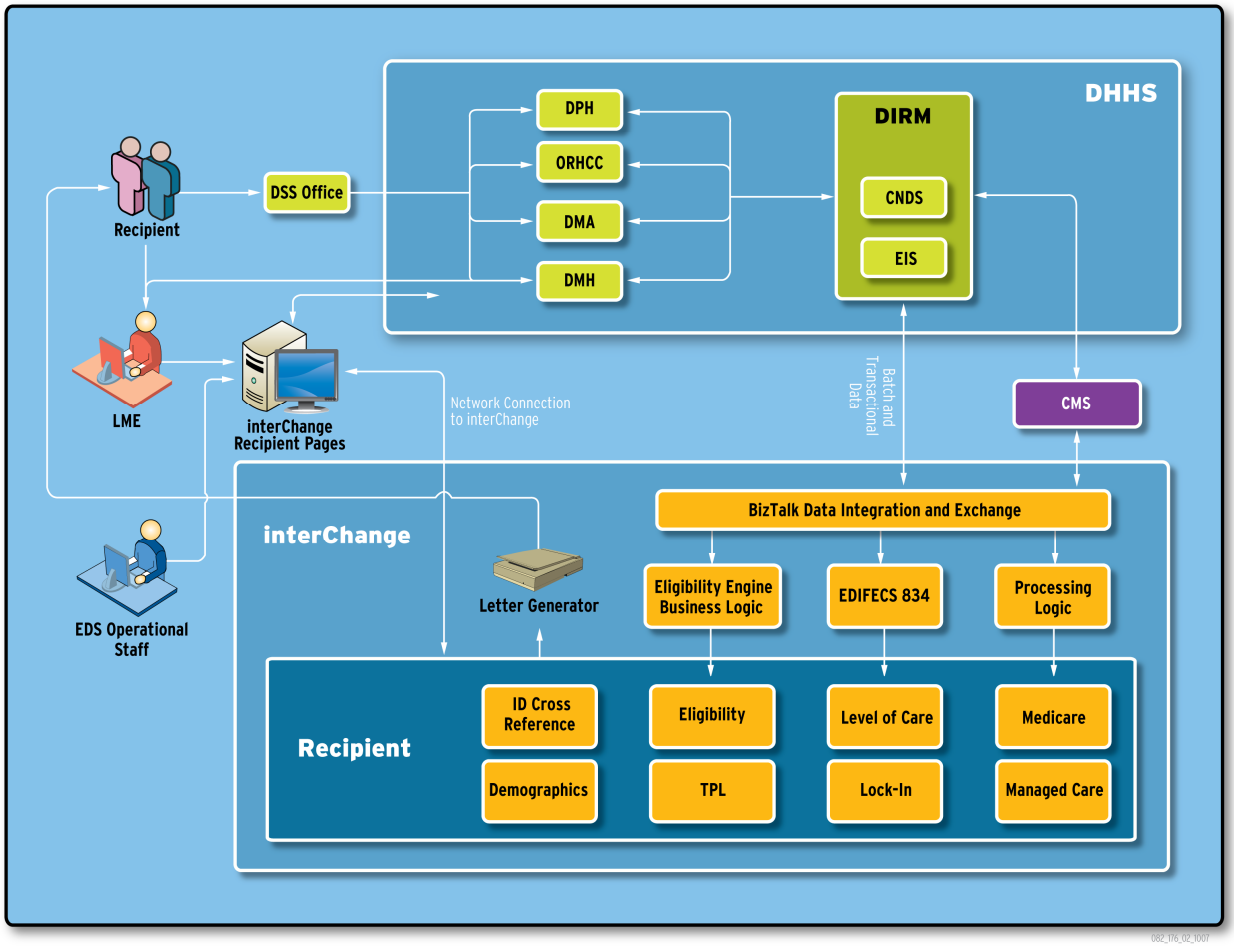
Eligibility Determination and Integration

The North Carolina Medicaid Program exists for the benefit of recipients. Therefore, information that the recipient business function provides to the other functional areas must be correct and current. EDS will update and maintain the recipient business processes and keep its capabilities relevant to the program's evolving needs.

The eligibility and enrollment process requires extensive coordination among State healthcare agencies. The Replacement MMIS will support this unique multi-payer environment by properly identifying which recipients are eligible for which programs. The Replacement MMIS will enable the State to assign recipients to every program for which they qualify, specify the unique policies and coverage associated with each plan, provide complete audit trails of activity, and support the extensive fiscal and statistical reporting needs of each program.

The following exhibit, Recipient Eligibility and Entitlement Data Flow Process, shows the logical flow of recipient eligibility data from multiple sources into interChange. Through real-time and batch processes, the Replacement MMIS will contain a consolidated repository of the pertinent State eligibility data.

Recipient Eligibility and Entitlement Data Flow Process



interChange merges recipient data from numerous sources, including batch and real-time eligibility update transactions, direct data entry, and CMS, to weave a cohesive, complete recipient entitlement repository.

EDS has a proven ability to support and integrate the many complex interfaces required to fully support the North Carolina Medicaid Program. We have experience managing input from multiple enrollment brokers. For example, in the TennCare program in Tennessee, the interChange enrollment system integrates the data from three distinct enrollment systems into a single, cohesive recipient repository, using a waterfall of state-defined rules to determine if the individual records from each data feed match existing recipients, or are distinct recipients themselves. This function also will allow North Carolina to integrate the eligibility and entitlement information from four different divisions into a single publicly funded healthcare recipient repository. We will perform this same blending of disparate entitlement information from the various State divisions.

We will provide the State with a complete solution to support the eligibility and enrollment business model. Our integrated approach offers you an industry-leading solution to improve the eligibility and enrollment processes, as depicted in the following table, Eligibility Determination Key Features and Benefits.

Eligibility Determination Key Features and Benefits

Feature	Benefit
Multi-payer functionality	Ability to handle recipient data for multiple health programs in a single system and uniquely identify each recipient
Access to real-time information through multiple access channels	Accurate and timely eligibility and enrollment business processing and inquiries that can be performed through online panels, voice response, and the Web portal, each providing consistent, accurate responses
Automatic validity, format, and consistency edits before allowing a transaction to update interChange	Integrity of recipient data, maintained at a high level for validation, reporting, and correspondence activities
Tracking, reporting, and status of interfaces	Complete, improved, integrated interface functionality

We designed interChange to accept and send recipient and eligibility transactions from and to external interfaces. The flexibility of our system means it is capable of accepting other interfaces to support the State as DHHS expands functionality to other agencies. These files can be HIPAA-compliant files such as the ASC X12 834 from LME or proprietary file formats. The BizTalk data integration system tracks and monitors the file exchanges to enable appropriate receipt and processing.

Online browser pages will facilitate manual entry or inquiry of recipient-related data that is not provided through an external interface. This would include the direct entry of recipients who are eligible for programs such as DPH, the maintenance of lock-in/lock-out criteria, and recipient service limit data. Our secure system will allow only authorized users to update or change data.

Regardless of the source of the recipient and eligibility data, the Replacement MMIS will apply standard validation and data integrity edits. For example, the validation process will include verifying that the date of death is not prior to the date of birth and that eligibility start and end dates are consistent. The Replacement MMIS will disallow overlaps where State policy dictates. Our stringent front-end editing will prevent erroneous information from entering the recipient record and keep recipient information accurate and current.

After the data transaction is validated, it will follow strict matching rules to determine whether the transaction matches a recipient on file or is a unique individual. Defined-source hierarchy rules will control the data presented through the user interface. For example, the system will hold all the addresses for a recipient received from each agency, but it will show them in the Base Information panel according to the priority the State sets for recipient address data. Key elements in the recipient data include the source of that information so the reviewer will know the origin of the data displayed.

Although the Replacement MMIS will allow multiple, concurrent benefit plans from the same or different agencies, it will require those benefits to follow State-defined rules. For example, if the rules specify that a recipient cannot be in the State Children's Health Insurance Program (SCHIP) and a specific DHP plan at the same time, logic in the update process will prevent the overlap and will require the source agencies to correct the overlapping coverage. Data identified as inconsistent when compared to State policy would need to be corrected in the source system and retransmitted.

The Replacement MMIS supports online data entry, so agencies such as DMH or DPH can access the user interface directly to add recipients or update eligibility for qualifying recipients. However, changing or entering recipient-related data should be strictly controlled. We recommend that only a few people be granted a security profile to enter or update recipient and eligibility data directly through the online panels. These online updates are subject to exactly the same business rules as a transaction-initiated eligibility request.

The Replacement MMIS will track each update to recipient and eligibility data for audit and reporting purposes. The audit trail will record the date of the change, the source of the change, and what information changed as a result of the update.

The Replacement MMIS will contain a complete repository of information that can be used across the enterprise. Each recipient will be assigned a unique ID number that prevents overuse of services due to the same recipient receiving benefits under multiple agency ID numbers. After the recipient information is established in the system, users will have access to a comprehensive record of recipient eligibility and other vital data elements. The recipient may be known by several numbers or identifiers in each of the systems, but those numbers or identifiers will link together into a unified record that can be accessed by any of them. Authorized users can search for recipient information using multiple identifiers, including combinations of recipient ID, last name, first name, Medicare ID, case ID, Social Security number (SSN), gender, birth date, and county. Soundex search capability is available for searching by recipient last name.

Benefit Administration

The Replacement MMIS will provide the ability to pay Medicaid and non-Medicaid claims within one system, eliminating redundant data and systems.

This feature will enable the State to consolidate and simplify program management and reduce administrative expenses. Our benefit administration solution will help the State manage benefits more creatively and with greater specificity across the diverse spectrum of programs. This precise targeting of benefits and services translates into more efficient management of benefit dollars.

The inherent functionality of the Replacement MMIS will provide a single system with the capability to process and pay claims for multiple agencies and programs, such as the following:

- DMA
- DPH
- DMH
- ORHCC

This functionality will allow the State to create specialized benefit plans such as the following:

- Service and coverage limitations
- Level of care required
- Assistance category
- Waiver program enrollment
- Provider restriction

Customized benefit plans can support primary care capitation, physician case management, full-risk capitation, managed care organization (MCO) and vendor contracting agreements, and utilization-controlled fee-for-service agreements. They also can support a combination of those service delivery models based on the recipients' eligibility and business rules.

Benefit Package Assignment

The Replacement MMIS will provide the State with a CMS-certified capability to assign recipients to benefit plans based on a configurable hierarchy structure. This will allow recipients to reside in multiple benefit plans with overlapping enrollment dates, while coordinating the benefits available through those programs. During the Design and Development Phase, EDS will work with the State and agency representatives to clearly define the rules to be applied during the eligibility update process for benefit plan assignment. This may include such parameters as age, aid category, or county of residence, as well as the development of a hierarchy of update in the case of disparate information in the various source files.

We will document these rules within the Replacement MMIS and configure existing, proven capabilities to efficiently and accurately enroll recipients. This will give the State the desired capabilities while significantly reducing the risk associated with a new system implementation.

Benefit Package Processing

The Replacement MMIS will provide the ability to establish, maintain, and administer multiple benefit packages by defining benefit package–covered services, recipient populations, pricing models, and capitation criteria.

The benefit package functions will be integrated into the Replacement MMIS' advanced claims processing engine. They will offer flexible parameters used to validate and edit claims for service limitations. The system will process claims within the guidelines established in the benefit package and scope-of-service criteria maintained in the reference business rules.

Through table-driven processing, Replacement MMIS users can customize the business processing invoked for each payer and benefit package. Specialized code will not be required to share business rules among payers and plans or to establish unique rules for a particular payer and package. This will reduce costly technical support and provide the State with the technical infrastructure required to move forward with Medicaid modernization initiatives.

The Replacement MMIS benefit package capability also will include the flexibility to manage benefits in combination with each other. The following are defined as benefit plan types:

- **Major benefit plan—**This benefit plan can stand alone and cannot be combined with any other major benefit plan. SCHIP and Medicaid are major benefit plans.
- **Dependent benefit plan—**This benefit plan cannot stand alone and can exist only with a major benefit plan. An example might be a waiver benefit plan, which must be combined with a Medicaid benefit plan.
- **Dual benefit plan—**This benefit plan can stand alone or be combined with other benefit plans. DMH may be an example of a dual benefit plan.
- **Stand-alone benefit plan—**This benefit plan can only stand by itself. No other benefit plan can exist. An example of this might be qualified Medicare beneficiary (QMB), which cannot have another Medicaid plan at the same time.
- **Assignment plan—**An assignment plan restricts a covered service to be provided by a specified provider or provider organization. This includes lock-in, long-term care facilities or MCOs. In this way, the specific services the recipient must receive from a specific provider without a referral or prior approval can be precisely controlled.

Exclusivity can be applied across benefit plans where coverage should not overlap other benefit plans. These benefit plan interrelationships cross agency boundaries and so must be defined in the context of the Statewide publicly funded healthcare management system.

The following table, Benefit Plan Administration Key Features and Benefits, highlights our interChange benefit plan administration solution.

Benefit Plan Administration Key Features and Benefits

Feature	Benefit
Unlimited pricing and eligibility segments	• Improved claims processing efficiency and accelerated payment to providers • Increased provider satisfaction
Online access to historical data	• Eliminated need to access reports or other systems for information so provider inquiries can be answered more quickly • Increased provider satisfaction
Integrated rules allowing users to modify benefit eligibility criteria	• Accelerated implementation of new policy • Reduced administrative time and money
Flexibility of the system to allow users to customize benefit package reference data, such as audit limitations, service authorizations, and rates	• Reduced program costs • Accelerated implementation of new or changed policy • Increased user control and reduced programmer intervention • Reduced administrative time and money
Consolidation of redundant systems	• Reduced cost of maintaining duplicate systems • Holistic coordination of care for a recipient of services within and across State departments
Direct methods of claims processing for different payers and benefit plans	• Easy migration of new recipient groups and new payers to the Replacement MMIS • Increased adaptability
True multi-payer functions capable of supporting State plans outside Medicaid	• Migration of multi-payer functions from manual processes to an automated system while maintaining individual benefit packages and funding structures • Increased adaptability

Recipients may be enrolled in more than one benefit plan at the same time. For example, a recipient may be assigned a benefit plan for the Primary Care Case Management (PCCM) program, a second benefit plan for the standard Medicaid services, and a third benefit plan for participation in a behavioral health waiver program. In such cases, the benefit plan hierarchy will drive claims processing and payment. The Replacement MMIS' Recipient Eligibility page will specify the packages in which a recipient is enrolled and the enrollment effective dates.

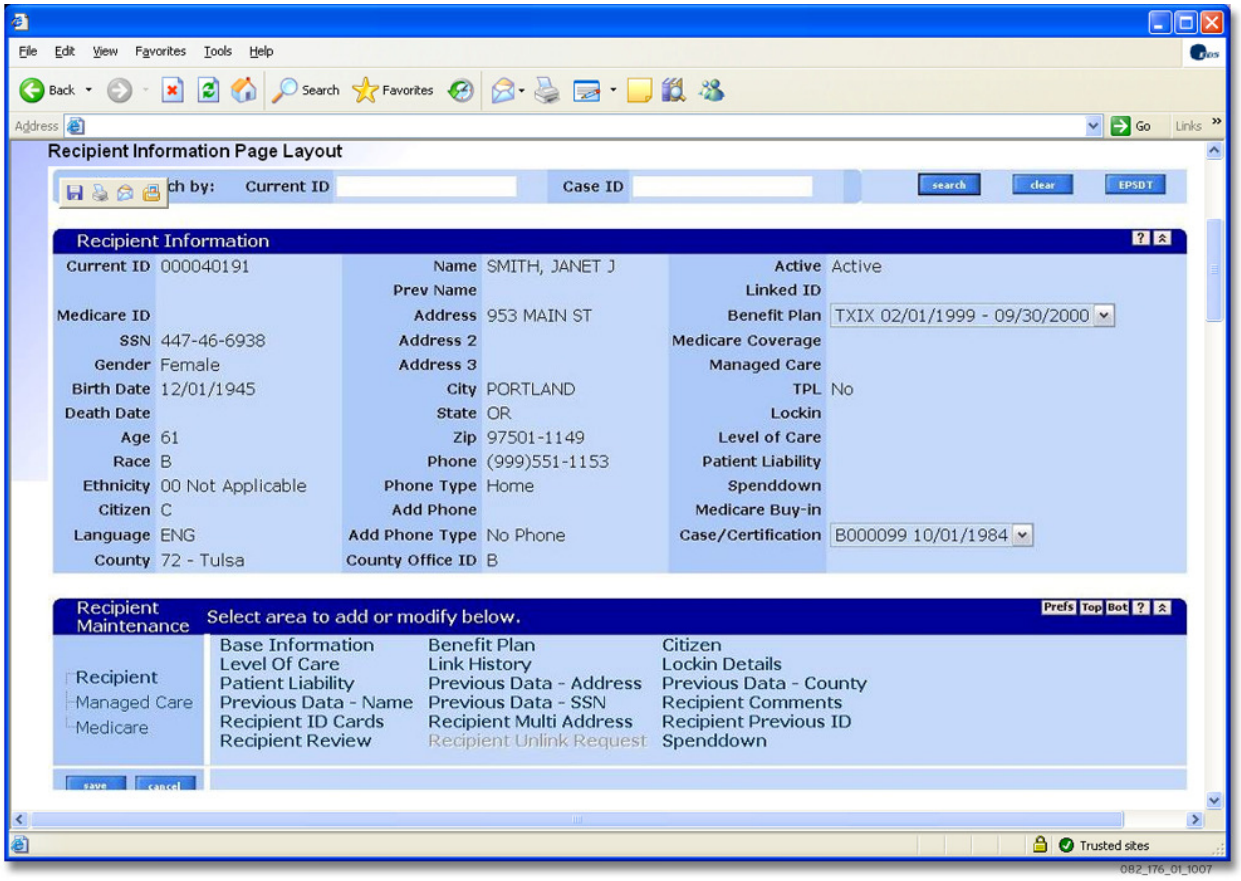
When the recipient requirements for a benefit package are defined by adding appropriate aid categories, any recipient meeting the eligibility requirements will be subject to the benefit package and payer requirements, without user intervention. It is highly probable that the assignment methodology for benefit packages will be based on variables that are present on the eligibility data

received from the participating agency. In this instance, the benefit package will be assigned to the recipient following the automated eligibility load from the North Carolina Eligibility Information System (EIS) to the Replacement MMIS eligibility record.

Recipient Enrollment

Access to recipient data conveniently originates from one panel, and from there all other data related to the recipient is just a click away. The following exhibit, Sample Recipient Information Page Layout, represents the base information for a recipient record and the links to other information available about this recipient.

Sample Recipient Information Page Layout



The recipient information panel provides key recipient information at a glance and the ability to directly access related information such as benefit plans, lock-in, managed care, Medicare, patient liability, linking/unlinking, and historical data.

Lock-in/lock-out segments will be controlled through online panels and allow the setup of effective and end dates, including reasons and free-form comments. The lock-in segment will be associated with an assignment plan and provider or provider group. The assignment plan controls which services must be provided by that specific provider. The Replacement MMIS will support an unlimited

number of concurrent lock-in plans for a recipient. These lock-in assignment plans are viewable from the recipient base record and, like the other recipient data, have online audit trails available to indicate when that data was updated and the ID of the user who made the change.

When a recipient loses eligibility from qualifying healthcare coverage, the Replacement MMIS will automatically generate a COCC letter for that recipient to take to a potential future health insurance provider. The system will track when the letter is generated and can reprint the letter on demand. Additionally, a COCC letter can be generated on demand for recipients who have lost coverage. Reports will indicate the number of COCC letters produced during the month.

Recipient Premium Processing

Client-funded healthcare has gained considerable attention since the Deficit Reduction Act gave states the ability to extend entitlement to citizens who are often just outside the federal means justification calculation or who meet other qualifying criteria. interChange supports this expansion through a full recipient premium invoicing system. The system will produce invoices, set up the necessary accounts receivables and payables, accept payments, generate refunds, produce correspondence, and enable recipient entitlement for State-defined programs.

The system will accept, validate, and process applications and produce the appropriate correspondence in terms of welcome packets or denial letters. The system will compare the recipient against State-defined entitlement criteria, including third-party liability (TPL) coverage, other benefit plans, household financial limits, or Medicare entitlement. After a recipient is enrolled, the system will perform invoicing, check, and electronic funds transfer (EFT) processing and set up accounts receivables and reporting. Adjustments, bounced checks, refunds, and fee forgiveness processing will be supported.

Recipient Linking and Unlinking

Occasionally, the same recipient will be actively enrolled into the eligibility system twice under different identifiers. The Replacement MMIS will provide the ability to link the data from both recipients together. The authorized user will identify one ID to be deactivated and the information merged into the remaining active ID. Automated batch processes will compare the data from both recipients across several tables, including eligibility, demographics, prior approval, managed care, TPL, and Medicare. To the degree possible, the system will merge the data related to these two recipients between these tables. Reports will indicate what data was merged and what needs to be manually reviewed for possible manual quality control completion.

There will be administrative adjustments made for the deactivated recipient's claims to move them to the active recipient's data so the entire healthcare history is complete. Online panels will indicate that a recipient's ID has been deactivated

and point the user to the new ID, or allow the user to review the deactivated recipient's information.

On extremely rare occasions, the result of a link will have to be undone. The quality control aspect of assigning linked records to separate IDs requires analyst intervention. This is a more manual activity because it is difficult to systematically know which records belong to which recipient. However, interChange helps by indicating which records were merged and which records are new. It also presents a list of all claims for the current recipient and allows an authorized user to select individual claims for an administrative adjustment to move them back to the newly reactivated recipient ID. Online panels show the entire recipient link history for a given recipient.

Buy-In and Medicare Data Exchanges

interChange automatically determines who is eligible for buy-in, when their Medicare coverage starts, and if the coverage start date is immediate or delayed based on the CMS information received.

North Carolina's population demographics demonstrate the importance of effective Medicare buy-in processing. Because many of the State's Medicaid recipients also are eligible for Medicare benefits, the process to pay Medicare premiums and process claims for recipients with dual eligibility is an important business function in making the best use of the State's Medicaid funds.

Using our rules-based, table-driven approach, the Replacement MMIS will provide the premium payment, claims processing, plan assignment, and federal reporting functions the State needs. The system also will make information readily accessible online through browser pages dedicated to the buy-in business function.

Besides the automation of much of the eligibility determination, the buy-in business function automatically can trigger notices into users' eligibility determination systems to notify them of mismatches returned by CMS for correction. Mismatches that can be corrected within the Replacement MMIS will be displayed in easy-to-read and understandable online browser pages. Batch processes will perform the processing of the buy-in process and response files. The browser pages will allow users to determine what caused the mismatch by displaying reason codes. The reason codes displayed can be linked through browser pages to data tables so users can click on the reason code and be given the definition in English of the error reason code. This reduces the need for supplemental data and documentation, increasing productivity and efficiency.

The following table, Buy-In Key Features and Benefits, highlights our solution.

Buy-In Key Features and Benefits

Feature	Benefit
Automatic identification of recipients who should be transmitted to CMS for buy-in processing	Increased number of recipients identified for buy-in
Table-driven methodology	Unlimited retention of and easy access to historical data through online browser pages
Automated processes within the buy-in business function	Automated processing of data returned from CMS, without manual intervention
Operations that generate few mismatched leads	High percentage of potential buy-in recipient matches (EDS' current buy-in operations in Kansas generate less than .003 percent mismatched leads.)

The Replacement MMIS also will feature automated interfaces for State eligibility agencies or CMS in accordance with the CMS redesign practices, reducing the need for manual intervention. The system will perform the necessary buy-in and BENDEX data exchanges with CMS with the existing connection through the Division of Information Resource Management (DIRM). The Replacement MMIS will support Medicare A, B, C, and D coverage determination, processing, and reporting.

The Replacement MMIS will fully support the Medicare EDB finder file and response data exchange. Monthly, a finder file of dual-eligible and potentially dual-eligible recipients will be sent to CMS to determine what information CMS has on its files related to these recipients. CMS will respond with an EDB results file that provides detailed Medicare-related information about the matched recipients. The Replacement MMIS will provide online panels to view the data available through the CMS EDB data exchange, including every element in the EDB record.

The Replacement MMIS also will support the MMA data exchange to assist State recipients who are dually eligible to participate in the Medicare D pharmacy benefit. A program automatically will identify recipients who meet the criteria and send the formatted MMA file to CMS for processing. CMS will process the MMA file and return a response file for each individual, indicating if the individual qualifies for Medicare D or additional low-income subsidy (LIS) support, as well as the pharmacy plan in which the individual is enrolled. The Replacement MMIS will update the recipient record with the appropriate information. The MMA file history for a given recipient will be available through the online panels in the recipient maintenance area.

EPSDT (Health Check)

All children deserve quality healthcare and immunizations. Frequently, though, immunization requirements and timetables are confusing for caregivers, resulting in missed immunizations and services. To a Medicaid provider rendering care to children, it is frustrating not to have the tools necessary to identify and track immunizations a child has received or still needs. These were some of the underlying factors we kept in mind when we designed the interChange EPSDT functionality to efficiently track the delivery of these services.

Health Check, the State's EPSDT business function, serves as the State's mechanism for identifying and tracking EPSDT, managed care, and fee-for-service recipients, services, referrals, and costs and generating Health Check information letters, including letter attachments for eligible recipients. Medicaid-eligible children under age 21 are eligible for Health Check services, including preventive care, medical consultation referrals, and necessary treatment for identified medical conditions not always available to the general medical assistance population. We appreciate and support the program's goal of preventing illness, complications, and the need for long-term treatment by screening and detecting health problems in the early stages.

To support the objectives of the State's Health Check program, our Replacement MMIS will perform the following activities:

- Maintain identification of individuals eligible for Health Check services
- Automate the notification process to promote Health Check services and immunization tracking with maximum efficiency
- Support fast identification of instances requiring treatment through flexible, real-time access to Health Check data and summary reports that identify and track services
- Meet State and federal reporting requirements

EDS will produce the mandated federal EPSDT report, CMS-416, and other program management reports containing recipient-level and summary data relating to Health Check services, referrals, and follow-up treatment, using fee-for-service and encounter claims information.

The Replacement MMIS Health Check solution will offer the following benefits:

- Point-and-click browser pages that provide authorized users easy access to real-time EPSDT data
- Flexible, on-demand, desktop inquiry and reporting that yield fast, accurate answers for users

- Ability to encourage routine periodic health screenings and monitor claims activity for EPSDT recipients to quickly identify recipients requiring treatment
- Online letter templates that allow users to modify Health Check letter text and the position of fields, such as recipient name

Approach to Customization and Modifications

Key to the Replacement MMIS recipient system is the fact that it is a configurable framework that will support the unique needs of the State. As such, it will take significant collaboration and effort to translate the specific business rules of the State into the Replacement MMIS recipient data maintenance system. For example, questions to be answered and configured or customized include the following:

- What are the benefit plans to be defined, and what data elements combine to define them?
- What is the hierarchy of benefit plans?
- What rules define if an eligibility transaction matches an existing record or defines a new recipient?
- What recipient-related data elements are unique to the State?

These and many other questions will be explored and answered in the detailed requirements validation (RV) meetings. In most states, about 20 percent of the recipient-related data model represents state-specific data. This is especially true in states that are extending their publicly funded health plans to populations outside of traditional Medicaid.

EDS has more experience than any other company in consolidating entitlement data from multiple agencies. As such, we have built our recipient processes to have a firmly defined structure supported by flexible criteria. This is not an area where a state wants a cookie-cutter approach, but rather a recipe for a successful fusion of ingredients. Therefore, many of the inputs and outputs in the recipient area will require some State-specific modification even if the functional capability exists, including the areas discussed in the following subsection.

Enhancements to Functional Requirements

The following enhancements will be made to the base interChange to meet the RFP requirements for the Replacement MMIS' recipient subsystem:

- We will create cost-sharing thresholds for recipients in a family. The base interChange does apply cost-sharing at the case level, so State-specific modifications will be needed.
- We will make State-specific modifications to the existing interChange recipient premium invoicing and payment process.

- We will develop new processes to handle the Transfer of Assets requirements of this RFP.
- We will design new functionality to accept DPH eligibility applications online. This includes maintenance, storage, and audit history for application requests received. The Contact Tracking Management System (CTMS) will accept hard-copy and facsimile applications, which will be scanned by the document-capture business function for online availability. We also will produce a user guide for recipients and produce reports for online retrieval.
- We will enhance the Alternate Address panel in the recipient subsystem to store an alternate address by line of business (LOB).
- We will enhance the recipient subsystem to allow for confidential enrollment.
- We will modify the recipient subsystem panel, Buy-In EDB Information, to allow updates to be made to the table it represents.
- We will modify the recipient subsystem report, Non-Provider Accounts Receivable, to add cost-sharing transactions.
- We will modify the recipient subsystem panel, Alternate Address, to store pharmacy mailing information and maintain a history of pharmacy mailing addresses. This panel also will store and maintain the name, mailing address, and relationship of an individual other than the recipient.
- We will update the interChange Business Intelligence and Analytical Reporting (BIAR) ad hoc module with data elements to produce a report with date span parameters based on the application or recipient characteristics.
- We will make State-specific modifications to meet the precise data, logic, and presentation requirements. This functional capability exists within interChange, but it will be refined to meet the specific needs of the State.

For more information on letter generation, see the Correspondence and Letters subsection of proposal section 40.1.1 General System Requirements.

Response to Recipient System Requirements

The following tables map our solution to the general requirements and the DPH online enrollment requirements of the recipient functional area. Where appropriate, we have listed the existing interChange user interface panels, reports, and processes that meet the stated requirements. We also have identified when an integrated COTS piece of software is used to meet the requirements.

General Recipient System Requirements

The following table, EDS Response to General Recipient System Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to General Recipient System Requirements

RFP No.	RFP Requirement	EDS Response
40.2.1.1	Provides capability for access to recipient data using any combination of name or partial name, date of birth (DOB), gender, Medicare Health Insurance Claim Number (HICN), and/or county	Met by interChange. The Recipient Search panel in the recipient subsystem will allow the user to search recipient records based on Medicaid ID, Medicare ID, case ID, or SSN using any combination of name or partial name, gender, birth date, and county information.
40.2.1.2	Provides capability for access to recipient data using any recipient ID number or SSN without other qualifiers	Met by interChange. The Recipient Search panel is the initial panel viewed on entry into the recipient application. This Web page allows the user to access recipient information by selecting a "search by" criteria. After completing a recipient search, the Recipient Mini Search panel will allow the user to search additional recipient records without having to go back to the main search menu.
40.2.1.3	Provides capability for name and partial-name search through use of a proven phonetic/mnemonic algorithm, such as Soundex or a State-approved alternative	Met by interChange. The Recipient Search panel will allow the user to search recipient records based on phonetic last name and/or first name.
40.2.1.4	Provides capability to maintain an online audit trail of all updates to recipient data and provides online access to audit trail for all State-authorized individuals	Met by interChange. Every insert, update, or delete performed (on an auditable panel) in interChange causes a "before" image of the data to be saved to the audit table. This also includes the user ID and date time stamp of the update. Users can use the audit panel to display this information.
40.2.1.5	Provides capability to support classification of recipients into multiple concurrent eligibility groups by health benefit program and benefit plan based on State entities' concurrency rules	Met by interChange. The Reference Benefit Administration Assignment Plan and Benefit Plan Hierarchy panels maintain assignment plan and benefit plan threads that are used to control relationships and the order of claim processing at the assignment plan and benefit plan level. These hierarchy threads are ordered sets of plans that may cover recipients concurrently.
40.2.1.6	Provides capability to accept and process online and batch update transactions of recipient data for all recipients from the State eligibility systems, EIS, CNDS, local managing entities (LMEs), and other State-authorized users	Met through customization of interChange. The maintenance of recipient data is available to support claims processing in batch and online mode. The batch mode is a daily file extract from the eligibility engine, which maintains eligibility data for the medical assistance programs. Recipient-related data residing on the eligibility engine also must reside in the MMIS. The online mode is the Add Recipients panel in the recipient subsystem, which allows authorized users to add recipients to interChange. State-specific customization will accommodate State data elements, logic, and presentation

RFP No.	RFP Requirement	EDS Response
		through the interface.
40.2.1.7	Provides capability to perform editing of eligibility transactions and report on transactions that updated successfully, transactions that updated successfully but received soft edits, and transactions that did not update due to receiving hard edits	Met by interChange, with a portion of the requirement requiring customization code. The interChange recipient data integration program eligibility engine will be customized for the State-specific data elements and logic. The Recipient Maintenance panel is the access point for seeing the results of the eligibility transactions. The existing recipient report, Example Error, needs a few State-specific changes in what it reports. This report lists the errors that occurred during the daily batch update process for interChange recipient transactions. The fields in error, the invalid data, and a brief message explaining each error are displayed.
40.2.1.8	Provides capability to identify and report on exact duplicate and potential duplicate recipient records within and across lines of business	Met by interChange, with a portion of the requirement requiring customization code. The existing recipient report, Potential Duplicate Error Report, will require State-specific modifications.
40.2.1.9	Provides capability for maintenance of current and historical recipient identification numbers	Met by interChange. interChange stores multiple IDs for a specific recipient and can access the data through any of these numbers using the Recipient Other ID Search panel.
40.2.1.10	Provides capability to de-link recipient data when it is discovered that a recipient's eligibility has been collapsed erroneously into another recipient or re-link recipient's eligibility that has been erroneously split out from the recipient; this includes eligibility data, TPL, buy-in data, prior approvals, service limits, consents, and any other data identified by the State	Met by interChange, with a portion of the requirement requiring customization code. Users access the Recipient Unlink Request panel to request an unlink for a recipient. Users access the Recipient Link Request panel to request a link for a recipient. Actual unlink and link occurs during nightly batch processing. The existing report, Link Requests Processed, lists the recipient link requests that were processed successfully. The types of information that the system could not determine how to handle are included in the report. There will be certain State-specific customization to this process.
40.2.1.11	Provides capability to use Enrollment Database (EDB) information to detect Medicare and Medicare HMO entitlement for use in claims processing	Met by interChange. Three panels in the recipient business function address this requirement. The Buy-In EDP Part A panel allows the user to view the Part A information from the EDB file for a buy-in recipient. The Buy-In EDP Part B panel allows the user to view the Part B information from the EDB file for a buy-in recipient. The Buy-In EDB End Stage Renal Disease panel allows the user to view the End Stage Renal Disease information from the EDB file for a specific buy-in recipient with information that includes the start and termination dates for coverage, dialysis, and transplant.
40.2.1.12	Provides capability to maintain five (5) years of historical recipient information online and five (5) years near-line, including history of changes to name, DOB, SSN, and recipient address	Met by interChange. We will exceed this requirement by keeping 10 years of data online for immediate access. interChange does not purge records and can maintain ongoing history.

RFP No.	RFP Requirement	EDS Response
40.2.1.13	Provides capability for notes tracking by recipient to accommodate tracking of calls regarding claims, complaints, customer service, and TPL, and provides easy access to the call information by authorized users	Met by interChange. CTMS provides a means of access and storage for information associated with a customer service contact. The contact information is associated with an assigned contact tracking number (CTN). This information includes contact type, demographic information, questions, resolutions, and contact reasons. EDS and State staff enter information for each contact through online pages. Search panels allow users to sort and access contacts based on various criteria. Reports are available based on open dates, status, clerk IDs, and department.
40.2.1.14	Provides capability for updating recipient letter templates with free-form text to support cases specific to a recipient data issue or specific applicant/recipient	Met through COTS integration. The Letter Generator is an automated correspondence system that allows account and State staff to send written communication to recipients, providers, and other business partners. The Letter Generator draws and updates data from interChange and is designed to run on Web-based interaction and batch generation modes.
40.2.1.15	Provides capability to reconcile CNDS data with Replacement MMIS data each State business day in order to verify that all records and segments received through the CNDS interface are processed or are listed on error reports	Met by interChange. The existing report, Example Error, lists the errors that occurred during the daily update process for interChange recipient transactions. The fields in error, the invalid data, and a brief message explaining each error are displayed on the report.
40.2.1.16	Provides capability to reconcile State-entity DMA eligibility data with the Replacement MMIS each State business day in order to verify that all records and segments received through the EIS interface are processed or are listed on error reports	Met by interChange. The existing report, Eligibility Maintenance Error, lists the errors that occurred during the daily update process for interChange recipient transactions. The fields in error, the invalid data, and a brief message explaining each error are displayed on the report.
40.2.1.17**	Provides capability to reconcile DMH Accredited Standard Committee (ASC) X12N 834 transactions eligibility data with the Replacement MMIS each State business day in order to verify that all records and segments received via the 834 transaction are processed or are listed on error reports	Met by interChange. The existing report, Eligibility Maintenance Error, lists the errors that occurred during the daily update process for interChange recipient transactions. The fields in error, the invalid data, and a brief message explaining each error are displayed on the report.
40.2.1.18	Provides capability for State staff to enter online recipient-specific overrides to the timely billing edit for claims processing	Met through customization of interChange. A change will be made to the application to allow for online recipient-specific overrides to the timely billing edit for claims processing.
40.2.1.19	Provides capability to receive and process State entities' Eligibility History data from DIRM or ITS prior to operational startup	Met by interChange. This task is done during the conversion process of the implementation.
40.2.1.20	Provides capability for Recipient/Client Eligibility Cross-Reference data for State entities, including all CNDS updates by participating organizations as appropriate to the State entity	Met by interChange, with a portion of the requirement requiring customization code. interChange accepts and accesses recipient data through numerous State-supplied identifiers. State-specific customization will be necessary to understand these cross-references, but the system readily

RFP No.	RFP Requirement	EDS Response
		uses them.
40.2.1.21	Provides capability to allow access to the entire recipient record via a common CNDS ID for recipients with multiple cross-referenced IDs, regardless of the number of cross-references, including claims data, eligibility data, TPL data, buy-in data, prior approvals, service limits, and consents	Met by interChange. The Recipient Search panel is the initial panel viewed on entry into the recipient application. This panel allows the user to access recipient information by selecting a "search by" criteria. Additionally, the Other ID Search Panel grants access to the same information using additional State identifiers. After the search criteria is selected, the Recipient panel is displayed.
40.2.1.22	Provides capability to retain the CNDS ID used for Federal reporting when recipient IDs are combined	Met by interChange. The Recipient Link History panel allows the user to review the recipients who have had multiple ID numbers. The actual ID submitted on a claim is retained, even if two IDs have been linked, allowing direct access to claims with a specific ID.
40.2.1.23	Provides capability for online updates to the CNDS for maintenance of cross-reference and demographic information	Met by interChange. The Add Recipients panel is used to allow authorized users to add recipients to the Replacement MMIS. The Recipient Other IDs panel can be used to establish a new ID relationship for a recipient.
40.2.1.24	Provides capability for online updates for performing client "combine" functions when multiple CNDS IDs are identified for a single client, according to CNDS rules	Met by interChange. The Recipient Link Request panel initiates the batch programs to merge two distinct recipients' information together. The Link History panel allows the user to review the recipients who have multiple ID numbers.
40.2.1.25	Provides capability to produce a report of CNDS cross-reference ID updates within and across lines of business	Met by interChange, with a portion of the requirement requiring customization code. The Link Requests Processed report lists the recipient link requests that were processed successfully. The Unlink Requests Processed report lists the recipient unlink requests that were processed successfully. A new report that lists when a new cross-reference ID is associated to an existing recipient can be developed if required.
40.2.1.26	Provides capability for online updates of fields not updated through the State's eligibility update	Met by interChange. Numerous panels support adding or updating elements not updated through an eligibility transaction. These include level of care, managed care, TPL, previous IDs, and many others.
40.2.1.27	Provides capability to receive and process deductible information from the recipient eligibility record and make it available for claims processing	Met by interChange. The Recipient Spenddown panel is used to view spenddown ICNs and the amount of spenddown withheld. The spenddown ICN portion of the panel is accessed by selecting a row on the spenddown list. For nursing facility claims, the recipient liability represents the same basic functionality, but this recipient obligation is used only to satisfy nursing facility claims.
40.2.1.28	Provides capability to process updates to recipients of North Carolina Health Choice for Children (NCHC) as any other recipient eligibility update (NCHC is equivalent to	Met by interChange. The NCHC eligibility will simply be considered another benefit plan, which is subject to the policy of the State and is readily configured within

RFP No.	RFP Requirement	EDS Response
	State Children's Health Insurance Program.)	interChange.
40.2.1.29	Provides capability to accept recipient eligibility segments from EIS and CNDS with no limitations on the number of eligibility segments maintained within the Replacement MMIS	Met by interChange. The relational database architecture of interChange allows unlimited recipient eligibility segments.
40.2.1.30	Provides capability to process and reconcile the full file of EIS and the Replacement MMIS recipient eligibility records	Met by interChange, with a portion of the requirement requiring customization code. The current source of eligibility data for the MMIS is a daily file extract from the eligibility engine. The eligibility engine maintains eligibility data for the medical assistance programs. Recipient-related data residing on the eligibility engine also must reside in the MMIS. Many states perform full file reconciliation runs of their data, which interChange fully supports. There may be a need to make certain State-specific modifications in the reporting and the balancing because DPH recipients would not be part of that data exchange.
40.2.1.31	Provides capability for transmission and receipt of buy-in data to and from CMS via DIRM interface in accordance with CMS Redesign practices	Met by interChange. interChange has an entire subsystem devoted to the proper management, processing, updating, and reporting of buy-in—related data.
40.2.1.32	Provides capability to produce buy-in update transactions for Warrant Calculation and Previously Unknown County Warrant Calculation for Medicare Parts A and B	Met by interChange. The buy-in financial transactions are integrated into the financial processing. These financial transactions are detailed in the Buy-In Part A Expenditure Report and Buy-In Part B Expenditure Report.
40.2.1.33	Provides capability to edit all buy-in transactions for completeness of required fields, reasonability of dates, accuracy of converted Railroad Retirement numbers, presence on the Replacement MMIS eligibility file, and unwanted duplication	Met by interChange. The Buy-In A and B Transaction, Exception, Coverage, and Mismatch panels allow authorized users to manage the buy-in transactions and perform necessary corrections and updates.
40.2.1.34	Provides capability for online inquiry into buy-in current status and full buy-in history for all affected individuals on the Replacement MMIS eligibility file(s)	Met by interChange. The Medicare Buy-In A Combined panel and the Medicare Buy-In B Combined panel show the history of all buy-in transactions for recipients, which are searchable on numerous fields.
40.2.1.35	Provides capability to automatically create a buy-in deletion transaction in the month in which death of the recipient or termination of the Medicaid case is recorded on the Replacement MMIS file Date of death and termination of the Medicaid case are included in the eligibility record received from EIS.	Met by interChange. The buy-in data exchange with any State agencies provides recipient information for the buy-in program. The monthly data exchange with CMS is triggered by a date of death record being received by interChange. The receipt of a date of death record triggers the termination of buy-in for that recipient.
40.2.1.36	Provides capability to process buy-in updates from CMS via DIRM interface in accordance with CMS Redesign practices	Met by interChange. The buy-in daily exchange with CMS is in accordance with CMS requirements.
40.2.1.37	Provides capability to produce reports after each buy-in update to identify all transactions received, all	Met by interChange. The following reports meet this requirement: Buy-In Part A Exception Error By Transaction

RFP No.	RFP Requirement	EDS Response
	transactions that processed successfully, and all transactions that had errors, invalid data, and/or could not be matched to a recipient in accordance with CMS Redesign practices	Code, Buy-In Part B Exception Error By Transaction Code, and Example Error.
40.2.1.38	Provides capability to void eligibility segments	Met by interChange. Based on rules determined during eligibility design, interChange can void eligibility segments.
40.2.1.39**	Provides capability for State staff to enter an online request for a recipient ID card	Met by interChange. The Recipient ID Cards panel is used to view and verify ID card issuance for a recipient and allows the user to request a new ID card for the recipient. It also includes the reason for reissue.
40.2.1.40	Provides capability for system notification from MMIS Recipient business area to MMIS Managed Care business area whenever retroactive managed care enrollment/disenrollment occurs	Met by interChange, with a portion of the requirement requiring customization code. The automated transfer of information between the recipient and managed care subsystems identifies retroactive eligibility and enrolls or disenrolls according to State specifications. State-specific business rules and restrictions may need to be incorporated.
40.2.1.41	Provides capability to notify TPL electronically whenever retroactive Medicare enrollment occurs	Met by interChange. The relational database architecture of interChange allows the recipient subsystem to notify the TPL subsystem. TPL uses that data as part of the cost avoidance to check if the recipient has Medicare coverage and identify any retroactive recoveries when billing.
40.2.1.42	Provides capability to notify claims electronically whenever retroactive Medicaid eligibility occurs for a recipient eligible in another health benefit program	Met by interChange. The Benefit Administration Code table in the reference subsystem identifies those service programs for which a recipient may be eligible and processes a change in benefit plan based on the State rules. This change is read in real time by the claims engine when it processes a claim for the recipient in question.
40.2.1.43	Provides capability to create claim financial transactions for each CMS buy-in update record	Met by interChange, with a portion of the requirement requiring customization code. The buy-in system creates financial transactions but not actual claims transactions for processing. The buy-in financial transactions are included in the financial summary reports. These financial transactions are detailed in the Buy-In Part A Expenditure Report and Buy-In Part B Expenditure Report.
40.2.1.44	Provides capability to allow adjustments to buy-in claim financial transactions	Met by interChange. The buy-in data maintenance function makes adjustments each time buy-in records are received for transactions that have been processed already. These transactions will either positively or negatively impact the financial transactions, as appropriate.
40.2.1.45	Provides capability to run the final buy-in cycle for receipt by CMS no later than the 25th of each month Date of final monthly cycle runs shall be directed by the State.	Met by interChange. Automated data exchanges between EDS and CMS are conducted monthly to identify, update, resolve differences, and monitor new and ongoing Medicare buy-in cases. Scheduling of the buy-in process jobs is according to State requirements.

RFP No.	RFP Requirement	EDS Response
40.2.1.46	Provides capability upon completion of the final cycle run to immediately produce buy-in final cycle reports on paper, if requested, and deliver to the State within two (2) business days	Met by interChange. The Buy-In Part A and B Billing (Receiving) reports inform the State of the status of buy-in Part A and B Medicaid recipients. They use transaction codes to communicate an update or an acknowledgment of State accretion, deletion, or change. Scheduling of the reports is according to State requirements.
40.2.1.47	Provides capability to accept and process updates to the EDB from CMS via DIRM interface	Met by interChange. The buy-in function receives and processes the EDB file from CMS. The EDB process populates the EDB Medicare tables.
40.2.1.48	Provides capability to accept and process updates to the Beneficiary Data Exchange (BENDEX) from the Social Security Administration via a DIRM interface	Met by interChange. The recipient subsystem receives and processes the BENDEX file monthly, updating the Part A, Part B, and Medicare identification information for recipients that are matched to the BENDEX file.
40.2.1.49	Provides capability to edit online recipient update transactions for completeness, consistency, and valid values	Met by interChange. The primary users responsible for the management of recipient eligibility and enrollment information for the State use pages and panels in the recipient subsystem to directly enter, review, and modify recipient demographic and eligibility information. In-screen edits prevent the saving of incomplete, inconsistent, or invalid fields.
40.2.1.50	Provides capability to identify the correct eligibility group and associated premium using information on the recipient's eligibility record	Met by interChange, with a portion of the requirement requiring customization code. State-specific logic will be required in processing the recipient eligibility transaction, but the framework for recognizing those transactions and classifying the recipient appropriately is a core aspect of the interChange recipient data management system.
40.2.1.51	Provides capability to produce and send correspondence related to recipient premiums— including invoices, notices of non-payment, cancellation notices, receipts, and refunds—in the recipient's preferred language	Met through COTS integration. DOC1 is an automated correspondence system that allows EDS and State staff to send written communication to recipients, providers, and other business partners. The Letter Generator draws and updates data from interChange and is designed to run on Web-based interaction and batch generation modes. The Letter Generator can accept a language other than English.
40.2.1.52	Provides capability to collect recipient premium payments	Met by interChange, with a portion of the requirement requiring customization code. interChange has a complete recipient premium payment invoicing and processing system that generates invoices, tracks receivables and payables, accepts payments, generates refunds, and integrates into the eligibility determination system. Each state has minor state-specific changes required to identify who qualifies for specific benefits and premiums.
40.2.1.53	Provides capability to produce refunds of recipient premiums	Met by interChange. The interChange recipient premium payment system can produce refunds and adjustments to premium transactions. They are reported on the Weekly

RFP No.	RFP Requirement	EDS Response
		Refund Report Listing report.
40.2.1.54	Provides capability to process financial accounting records for premium payments and refunds	Met by interChange. The premium payment system is designed to produce, process, and report premium payments and refunds. Numerous processes, pages, and reports are involved in the complete solution.
40.2.1.55	Provides capability to produce reports for recipient premium payment and cost-sharing processes	Met by interChange. There are 28 standard daily, weekly, monthly, and annual reports produced through the recipient premium processing system.
40.2.1.56	Provides capability to apply cost-sharing	Met by interChange. interChange supports cost sharing in four ways: spenddown, patient liability, premium payments, and copay. Spenddown and patient liability are set for a periodic (usually monthly) time frame, where the recipients meet that set amount every month. Patient liability is used only for nursing facility claims.
40.2.1.57	Provides capability to ensure cost-sharing does not exceed threshold for the family group	Met by interChange, with a portion of the requirement requiring customization code. interChange will be modified to create time-based thresholds for a family unit to meet. This case spenddown process will apply across all members of a case.
40.2.1.58	Provides capability to associate multiple cases in a family together to ensure cost-sharing does not exceed threshold	Met by customization code. interChange will be modified to create time-based thresholds for a family unit to meet. This case spenddown process will apply across all members of a case.
40.2.1.59	Provides capability to send recipient notices and Explanations of Benefits (EOB) in recipient's preferred language	Met through COTS integration. DOC1 is an automated correspondence system that allows EDS and State staff to send written communication to recipients, providers, and other business partners. The Letter Generator draws and updates data from interChange and is designed to run on Web-based interaction and batch generation modes. The Letter Generator can accept a language other than English.
40.2.1.60	Provides capability to produce a Certificate of Creditable Coverage (COCC) for each recipient deleted/terminated from specified Medicaid coverage	Met by interChange, with a portion of the requirement requiring customization code. The COCC process is incorporated into interChange as part of HIPAA compliance. The specific benefit plans or criteria of who qualifies to receive a COCC under specific conditions will be customized for the State.
40.2.1.61	Provides capability to produce a COCC for a specific period if requested by the recipient/client or by the State	Met by interChange. The COCC process is incorporated into interChange as part of HIPAA compliance.
40.2.1.62	Provides capability for an online request function to allow the State to request a COCC for a specific recipient for a specific period	Met by interChange. The COCC process is incorporated into interChange as part of HIPAA compliance.
40.2.1.63	Provides capability to produce a Monthly Summary Report indicating all COCCs mailed to recipients per	Met by interChange, with a portion of the requirement requiring customization code. The COCC process generates a

RFP No.	RFP Requirement	EDS Response
	month that includes: • Total number of COCCs mailed • Total number of COCCs mailed within five (5) days of date of termination/request • Total number of COCCs mailed later than five (5) days from the date of termination/request	monthly report of notices produced. Additional reporting elements will be added to meet the requirements for counting those produced within five days of the request and those produced more than five days after the request.
40.2.1.64	Provides capability to use transfer of assets data on the Medicaid recipient record in claims processing	Met by interChange, with a portion of the requirement requiring customization code. interChange will be modified to use transfer of assets data on the Medicaid recipient record in claims processing.
40.2.1.65	Provides capability to create a report of recipients with paid claims for targeted services for whom a transfer of assets indicator is not on file	Met by interChange, with a portion of the requirement requiring customization code. interChange will be modified to create a report of recipients with paid claims for targeted services for whom a transfer of assets indicator is not on file.
40.2.1.66	Provides capability to provide DIRM an electronic copy of the report of recipients with paid claims for targeted services for whom a transfer of assets indicator is not on file for publication for county Department of Social Services (DSS) agencies	Met by interChange, with a portion of the requirement requiring customization code. interChange will be modified to provide DIRM an electronic copy of the report of recipients with paid claims for targeted services for whom a transfer of assets indicator is not on file for publication for county DSS agencies.
40.2.1.67	Provides capability to create a report of individuals with a transfer of assets sanction	Met by interChange, with a portion of the requirement requiring customization code. interChange will be modified to create a report of individuals with a transfer of assets sanction.
40.2.1.68	Provides capability to provide DIRM an electronic copy of the report of individuals with a transfer of assets sanction for publication for county DSS agencies	Met by interChange, with a portion of the requirement requiring customization code. interChange will be modified to provide DIRM an electronic copy of the report of individuals with a transfer of assets sanction for publication for county DSS agencies.
40.2.1.69	Provides capability to create the Medicare Modernization Act (MMA) Enrollment File based on selection criteria provided by the State in the format specified by CMS	Met by interChange, with a portion of the requirement requiring customization code. interChange automatically identifies recipients who meet the criteria and sends the formatted MMA file to CMS for processing. CMS processes the MMA file and returns a response file for each individual, indicating if the individual qualifies for Medicare D or additional Low-Income Subsidy (LIS) support and in what pharmacy plan he or she is enrolled. interChange updates the recipient record with the appropriate information. The MMA file history for a given recipient is available through the online panels in the recipient maintenance area. This may need to be modified slightly for any State-specific criteria or processing instructions.

RFP No.	RFP Requirement	EDS Response
40.2.1.70	Provides capability to include data in the MMA Enrollment File necessary to count the number of enrollees for the phased-down State contribution payment	Met by interChange. The buy-in subsystem report, Part D MMA Outbound, lists and counts the total number of records for enrollees for the phased-down State contribution payment. This report is the transaction detail for transactions in the monthly transmission to CMS.
40.2.1.71	Provides capability to include records in the MMA Enrollment File for those individuals for whom the State has made an enrollment determination for the Part D low income subsidy	Met by interChange. The Part D MMA Outbound report in the buy-in subsystem provides transaction details for recipients enrolled in Part D. Part D logic incorporates these recipients into the MMA file.
40.2.1.72	Provides capability to transmit the MMA Enrollment File to DIRM for transmission to CMS	Met by interChange. The Part D MMA Enrollment File can be sent to DIRM for transmission to CMS.
40.2.1.73	Provides capability to process the MMA Enrollment Response File from CMS transmitted via DIRM interface	Met by interChange. The Part D MMA Enrollment Response File from CMS can be received through the DIRM interface.
40.2.1.74	Provides capability to produce a report of all records transmitted on the MMA Enrollment File	Met by interChange. The Part D MMA Outbound report in the buy-in subsystem provides transaction details for recipients enrolled in Part D.
40.2.1.75	Provides capability to produce a report of all records received on the MMA Response File, identifying any errors, records unable to be matched to a recipient on the Replacement MMIS, and records unable to be processed	Met by interChange. The buy-in system provides the Part D MMA Inbound report and lists the transactions rejected by CMS. The Part D MMA File Error report lists the records from CMS that experience errors during processing.
40.2.1.76	Provides capability for online access to MMA Response File records that were in error or unable to be matched with a recipient on the Replacement MMIS	Met by interChange. The Part D CMS MMA History panel in the recipient system allows a user to view the MMA enrollment and responses for a particular recipient.
40.2.1.77	Provides capability for online access to a summary of the recipient's MMA Enrollment and Response File records	Met by interChange. The Part D CMS MMA History panel in the recipient system allows a user to view the MMA enrollment and responses for a particular recipient.
40.2.1.78	Provides capability for online access to the MMA record selected from the summary	Met by interChange. The Medicare D CMS MMA History panel in the recipient system allows a user to view the MMA enrollment and responses for a particular recipient.
40.2.1.79	Provides capability for online access to Medicare coverage data from EIS for Parts A, B, C, and D for Medicaid recipients	Met by interChange, with a portion of the requirement requiring customization code. The Medicare A Coverage, Medicare B Coverage, and Medicare D Entitlements panels in the recipient system allow a user to view the Medicare coverage for the selected recipient. The system would need to be modified to identify Medicare Part C (HMO) distinctly.
40.2.1.80	Provides capability to accept and process Medicaid/Medicare coverage data from EIS and make it available for claims processing	Met by interChange. The current source of eligibility data for the MMIS is a daily file extract from the eligibility engine. The eligibility engine receives data from EIS and maintains eligibility data for the medical assistance programs. Recipient-related data residing on the eligibility engine also must reside in the MMIS.

RFP No.	RFP Requirement	EDS Response
40.2.1.81**	Provides capability for online access to add, update, and inquire into Medicare data for DMH and DPH recipients	Met by interChange. The Medicare A Buy-In Coverage and Medicare B Buy-In Coverage panels in the recipient system allow adding, updating, and inquiring into Medicare data for DMH and DPH recipients. This also can be added automatically through the Medicare EDB process by simply adding these recipients to the finder file.
40.2.1.82	Provides capability to produce eligibility extracts for contractors with whom DMA does business	Met by interChange, with a portion of the requirement requiring customization code. The ability to provide extracts is part of interChange. Each data extract would be customized to meet the needs of the receiving entity.
40.2.1.83	Provides capability to use CNDS governance rules to determine which demographic data has priority when a recipient is enrolled concurrently in multiple lines of business and benefit plans	Met by interChange, with a portion of the requirement requiring customization code. The current source of eligibility data for the MMIS is a daily file extract from the eligibility engine. The eligibility engine receives data from EIS and maintains eligibility data for the medical assistance programs. The State-specific rules for defining hierarchy would need to be customized, but interChange supports holding multiple sets of certain demographic data by source.
40.2.1.84	Provides capability for multiple types of recipient addresses per line of business (LOB)	Met by interChange, with a portion of the requirement requiring customization code. The Alternate Address panel is used to insert and maintain alternate addresses and contact information for a recipient. This panel will be enhanced to store alternate addresses as identified per LOB.
40.2.1.85	Provides capability for a Client Services Data Warehouse (CSDW) extract of recipient data	Met by interChange, with a portion of the requirement requiring customization code. The ability to provide extracts is part of interChange. Each data extract would be customized to meet the needs of the receiving entity.
40.2.1.86	Provides capability to produce letters/notices to applicants/recipients	Met through COTS integration. DOC1 is an automated correspondence system that allows EDS and State staff to send written communication to recipients, providers, and other business partners. The Letter Generator draws data from interChange and is designed to run in Web-based interaction and batch generation modes.
40.2.1.87	Provides capability to send, receive, and update Provider data between DHSR and the Replacement MMIS for placement of eligible recipient	Met by interChange, with a portion of the requirement requiring customization code. The ability to send, receive, and process extracts is part of interChange. Each process would be customized to meet the needs of the data exchange.

DPH Online Enrollment Requirements

The following table, EDS Response to DPH Online Enrollment Requirements, describes how we will meet the requirements set forth in the RFP. Where

appropriate, we have listed the existing interChange user interface panels, reports, and processes that meet the stated requirements. We also have identified when an integrated COTS piece of software is used to meet the requirements.

EDS Response to DPH Online Enrollment Requirements

RFP No.	RFP Requirement	EDS Response
40.2.1.88**	Provides capability to accept Web-submitted and hard copy financial eligibility applications (DHHS 3014) for program participation	Met by interChange, with a portion of the requirement requiring customization code. The system would need to include a new panel to accept Web-submitted applications, and the CTMS subsystem would be used for tracking hard-copy financial eligibility applications (DHHS 3014) for recipient eligibility.
40.2.1.89**	Provides capability for enrollment instructions and guidelines for supporting functions by selected enrollment options	Met by interChange, with a portion of the requirement requiring customization code. The public Web portal would need to include enrollment instructions and guidelines for supporting functions by selected enrollment options. It supports user manuals and instructions as a standard feature.
40.2.1.90**	Provides capability to accept Web-submitted and hard copy supporting documentation for financial eligibility applications	Met by interChange, with a portion of the requirement requiring customization code. The CTMS subsystem would need to include the capability to accept both paper and facsimile documentation to track the financial eligibility application.
40.2.1.91**	Provides capability to upload attachments electronically and associate attachments with submitted financial eligibility applications	Met by interChange, with a portion of the requirement requiring customization code. The Web subsystem would need to include the capability to accept uploaded attachments with the financial eligibility application.
40.2.1.92**	Provides capability to receive paper and facsimile documentation, scan it so it can be viewed online, and associate documentation with the submitted financial eligibility application	Met through COTS integration. The COTS image repository, EMC | Documentum, stores and retrieves applications and related attachments.
40.2.1.93**	Provides capability to identify and assign the applicant's CNDS ID and associate/link it to the financial eligibility application in accordance with CNDS Governance Rules	Met by interChange, with a portion of the requirement requiring customization code. interChange will be modified to identify and assign the applicant's CNDS ID and associate/link it to the financial eligibility application in accordance with CNDS governance rules.
40.2.1.94**	Provides capability for State DPH staff to enter the status of the application as either complete or incomplete	Met by interChange, with a portion of the requirement requiring customization code. interChange will be modified to allow State DPH staff to enter the status of the application as either complete or incomplete.
40.2.1.95**	Provides capability to place all applications in an online work queue for State DPH eligibility staff to review	Met by interChange, with a portion of the requirement requiring customization code. interChange will be modified to place each application in an online work queue for State DPH eligibility staff to review.

RFP No.	RFP Requirement	EDS Response
40.2.1.96**	Provides capability for State DPH staff to accept, reject, and/or modify income and deductions provided on the application and provides capability to indicate the reason income and/or deductions are rejected or modified	Met by interChange, with a portion of the requirement requiring customization code. interChange will be modified to allow State DPH staff to accept, reject, or modify income and deductions provided on the application and provide the capability to indicate the reason income or deductions are rejected or modified.
40.2.1.97**	Provides capability for State DPH staff to indicate if an application is complete and ready for disposition	Met by interChange, with a portion of the requirement requiring customization code. interChange will be modified to allow State DPH staff to indicate if an application is complete and ready for disposition.
40.2.1.98**	Provides capability to calculate recipient income based on information provided on an application and compare it to program thresholds to determine financial eligibility	Met by interChange, with a portion of the requirement requiring customization code. interChange will be modified to calculate recipient income based on information provided on an application and compare it to program thresholds to determine financial eligibility.
40.2.1.99**	Provides capability to electronically store and maintain DPH eligibility data in the Recipient business area	Met by interChange, with a portion of the requirement requiring customization code. The recipient subsystem is the repository for MMIS data. Certain data model extensions may be needed to support any DPH-exclusive attributes.
40.2.1.100**	Provides capability to electronically store and maintain multiple addresses for one recipient, including correspondence mailing, pharmacy mailing, residence, and alternate and to maintain history of addresses	Met by interChange, with a portion of the requirement requiring customization code. The recipient subsystem can store multiple addresses by source. It will be extended to add address type.
40.2.1.101**	Provides capability to electronically store and maintain the name, mailing address, and agency of the application interviewer	Met by interChange, with a portion of the requirement requiring customization code. The recipient subsystem can store the name and mailing address. It will be extended to include the agency of the application interviewer.
40.2.1.102**	Provides capability to electronically store and maintain the name, mailing address, and relationship of an individual other than the applicant/recipient to receive copies of notices and letters if requested	Met by interChange, with a portion of the requirement requiring customization code. The Alternate Address panel in the recipient subsystem is used to insert and maintain alternate addresses and contact information for a recipient. This panel will be enhanced to store and maintain the name, mailing address, and relationship of an individual other than the applicant or recipient.
40.2.1.103**	Provides capability to produce system-generated letters/notices of approvals or denials	Met through COTS integration. DOC1 is an automated correspondence system that allows EDS and State staff to send written communication to recipients, providers, and other business partners. The Letter Generator draws and updates data from interChange and is designed to run in Web-based interaction and batch generation modes.
40.2.1.104**	Provides capability to maintain the necessary data elements to produce reports on demand with date span parameters based on application and/or recipient	Met by interChange, with a portion of the requirement requiring customization code. interChange and the BIAR MMIS ad hoc support subsystem may need to be updated to

RFP No.	RFP Requirement	EDS Response
	characteristics	add the needed data elements to produce reports with State-specific data.
40.2.1.105**	Provides capability for inquiry selection for one (1) or more applications/records that meet specified criteria, by any of the following: • Application/case number • Applicant name (partial or complete) • Applicant name phonetic (partial or complete) • CNDS ID, • SSN • Date of birth	Met by interChange, with a portion of the requirement requiring customization code. The Search panel in the recipient subsystem allows for record search by current ID, applicant name (partial or complete), applicant name phonetic (partial or complete), case ID, SSN, birth date, gender, or county. It will need to be extended to include the application number.
40.2.1.106**	Provides capability to store abandoned or incomplete applications indefinitely	Met by interChange, with a portion of the requirement requiring customization code. interChange will be enhanced to store abandoned or incomplete applications indefinitely.
40.2.1.107**	Provides capability to store and maintain all applications for program participation	Met through customization of interChange. interChange will be updated to accommodate the detailed data online associated with applications.
40.2.1.108**	Provides capability to maintain an audit trail to document time stamp and user ID information for all applications added to the application file	Met by interChange. interChange maintains an audit trail that tracks and captures time stamp and user ID information for each application added to the application file.
40.2.1.109**	Provides capability to maintain an audit trail to document before and after image of changed data, time stamp of the change, and the user ID information for all changes made to the application data	Met by interChange. The audit trail capability within interChange automatically captures data changes, the specific date and time stamp of the changes, and the user or batch ID that performed the updates.
40.2.1.110**	Provides capability to document date and time of receipt of supporting documentation for applications	Met through COTS integration. The COTS document management system, Documentum, date and time stamps the inputs or updates.
40.2.1.111**	Provides capability to produce a weekly aging report that lists work queue status	Met by interChange, with a portion of the requirement requiring customization code. The recipient subsystem will be enhanced to produce a new Aging report, run weekly. This report will list work queue status.
40.2.1.112**	Provides capability to produce identification cards for approved recipients; the card must identify the recipient, provide the recipient's identification number, and not contain eligibility information	Met by interChange. The system produces ID cards containing recipient information, including name and ID number. The ID card meets ANSI standards and does not contain eligibility information.
40.2.1.113	Provides capability for recipient lock-in/lock-out to a specific pharmacy and/or primary care provider and/or prescriber	Met by interChange. The Lock-In Details panel in the recipient subsystem displays the name of the lock-in plan for the recipient, the provider ID and type, and the status of the lock-in.

RFP No.	RFP Requirement	EDS Response
40.2.1.114	Provides capability for recipient lock-in/lock-out from a specific pharmacy and/or primary care provider and/or prescriber	Met by interChange. The Lock-In Details panel in the recipient subsystem displays the name of the lock-in plan for the recipient, the provider ID and type, and the status of the lock-in.
40.2.1.115	Provides capability for claims exceptions to process automatically when prior authorized by the lock-in/lock-out primary care provider or prescriber in accordance with State policy	Met by interChange. Appropriate prior approval or referral records will bypass the lock-in editing.
40.2.1.116	Provides capability for historical begin and end dates for each lock-in and lock-out segment, as well as the reason for lock-in/lock-out	Met by interChange. The Lock-In Details panel in the recipient subsystem displays lock-in period information, including effective date and end date. The lock-in reason comments area on this panel allows users to set the lock-in reason and add comments.
40.2.1.117	Provides capability for an unlimited number of lock-in/lock-out segments per recipient	Met by interChange. The Lock-In Details panel, in combination with interChange architecture, provides unlimited segments.
40.2.1.118	Provides capability for multiple concurrent active lock-in/lock-out segments of any type	Met by interChange. The Lock-In Details panel provides multiple concurrent active lock-in/lock-out segments of any type.
40.2.1.119	Provides capability for online inquiry and update into lock-in/lock-out segments	Met by interChange. The Lock-In Details panel allows inquiry into lock-in/lock-out segments by status and lock-in plan name.
40.2.1.120	Provides capability to maintain an audit trail of all changes to lock-in/lock-out segments	Met by interChange. The Lock-In Details panel captures each lock-in entry and stores it in the recipient's history.
40.2.1.121	Provides capability for online inquiry into audit trail	Met by interChange. The Lock-In Details panel allows searching into the recipient's lock-in history.
40.2.1.122**	Provides capability for confidential enrollment (when a potential client is unable or unwilling to identify himself or herself) for DMH These recipients will require separate tracking to avoid potential duplicate enrollment of applicants when they become clients.	Met by interChange, with a portion of the requirement requiring customization code. The recipient data maintenance system will be enhanced to allow for confidential enrollment of an applicant. A unique tracking ID will be assigned to prevent duplicate enrollment of applicants.
40.2.1.123	Provides capability to associate an individual with a specific provider, including long-term care and group living arrangements, with a begin and end date for each segment, including sponsoring agency, authorizer, level of care, date certified, date of next certification, and patient share of cost, including deductibles and patient liability	Met by interChange. The eligibility system can associate an individual with a specific provider, by effective dates, associated certification, sponsor, and recipient financial information. interChange meets these requirements.

40.3.1 EVS System Requirements

Our solution includes Web-based eligibility verification capabilities through the Replacement MMIS Web portal for the provider and recipient communities. We will continue to provide multiple access methods, while using the same EVS engine and data to produce a consistent response.

State of North Carolina

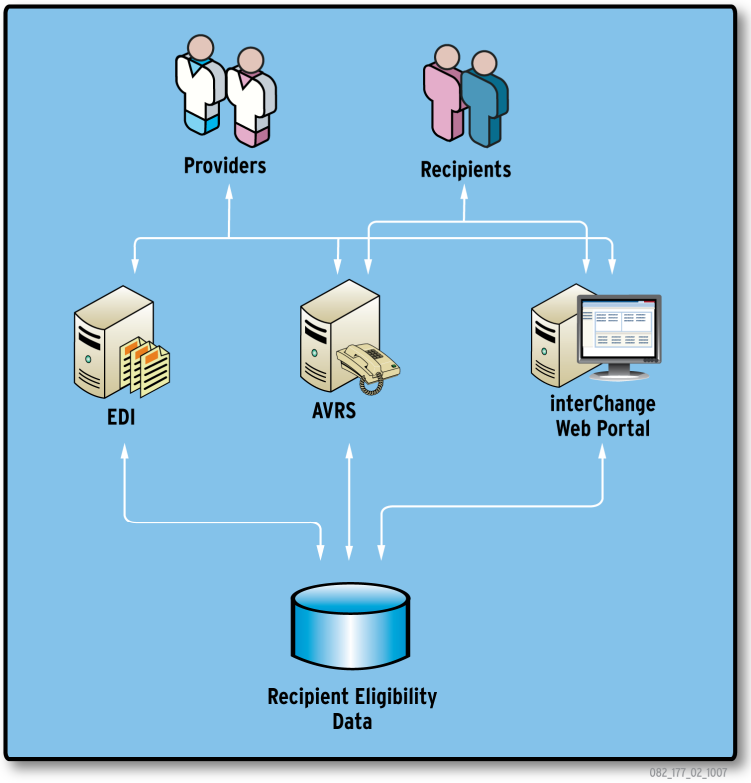
Eligibility verification is a key component of communicating with the healthcare provider community. Constant availability of accurate data is critical to provider satisfaction and ease of program use.

Currently, providers have the following three methods for access to eligibility data: Automated Voice Response System (AVRS), electronic Eligibility Verification System (EVS) through participating value-added networks (VANs) using the HIPAA-compliant 270/271 eligibility transactions, and caller assistance through the Provider Services call center if AVRS and eligibility system outages occur.

Today, the eligibility verification methods are independent systems and can sometimes produce inconsistent responses, causing frustration and confusion among the provider community. To alleviate these problems and improve the availability of consistent eligibility data, we will implement the Replacement MMIS EVS solution. EVS will continue to provide multiple access methods, while using a unified EVS engine and data to produce a consistent response. Each of the methods of accessing eligibility data inquire into the same recipient information; therefore, regardless of access method, the same results are provided, increasing the data integrity of the overall application.

Eligibility verification access will include Web-based eligibility verification capabilities through the interChange Web portal for the provider and recipient communities, as shown in the following exhibit, EVS Solution Process Flow.

EVS Solution Process Flow



Eligibility verification will include Web-based capabilities through the Web portal for providers and recipients.

Providers using our interChange EVS have found the Web-based eligibility verification capabilities we have implemented to be efficient and helpful in improving provider office staff productivity.

Web access to eligibility information is by far the most popular access method. In the first four months of operation, the Kentucky interChange Web portal has processed 1 million eligibility verifications each month. By providing reliable eligibility systems and multiple options for accessing recipient eligibility information, we empower providers to choose the eligibility verification method that best suits their business needs. This robust solution will bring improved access to more comprehensive program data by allowing providers to view current and historical EVS information.

Providers may call the AVRS to access EVS information by recipient ID as well as Social Security number (SSN) combined with date of birth (DOB). The response will be spoken using the AVRS. The Fax on Demand option also will be available, allowing the provider to enter the eligibility request information through AVRS and receive a hard-copy response by fax. This option will save the provider time because responses can be received by fax instead of having to listen to each spoken response.

We have designed our EVS to aid the provider community and meet the State's needs. To support the State's objectives, our Replacement MMIS will provide an EVS with the key benefits listed in the following table, EVS Features and Benefits.

EVS Features and Benefits

Feature	Benefit
Fast response time	Improved provider satisfaction and client access
Multiple inquiry field combinations	Ease in finding recipient information
Most current recipient information for every access method	Control of benefit utilization, where the same response information is provided regardless of inquiry method
Multiple access methods	Improved provider satisfaction through a greater choice of access methods
Secure interface	Industry-standard security measures for eligibility transactions to protect confidential information
Web-enabled capability	Ease of access and increased provider efficiency

Approach to Customization and Modifications

No customization or modification is required to the interChange application to meet the State's EVS requirements. Within the existing application, we will configure the EVS solution to meet the State-specific lexicon and messages.

Enhancements to Functional Requirements

No enhancements to interChange are required to meet the State's EVS requirements.

Response to EVS System Requirements

The following table, EDS Response to EVS System Requirements, describes how we will meet the requirements set forth in the RFP. Where appropriate, we have listed the existing interChange reports and processes that meet the stated requirements. For more information regarding our voice response capabilities, please see proposal section 40.4.1 AVRS System Requirements.

EDS Response to EVS System Requirements

RFP No.	RFP Requirement	EDS Response
40.3.1.1	Provides capability to receive and process ASC X12N 270/271 eligibility inquiry and response transactions in real-time and batch transactions	Met by interChange. The interChange application processes these transaction files in batch and in real time.

RFP No.	RFP Requirement	EDS Response
40.3.1.2	Provides capability for inquiry via ASC X12N 270 transactions by recipient identification number, recipient full name and DOB, recipient partial name and DOB, and recipient SSN and DOB	Met by interChange. The interChange application allows for multiple inquiry keys such as name, DOB, and SSN.
40.3.1.3	Provides capability for ensuring safeguards in responses via ASC X12N 271 transactions, including: • Limiting access to eligibility information to authorized medical providers, VANs, and authorized State personnel only; and • Protecting the confidentiality of all recipient information	Met by interChange and operational processes and procedures. Each method for accessing EVS information is secured by the use of authenticated access. Authentication is accomplished in the following ways: • Providers accessing the Web use an ID and password. • AVRS users enter a four-digit provider ID number (PIN). • EDI submitters use a trading partner ID to authenticate the transaction. Web access also uses Secure Socket Layer (SSL) technology and 128-bit encryption.
40.3.1.4	Provides capability for access to eligibility verification inquiry to inquire for dates of service within the preceding twelve (12) months	Met by interChange. The interChange capabilities in the Web portal and AVRS subsystems meet this requirement. Historical eligibility data for the previous 12 months will be accessible.
40.3.1.5	Provides capability for an online audit trail of all inquiries and verification responses made, the information conveyed, and to whom the information was conveyed	Met by interChange. The inquiry table and the EVS eligibility tracking table meet this functional requirement. Inquiries through the Web portal and AVRS are tracked. The following data elements are tracked: provider, recipient, dates, accept/reject, and inquiry entry point. The EVS eligibility tracking table tracks the eligibility dates passed back and forth between the eligibility system and interChange.
40.3.1.6	Provides capability to report all EVS transactions online, segregating transaction data by provider and source of inquiry (Automated Voice Response System [AVRS], Web, EVS, etc.) at a minimum	Met by interChange. The EVS Transaction Counts by Provider and Provider Type report meets this requirement.
40.3.1.7	Provides capability to uniquely identify and track each EVS recipient eligibility verification inquiry and response	Met by interChange. The EVS Transaction Counts by Provider and Provider Type Report meets this requirement.
40.3.1.8	Provides capability to issue a reference number to a provider for any Medicaid eligibility inquiry and response issued from the EVS	Met by interChange. interChange can store the reference number.

40.4.1 AVRS System Requirements

Our key responsibilities for automated voice response include operating and maintaining a secure AVRS that provides current eligibility, claim status, service limit, and prior approval information to the provider community. Timely, accurate information from our flexible, user-friendly AVRS will increase provider productivity and satisfaction, which will lead to increased participation.

State of North Carolina

Making information easily available to providers and recipients is a critical facet of any healthcare service system, and much of it can be automated. An Automated Voice Response System (AVRS) allows callers to gain immediate access to information without requiring human operator contact. Our AVRS gives providers multiple inquiry choices to verify eligibility, check the status of a claim, and much more—24 hours a day, 7 days a week, except for agreed downtime for maintenance.

AVRS data is stored in interChange. Using simple touch-tone prompts, a provider submits an inquiry through the AVRS, and an interactive transaction is sent to interChange. When the response is returned, the caller is provided the inquiry results through speech text. The AVRS provides up-to-the-second information to providers and gives them prompt and accurate information.

We selected Intervoice, one of the nation's leaders in voice technology, for its robust and highly scalable system and because of its proven history. Through our long-term relationship with Intervoice, we have gained valuable experience, training, and a superior support network to provide our clients with an AVRS application that the provider community can rely on to obtain accurate information in an efficient, user-friendly manner. Intervoice is the deployed AVRS platform that we use in support of 17 state Medicaid programs to provide improved provider satisfaction and program participation.

The following table, AVRS Key Features and Benefits, highlights some of our solution's most critical benefits.

AVRS Key Features and Benefits

Feature	Benefit
Self-service features that allow providers to verify recipient eligibility and prior approval before rendering service	Reduced claim denials
Ability for providers to check the status of claims and encounters	Quicker resolution of claim billing and administrative issues and faster payment to the provider
Accurate information that supports the management of providers' administrative workflow	Increased productivity for providers

Feature	Benefit
Reduced call volume for Provider Services call center staff	Increased ability for call center staff members to focus on requests requiring additional support
Real-time, transaction-based request and response processing delivered using XML transaction services and processed using common eligibility and claim status routines	Fast, consistent, and accurate answers and reduced maintenance costs
Availability 24 hours a day, 7 days a week	Ability for providers to perform inquiries at their convenience, leading to greater satisfaction and increased participation
Text-to-speech (TTS) capability that facilitates provider inquiries by speaking text strings during the response, such as provider names, recipient names, and insurance company names	Accelerated provider inquiries

Our key responsibilities for automated voice response include operating and maintaining a secure AVRS that provides current eligibility, claim status, service limit, and prior approval information to the provider community. Current information enables providers to effectively administer services to eligible recipients and reduces the providers' risk in serving recipients who are not eligible for coverage. Timely, accurate information from a flexible, user-friendly AVRS increases provider productivity and satisfaction.

The AVRS also has a shortcut capability, which enables the caller to interrupt any AVRS prompt or message, enter information, or request to speak with a call center representative or a provider enrollment specialist during business hours. The menu-driven design supports easy navigation through the prompts to obtain information. Shortcut key sequences enable the caller to repeat prompts or messages, reuse information previously entered, and enter the current date.

Providers are given the option within the AVRS to receive the information verbally or receive fax notification. When providers choose the faxback option, they enter their fax numbers and the interChange system automatically sends fax responses. This capability eliminates the need for providers to repeat the AVRS response to write down the information.

Approach to Customization and Modifications

Most of the AVRS requests for data will depend on information retrieved in real time from the Replacement MMIS. Almost every AVRS request handler will require at least some customization of interChange. Modifications will be performed using the latest version of InVision software to update the base call flow. State-specific changes will be tested on a separate test line. After testing is complete, changes will be released into the production environment on the voice server and in the Replacement MMIS. When future modifications become necessary, the call flow will be built and tested using the test line and in an

appropriate testing area of the Replacement MMIS. New voice messages will be recorded, cataloged, and deployed onto the AVRS as necessary.

Enhancements to Functional Requirements

The new AVRS will support voice recognition and text-to-speech in English. Digital T1s will connect to the 120-port server. Additional lines will be provided so that calls can be transferred to and from Provider Services and fax services can be supported. During times of peak load, busy signals will be eliminated or reduced. A secure Web site will be available so that the AVRS can place data there for pickup and notify the caller by e-mail that the data is available.

Response to AVRS System Requirements

The RFP's AVRS system requirements will be supported and implemented unless otherwise noted. Most of the requirements will require additional coding to implement requested solutions because EDS is bidding a new platform for the Replacement MMIS.

The following tables map our solution to the different requirements of the AVRS functional area, including general requirements and Web inquiry requirements. Where appropriate, we have listed the existing interChange user interface panels, reports, and processes that meet the stated requirements.

General AVRS System Requirements

The following table, EDS Response to General AVRS System Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to General AVRS System Requirements

RFP No.	RFP Requirement	EDS Response
40.4.1.1	Provides AVRS capability and toll-free telephone access for providers and Medicaid recipients to access information from the Replacement MMIS AVRS, twenty-four (24) hours a day, seven (7) days a week, three hundred sixty-five (365) days a year except for agreed-upon scheduled down-time for maintenance	Met by interChange. The AVRS will be available 24 hours a day, 7 days a week, 365 days a year. The EDS team will work with the State stakeholders during DDI to define the scheduled maintenance windows. The EDS team will present the proposed maintenance windows based on our existing experiences across many MMIS applications.
40.4.1.2	Provides capability for an online audit trail of all inquiries and verification responses made, the information conveyed, and to whom the information was conveyed	Met by interChange. The interChange AVRS tracks 100 percent of the calls into the call center through CTMS contact records.
40.4.1.3	Provides capability for eligibility verification inquiry by recipient identification number, or SSN and DOB, and date of service	Met through customization of interChange. A submenu will be provided for the caller to specify the MID or SSN and DOB to obtain information.
40.4.1.4	Provides capability for access to eligibility verification for dates of service within the preceding 365 days	Met through customization of interChange. Eligibility inquiries older than 365 days will be rejected.
40.4.1.5	Provides capability for access to eligibility verification for	Met by interChange. Eligibility inquiries for dates of service

RFP No.	RFP Requirement	EDS Response
	dates of service not greater than the current date for Medicaid recipients	greater than the current date for Medicaid recipients will be rejected by AVRS.
40.4.1.6**	Provides capability for access to eligibility verification for dates of service not greater than the current date plus 365 days for DPH recipients	Met through customization of interChange. Providers calling about DPH recipients will be allowed to check for eligibility up to 365 days into the future, testing against the end date of the program in which the recipient is enrolled.
40.4.1.7	Provides capability for system-generated monthly reporting of AVRS daily system availability checks	Met by operational processes and procedures. This process will back up the daily log generated by the voice server and parse it for relevant daily data. Daily, weekly, and monthly reports will be produced directly by the voice server.
40.4.1.8	Provides capability for an AVRS menu Help option, accessible at any time during the call, which allows callers a choice of being transferred to the Fiscal Agent call center or being directed to a specific Web site where detailed, written instructions are available	Met through customization of interChange. A special key sequence will allow callers to be transferred automatically to the call center or hear instructions about accessing the Web site.
40.4.1.9	Provides capability for menu options to distinguish between NC DHHS provider and Medicaid recipient callers; designs cascading options appropriate to these two (2) caller types	Met through customization of interChange. The definition and configuration of the call flow scripts is part of the standard AVRS implementation. During this time, the delineation between the provider and recipient callers and the corresponding cascading options will be defined and programmed.
40.4.1.10	Provides capability for AVRS to repeat to caller the recipient's full name and spelling of full name exactly as defined in the Recipient business area	Met through customization of interChange. When an eligibility inquiry is being made, a text-to-speech function will say and spell out letter by letter the recipient's full name.
40.4.1.11	Provides capability to process inquiries made by enrolled providers entering either a National Provider Identifier (NPI) or a legacy provider ID number (for atypical providers)	Met through customization of interChange. The capability for the provider community to access inquiries by NPI or legacy provider number will be allowed. Under certain circumstances, the caller may have to specify a legacy provider number when using an NPI does not yield a single legacy provider.
40.4.1.12	Provides capability to process inquiries made by Medicaid recipients entering the recipient's Medicaid ID number, DOB, and SSN	Met through customization of interChange. A submenu will be provided for the caller to specify the MID or SSN and DOB to make an eligibility inquiry.
40.4.1.13	Provides capability to report all AVRS transactions online, segregating transaction data by caller type (provider or recipient), inquiry type (eligibility, claim status, etc.), and inquiry source (AVRS, Web, EVS, etc.)	Met through configuration of interChange parameters and features. The internal telephone switch of the call center will offer this function to direct callers to the right department or automated service. Recipients generally do not call North Carolina Medicaid at 1 800 688 6696, only providers. Calls to the AVRS at 1 800 723 4337 do not route through the telephone switch of the call center.
40.4.1.14**	Provides capability to allow access by providers, aides, potential employers, etc. via AVRS to the Division of	Met through customization of interChange. The call flow for North Carolina will be updated to include the telephone

RFP No.	RFP Requirement	EDS Response
	Health Service Regulation (DHSR) Health Care Personnel Registry (HCPR) and the DHSR Nurse Aide Training & Registry (NATRA) for inquiry on DHSR registry information	numbers for each of the unique registry information centers identified by this requirement.
40.4.1.15	Provides capability to allow callers to interact with the AVRS by interactive voice response (IVR) or by touch-tone telephone keypad	Met through customization of interChange. Part of the definition work of the call flow scripts will be the documentation of the voice and touch-tone responses. Each time input is required, the AVRS will be enabled so that the caller can key or say the required input.
40.4.1.16	Provides capability to retain and transfer all information entered and received when the caller chooses to be transferred to the Fiscal Agent call center	Met through customization of interChange and additional lines reserved for internal transfer to and from the EDS call center's telephone switch. The AVRS unit will be equipped to electronically transfer the provider number and other pertinent information to the representative's desktop, and to the extent possible transfer the call into the most logical Provider Services area.
40.4.1.17	Provides capability to switch from English to other languages for all Medicaid recipient inquiry options	Met through customization of interChange. The initial solution will be in English because only providers call the AVRS. Recipients do not call the AVRS at 1 800 723 4337.
40.4.1.18	Provides capability to refer or transfer recipient calls for information about additional translator services	Met by operational processes and procedures. The EDS Provider and Recipient Services team will have personnel available to handle the translation services needed for the major languages supported for the recipient community.
40.4.1.19	Provides capability for providers to enter real-time requests for prior approval adjudication via AVRS	Met through customization of interChange. Callers will be given an opportunity to request prior approval (PA). This solution is for programs that can logically be accommodated through AVRS processing.
40.4.1.20	Provides capability to interface with the communication solution that will execute a fax verification (and/or email verification, if no protected health information is involved) of entry, approval, or denial of a prior approval request	Met through customization of interChange. Additional telephone lines will be provided for outbound faxing. A caller can request a fax to the number of his or her choice or provide an e-mail address, whereby the caller receives an e-mail confirmation of the request. The caller can then enter the secure Web site provided by EDS using the link embedded in the e-mail and obtain the full information available.
40.4.1.21	Provides capability for providers to request printed copies of their Remittance Advice (RA) statements	Met through customization of interChange. The call flow script will be customized to direct providers who want to request their Remittance Advice statements on paper to a Provider Services team member. The team member, when speaking with the provider, can then work through the interChange provider panels to set the printed RA indicator.
40.4.1.22	Provides capability for call flows for the following provider inquiry types:	Met through configuration of interChange parameters and features. Items new to AVRS are PA for DPH benefits, referrals, and Carolina ACCESS Emergency Authorization

RFP No.	RFP Requirement	EDS Response
	• Claim status • Checkwrite • Drug coverage • Procedure code pricing • Modifier verification • Procedure code and modifier combination • Procedure code pricing for Medicaid Community Alternatives Program services • Prior approval for procedure code • Medicaid dental benefit limitations • Medicaid refraction and eyeglass benefits • Medicaid prior approval for durable medical equipment (DME), orthotics, and prosthetics • Prior Approval for DPH benefits • Recipient eligibility, enrollment, and Medicaid service limits • Sterilization consent and hysterectomy statement inquiry • Referrals • Medicaid Carolina ACCESS Emergency Authorization Overrides	Overrides. These will be addressed and included in the solution.
40.4.1.23	Provides capability to allow the Carolina ACCESS referring provider and the Carolina ACCESS referred-to provider to inquire on the primary care provider referral status	Met through customization of interChange. New referral call flow will allow the referring or the referred-to provider to specify a recipient and confirm the primary care provider (PCP) referral status.
40.4.1.24	Provides capability for call flows for responses for the following Medicaid recipient inquiry types: • Medicaid eligibility • Managed care enrollment information, including the primary care provider name, address, and daytime and after-hours phone numbers • Third party liability • Medicare coverage • Well child checkup dates • Hospice eligibility	Met through customization of interChange. Providers will call in to obtain eligibility and enrollment information or hospice eligibility. During the eligibility call flow, besides a basic Medicaid eligibility indication, additional TPL, transfer of assets, Medicare coverage, and well child checkup dates will be given. On the enrollment call flow, the PCP name, address, and daytime and evening telephone numbers will be repeated back to the caller. Hospice eligibility will have its own call flow and submenu for requests.
40.4.1.25	Provides capability to uniquely identify and track each AVRS recipient eligibility verification inquiry and	Met through configuration of interChange parameters and features. TR logs will be kept in the MMIS for each eligibility

RFP No.	RFP Requirement	EDS Response
	response	verification response.
40.4.1.26	Provides capability to return a reference number to a provider for any DMA/Medicaid eligibility verification inquiry and response issued from the AVRS	Met through customization of interChange. Each eligibility request placed into an MMIS TR log will be issued a reference number. That reference number will be placed into the TR log and given to the caller.
40.4.1.27	Provides capability for Web-accessible downloads of AVRS training documentation that will be synchronized with application system updates	Met through configuration of interChange parameters and features. Copies of downloadable AVRS training documentation will be available on the Web site. When application system updates occur, training documentation will be synchronized.

Web Inquiry Requirements

The following table, EDS Response to Web Inquiry Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Web Inquiry Requirements

RFP No.	RFP Requirement	EDS Response
40.4.1.28	Provides capability for an online, HIPAA-compliant inquiry of all information available via the AVRS	Met by interChange. The solution provides unique IDs for the secure Web portal pages where inquires to the detailed data are performed. The queries verify that the results presented to the user are limited to the appropriate data that the identified user is allowed to view.
40.4.1.29	Provides capability to return a reference number to a provider for any DMA/Medicaid eligibility verification inquiry and response issued from the Web	Met through customization of interChange. Part of the results returned to the inquiry will be a reference number that is stored with the inquiry transaction log.
40.4.1.30	Provides capability for Medicaid recipient access to recipient eligibility and enrollment information, including: • Medicaid eligibility • Carolina ACCESS enrollment information to include the primary care provider name, address, and daytime and after-hours phone numbers • Third party liability • Medicare coverage • Well child checkup dates • Hospice eligibility	Met through configuration of interChange parameters and features. When an eligibility request is made by the provider, an eligibility confirmation number will be issued. It will then be orated, or an e-mail can be ordered by the caller that will contain a link to the secure Web site containing the eligibility information for that recipient.
40.4.1.31	Provides capability for the option to switch from English to non-English (Spanish, Russian, Hmong, etc.) static content on each non-secure page that is targeted for	Met through customization of interChange. The ability to switch from English to Spanish and another predominate language will be customization work performed on the base

RFP No.	RFP Requirement	EDS Response
	consumers/recipients for all Medicaid recipient inquiry options	Web portal product.
40.4.1.32	Provides capability for the option to switch from English to non-English (Spanish, Russian, Hmong, etc.) static content on each secure page targeted for recipients for all Medicaid recipient inquiries and responses	Met through customization of interChange. The ability to switch from English to Spanish and another predominate language will be customization work performed on the base Web portal product.
40.4.1.33	Provides capability for English and non-English (Spanish, Russian, Hmong, etc.) versions of all downloadable written materials targeted for recipients/consumers	Met by interChange. The Web portal inherently has the capability to present downloadable written material for recipients/consumers.
40.4.1.34	Provides capability to report all Web inquiry transactions online, segregating transaction data by provider and recipient inquiry, by inquiry type (eligibility, claim status, etc.), and inquiry source (AVRS, Web, EVS, etc.)	Met through customization of interChange. Specifically, the ability to log the eligibility and claim status inquiries will be added to the interChange Web portal component of the solution. The logging will include the unique ID of who is performing the inquiry, as well as the type of query and when the search is performed. The data will be stored and available for the MMIS support team to perform reporting on the details.
40.4.1.35	Provides capability to uniquely identify and track each online recipient eligibility verification and nurse aide verification inquiry and response	Met through customization of interChange. Specifically, the ability to log the eligibility and nurses aide verification inquiries will be added to the interChange Web portal component of the solution. The logging will include the unique ID of who is performing the inquiry, the type of query, and when the search is performed. The data will be stored and available for the MMIS support team to perform reporting on the details.
40.4.1.36**	Provides capability to provide access to providers, nurse aides, potential employers of nurse aides, etc., via the Web query functionality to the DHSR Health Care Personnel Registry (HCPR) and the DHSR Nurse Aide Training & Registry (NATRA) for inquiry on DHSR registry information	Met through customization of interChange. The interChange Web portal will be customized to include hyperlinks to the DHSR Health Care Personnel Registry (HCPR) and the DHSR Nurse Aide Training & Registry (NATRA) for inquiry on DHSR registry information.
40.4.1.37	Provides capability to report all Web Inquiry transactions online, segregating transaction data by caller type (provider or recipient), inquiry type (eligibility, claim status, etc.) and inquiry source (AVRS, Web, EVS, etc.)	Met through customization of interChange. Specifically, the ability to log the eligibility and claim status inquiries will be added to the interChange Web Portal component of the solution. The logging will include the unique ID of who is performing the inquiry and when the search is performed. The data will be stored and available for the MMIS support team to perform reporting on the details.

40.5.1 Provider System Requirements

Our proposed Replacement MMIS features a comprehensive provider component that will improve provider productivity with faster and easier access to accurate data. This will reduce provider cost and lead to greater provider satisfaction, thereby encouraging provider participation in the State's programs and improving the quality of life for North Carolina recipients.

State of North Carolina

The North Carolina provider community is the front line for healthcare delivery to the North Carolina healthcare recipient population. The healthcare programs rely on the quality, commitment, understanding, and participation of providers to accomplish their mission and improve the quality of life for North Carolina's citizens. We understand the critical impact that accurate, current information makes for overall provider satisfaction. Keeping the provider community informed as healthcare program decisions are made is vital.

As proven in more than 20 states, EDS' provider communication solution will improve communication and operational capabilities that reduce provider cost and encourage and support provider participation in the State's programs. For example, since implementing interChange in Oklahoma, EDS has maintained call drop rates of less than 5 percent without increased staffing. The enhanced workflow of our solution has increased provider services' productivity threefold in Oklahoma, increasing quality, timely responses to the Oklahoma provider and recipient communities.

The Replacement MMIS will provide the requested system functions and support efficient processes. The provider interface function will provide the following:

- **Improved provider service—**The field representatives and contact center representatives can review related claims history pertaining to a provider, eliminating the need for providers to repeat their original inquiry if they need additional information.
- **Improved performance—**The Replacement MMIS will provide a more streamlined approach to responding to questions in the contact center by eliminating the need to rekey information provided at the beginning of the AVRS call. Call telephony integration (CTI) will allow the provider to enter identifying demographics. The call agent will not have to ask the provider to repeat this information, improving the call response and speak time.
- **Improved operations and reduced manual processes—**Data to research a provider or recipient issue will be housed in one place: our Contact Tracking Management System (CTMS). The history surrounding an issue

will be available in one place, significantly reducing the level of effort to resolve the issue. Providers also will be empowered to conduct their own service authorization, enrollment, and claim status research on the Provider Web Portal, further reducing calls to the contact center.

- **Flexibility to address future changes—**The CTMS enables the user, without technical intervention, to quickly document call conversations and track emerging issues. This technology will allow users to immediately track and report call statistics on important issues. In most cases, the provider contracts function in the reference subsystem will allow users to set up the criteria for individual medical assistance programs without technical intervention. This feature will enable faster time-to-market for new assistance programs, including enabling providers to participate sooner.
- **Tighter quality control through credentialing—**Through provider credentialing, a consistent, high-quality method of reviewing provider qualifications is established and maintained. This gives the State a higher level of confidence that the providers delivering care to recipients can meet their needs appropriately.

Provider Overview

The provider function plays a critical role in not only attracting and retaining providers, but also providing the critical information required to allow funds to be released to eligible providers for authorized services. The Replacement MMIS offers a comprehensive provider enrollment component that will improve current productivity, make the process more efficient and effective, and provide faster access to accurate data for the State and the provider community.

The Replacement MMIS will offer provider enrollment, maintenance, and reporting capabilities and contain the core requirements to meet the State's expectations and CMS certification requirements. Our solution parallels the MITA goals by supporting flexible, adaptable, and rapid response solutions to changes in programs and technology.

Robust provider business processes serve as the nucleus for critical information, such as provider enrollment, demographics, and important licensure and credentialing information. Critical information is date-driven to allow tracking of historical segments and correct adjudication of claims. A wide spectrum of information is available to track and manage provider information, such as multiple service locations, Drug Enforcement Agency (DEA) status, freestanding or distinct psychiatric facility indicators, level of care rate, and cost of medical education for teaching facilities.

interChange is designed specifically for state healthcare administration, including a provider data model containing data elements not likely to be found in a COTS or commercial healthcare system, such as data elements to track

disproportionate share or participation in State-only funded programs administered by other State agencies.

The Provider Web Portal will allow the State's provider community to enroll faster and begin rendering services to recipients earlier. Internal and external entities will use the portal to verify a provider's status.

Provider data will be maintained in one database. Inputs into the database will be through automated interfaces with outside entities such as the provider community, the State, licensing agencies, and other government agencies. The provider database will be fully integrated with reference, claims, TPL, financial, and other data in a single integrated data model. This integration will allow automatic updates to be fed to and from the provider business area to other business areas within the Replacement MMIS.

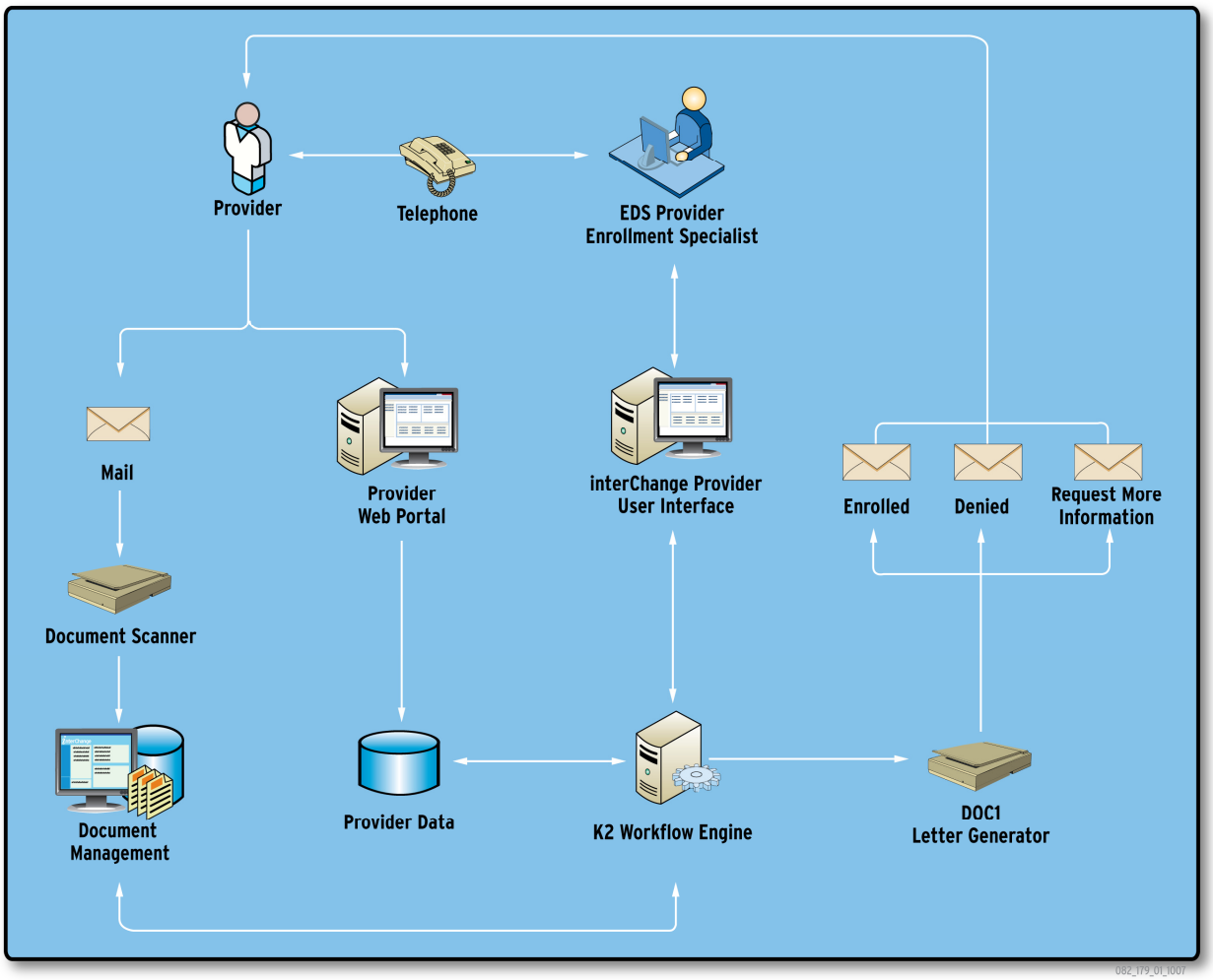
Automatic batch updates, as well as manual entry of pertinent data by authorized users, will allow the provider subsystem to process reliable information in near real time. Manual inputs will include data supplied on the provider enrollment applications, address changes, Clinical Laboratory Improvement Amendments (CLIA) information, and other valid data changes by authorized users.

The table-driven architecture of the provider business area will allow the State to implement new provider programs and specialties more quickly. Authorized business users can implement most new policies through the online application, reducing reliance on technical staff and accelerating the implementation time line.

Flexibility means options. When it comes to superb customer service, providers must have options that are sufficiently flexible to respond to the way they operate. Our enrollment and re-enrollment processes focus on giving providers several avenues for submission of requests. Providers always have the option to submit requests through the mail. They also can submit enrollment requests and monitor status through our secure Provider Web Portal. Providers who submit enrollment applications through the portal can log on, perform online correction of submitted enrollment applications, and view applications in a finalized status.

As shown in the following exhibit, Replacement MMIS Provider Enrollment Process, each avenue of submission leads to a managed workflow that routes requests, allowing the processing activity to occur efficiently.

Replacement MMIS Provider Enrollment Process



Our enrollment and re-enrollment processes focus on giving providers several avenues for submission of requests.

The system's integrated enrollment process means enrollment documents are imaged, indexed, and associated with a provider. These images will support the entire electronic workflow process, making retrieval, viewing, and auditing of enrollment documents by the State easy and convenient. The image will be viewable through the electronic document management system (EDMS), EMC | Documentum.

Provider Enrollment Workflow

The Replacement MMIS will process enrollment applications using the defined guidelines set by the State for each provider type. Different provider types will have differing criteria, all of which will be configured in the K2 workflow engine, our workflow management tool, to accurately enroll providers based on the established criteria for their provider type. Enrollment applications will be processed through the same workflow pattern, no matter how they are received,

allowing for accurate processing of enrollment applications without deviation from the standards established by the business requirements. interChange uses content-sensitive enrollment criteria to manage different provider types and specialties with different enrollment requirements. These requirements dictate the enrollment flow for the provider. Using the workflow engine, the system will present only the applicable panels needed for enrollment, streamlining the process.

The workflow processes will control the enrollment process from beginning to end, with status designations such as unassigned, assigned to, working, suspended, and closed. We will establish specific work queues and workflows that facilitate the fast, efficient processing of enrollment functions. The system will maintain the appropriate level of security, as well as an audit trail of changes.

The K2 workflow engine will allow monitoring of applications and the ability to prioritize tasks for each worker in the queue. The ability to monitor, track, and report enrollment applications, recertification, and provider change requests means providers can be more effectively served, resulting in increased satisfaction.

As described in the Workflow Management subsection of proposal section 40.1.1 General System Requirements, each workflow in interChange is configurable. The Workflow Provider Enrollment Decision Point Diagram shown in that subsection is easy for a user to follow, with distinct steps and flow arrows to identify processing alternatives.

Within the Replacement MMIS, each provider will be assigned a unique number that designates the provider. The system will not assign multiple IDs per provider, which allows for an easier transition to the HIPAA NPI. Only those data elements applicable to the provider, regardless of service location, are assigned, or linked, to the provider ID. The system will maintain comprehensive current and historical information about providers eligible to participate in the North Carolina payer groups. The advanced design will reduce maintenance by offering a single provider data repository with current, accurate information.

Each provider will be assigned one or more service locations to denote each office or facility where the provider accepts State healthcare recipients. Service locations are noted on the Provider Information page, allowing users to simply select the specific location from the service location drop-down menu. The system can maintain multiple addresses for one provider location. Each service location will maintain the following addresses: service location, home, office, mail to, and pay to.

Our provider services subsystem will support provider database maintenance, update and edit functions, and reporting to allow the State to deliver superior services to the North Carolina provider community. It will contain files and data elements necessary to meet the requirements defined by the State.

Through the provider type and specialty, the Replacement MMIS will allow the State to identify providers who perform services—such as immunizations, X-ray services in the office, and lab tests—and durable medical equipment (DME) providers who deliver equipment. The detailed design of edits associated with each browser-based page will verify that the updated record is complete and accurate before it is committed to the database. This maintains the integrity of the database and the uniformity of data for accurate reporting and claims processing.

When adding a new provider, the system will perform an edit and alert the user of potential system duplicates. The system will identify duplicates based on Social Security number (SSN), federal employer identification number (FEIN), and license number.

Provider Data Security

Data will be stored in a secure, protected environment that maintains confidentiality by providing accessibility only to authorized personnel. We also can establish field-level security. For example, not all staff will have access to view or update provider banking information for EFT. These system controls allow automatic enforcement of segregation-of-duties principles whenever possible. We have implemented a full range of audit trails, reconciliations, exception reports, transaction logs, supervisory reviews, and independent reviews to further strengthen our internal controls.

The Replacement MMIS will contain the necessary data to provide the appropriate audit trail for provider-specific reports. Updates made to provider data will be recorded in an online audit trail table showing data elements inserted, updated, or deleted; the user ID of the person making the change; the change date and time stamp; and how the data was modified. The Replacement MMIS will feature online audit trails of changes made to information and additions to the provider table. The State can use the audit trail to cross-check changes and additions made to the provider data by referencing the online image of a corresponding change request, enrollment form, or update form.

Provider Credentialing

EDS has selected VisionPro COTS software from GetProof for the provider credentialing component of the solution. This software provides for fast and accurate research, tracking, and credentialing activities that meet Joint Commission on Accreditation of Hospitals (JCAHO) and National Committee for Quality Assurance (NCQA) standards.

VisionPro offers automated interfaces to the Office of Inspector General's (OIG's) List of Excluded Individuals/Entities (LEIE) and the National Practitioner Data Bank (NPDB). By checking these data sources, the State can have confidence in the providers administering care to recipients. The OIG tool will assist users in downloading the OIG list and other opt-out provider lists. This solution enables the comparison of the exclusion lists to the North Carolina provider list.

Providers who match will be identified, and those findings will be passed to the Replacement MMIS for consolidated provider enrollment data storage. The results will then be incorporated in the appropriate provider enrollment workflow steps for quality processing of the enrollment activities. The application will be used by Provider Enrollment team members as an additional workflow mechanism to track the data used in the verification and credentialing process to completion and to document the results.

The software can interface with multiple state or national Web sites to pull data in for the credentialing process. This application can be used as a supplemental application to interChange to consolidate, validate, and certify the data used in the application process. Not only can this application handle the information requested in the RFP's provider system and operations requirements, it also is expandable to meet future required trends in provider credentialing and recredentialing.

The NPDB interface allows users to send a physician query directly to the NPDB. A report is then electronically received from the NPDB into the VisionPro software. The workload of credentialing also is assisted by this software. Automatic alert notifications allow users to monitor critical expiration dates and take appropriate action. Based on configurable notification parameters, the system will automatically notify users on logon or by e-mail of upcoming critical dates, such as license and certification expirations. This feature allows for effective monitoring of the processes of enrollment and re-enrollment.

For more information on the GetProof VisionPro software, please see the Proposed Early Implementations subsection of this proposal section.

The following table, Key Features and Benefits of the EDS Provider Solution, provides some highlights of our provider enrollment and maintenance functions.

Key Features and Benefits of the EDS Provider Solution

Feature	Benefit
Provider Web Portal that allows providers to access and complete enrollment applications and make changes to their own data	Streamlined enrollment process that increases provider satisfaction
Provider Web Portal application tracking for users	Instant determination of an application's status and fast application processing
Data organized in tables using a relational database structure so that an update automatically populates the appropriate fields when a user accesses a new page for the same provider	Better sharing of data across many pages, resulting in reduced entry and processing time
K2 workflow engine that allows authorized users to configure, manage, override, change, or suppress flexible processing rules to support workflow activities in real time	Increased accuracy and consistency of the enrollment process, including supervisor approvals where needed

Feature	Benefit
Quality provider credentialing through VisionPro, enabling timely and accurate research	More quality information available when determining if a provider should be eligible to provide care for recipients

Approach to Customization and Modifications

Through interChange's user-configurable items, such as contact tracking codes, provider types, and State agency codes; the highly flexible, configurable provider contracts feature; and the configuration of the K2 workflow engine, most of the State's provider system requirements will be met without modification. However, some requirements will necessitate customization or modification to interChange. We will analyze the State's requirements to ascertain the modifications and customizations to interChange. We will evaluate the service mappings for the provider functions and identify the provider services functional areas that need to be modified to meet the requirements.

The K2 workflow engine enables workflow definitions to be viewed and managed by several audiences, including business users, business analysts, and developers. interChange provides smooth integration to these capabilities through the interChange Web portal application. Each workflow in interChange is configurable, enabling authorized users to configure, manage, override, change, or suppress flexible processing rules to support workflow activities in real time. For example, a workflow may include some decision logic related to a recipient who is 18 years old or younger. The workflow is created so that the age value is configurable and is not "hard-coded" into the workflow implementation. The configurability of the EDS interChange workflows will therefore maximize the State's ability to easily change and manage or configure workflows.

Business workflows often are coupled with user interface pages to enable the workflow items or tasks. For certain types of workflow changes, these pages will require some modifications. In these scenarios, EDS will work with the State to arrive at an optimal solution for the required changes.

Our team will conduct requirements verification (RV) sessions to facilitate developing and delivering the Replacement MMIS with the features and functions required by the State. These RV sessions will verify or clarify our understanding of the functional requirements and validate the proper solution for each requirement. For example, in the RV sessions we will identify and document the events requiring State intervention. The point during the enrollment process flow at which this decision must be made will be noted. This information will be used to configure the K2 workflow engine to not only identify the trigger (predefined event), but also the step in the process when it is appropriate to take the next step, such as requiring State intervention. In many business process flows, actions such as State intervention occur after basic

validity and completeness checks are satisfied, which verifies that only applications that met all other criteria are sent to the State for action.

Part of the customization work for the provider subsystem will involve the configuration of the DOC1 COTS letter generation tool for correspondence caused by the workflow processes.

Another example is a review of the functional requirement to allow provider access to online enrollment. The criteria for accepting online enrollment will be defined in the RV session, including the types of data to be captured and any required forms to be presented for download and completion. This information will be used to develop the new Web page, edit logic, and configuration of the K2 workflow engine. Validation edits will be defined, and actions such as being able to save an incomplete enrollment and return to it later will be verified and the process documented.

Through the RV sessions, we will work with the State to verify each requirement in terms of process, criteria, exceptions, data, and so on. Each requirement will result in a cascade of configuration data for interChange and K2 tables, change orders for code extensions and new Web pages, and documentation of how each requirement is met.

Enhancements to Functional Requirements

interChange is designed to support multiple provider types through enrollment, certification, and maintenance across several different medical assistance programs. The provider function smoothly integrates with other functional areas of interChange. We will make the following changes to the provider function:

- The enrollment processing function will allow enrollment of providers through an update process, as might be encountered when interfacing with local managing entities (LME) that handle their own enrollment processing.
- The provider and provider contracts functions will be modified to capture LME demographic information and processing requirements for providers endorsed by or seeking endorsement from mental health LMEs.
- Batch and online data interfaces will be configured or customized using the COTS BizTalk integration tool or a point-to-point interface.
- Automated workflow processes will be configured using the COTS K2 workflow engine.
- A defined data interface will be created with the provider credentialing COTS software VisionPro so the MMIS provider area stores key data elements related to credentialing activities.

Other changes to interChange include the addition of missing data elements, creating new reports, and enhancing the search criteria interfaces.

Response to Provider System Requirements

The following tables map our solution to the different requirements of the provider functional area. Where appropriate, we have listed the existing interChange user interface panels, reports, and processes that meet the stated requirements. We also have identified when an integrated COTS piece of software is used to meet the requirements.

Provider Enrollment Requirements

The following table, EDS Response to Provider Enrollment Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Provider Enrollment Requirements

RFP No.	RFP Requirement	EDS Response
40.5.1.1	Provides capability to interactively enroll eligible providers in a multi-payer environment using a single enrollment strategy to eliminate process redundancy	Met by interChange. The Provider Enrollment panels and Web pages meet this functional requirement.
40.5.1.2	Provides capability to generate and accept electronic and hard copy supporting documentation for enrollment and re-enrollment or verification functions	Met by interChange. The integration of the EDMS and interChange Letter Generator COTS tools meet this functional requirement.
40.5.1.3	Provides capability for provider access to online and batch enrollment functionality	Met through customization of interChange and the provider enrollment panels. New Web pages will be created to meet this requirement. A custom interface will accept batch enrollment files from authorized external agencies.
40.5.1.4	Provides capability for secure log-on that allows providers to retrieve and update incomplete application or check status of a submitted application	Met by interChange. The Account Logon panel meets this functional requirement. Applications must meet minimum data requirements in order to be saved and retrieved later.
40.5.1.5	Provides capability for a provider to download application for paper submission	Met through configuration of interChange parameters and features. The Publications Search panel features the ability to search for publications for download.
40.5.1.6	Provides capability to edit against duplicate provider record during enrollment, addition, or change processes	Met through customization of interChange. The Provider Enrollment Identify Information panel logic will be extended to include a field edit that will identify duplicates.
40.5.1.7	Provides capability to image, link, and reference all provider correspondence, enrollment applications, contracts, and supporting documentation to be retrieved by the Fiscal Agent or State-authorized staff	Met through COTS integration. An application program interface (API) call to link to the owning system of the documentation will be part of the Documentum EDMS solution.
40.5.1.8	Provides capability for a provider to select services that will be provided at a practice location or by the provider entity	Met by interChange. The Provider Contract panel meets this functional requirement.
40.5.1.9	Provides capability to capture and maintain demographic information of the LME from which the provider is seeking and/or has received endorsement	Met through customization of interChange. Demographic information for LMEs will be added to interChange provider and provider contract functions.

RFP No.	RFP Requirement	EDS Response
40.5.1.10	Provides capability to capture and maintain Medicare numbers and crossover information	Met by interChange. The Provider Maintenance Service Location panel meets this functional requirement.
40.5.1.11	Provides capability for a provider to access enrollment functions, download enrollment package, recall a saved application, submit, and check the status of an application online	Met by interChange. The Account Logon panel and provider enrollment function meet this functional requirement. Applications must meet minimum data requirements in order to be saved and retrieved later.
40.5.1.12	Provides capability to receive, image, and link hard copy attachments, executed contracts, and signatory documentation to the provider application	Met through COTS integration. The Documentum EDMS tool uses an API call to access documentation.
40.5.1.13	Provides capability to capture and maintain all provider data elements necessary to support the enrollment, credentialing, inquiry, and participation by program	Met by interChange. The Provider Enrollment panel and enrollment processes meet this functional requirement.
40.5.1.14	Provides capability to electronically store multiple historic provider identifiers	Met by interChange. The Provider Maintenance Service Location panel meets this functional requirement.
40.5.1.15	Provides capability to accept and electronically store multiple occurrences of provider demographic information, including e-mail	Met by interChange. The Provider Maintenance Service Location panel meets this functional requirement.
40.5.1.16	Provides capability to capture information on provider billing agents	Met by interChange. The Trading Partner Information panel meets this functional requirement.
40.5.1.17	Provides capability to present customized enrollment application options	Met through customization of interChange, through configuration of interChange parameters and features, and through COTS integration of the K2 workflow engine. interChange allows configuration of provider types, certifications, address types, categories of service (contracts), and others. Specific customization requirements must be determined through RV sessions.
40.5.1.18	Provides capability to edit data during the enrollment process to ensure that all required information is captured based on provider's participation and contractual requirements	Met by interChange. The Provider Enrollment panel and process meets this functional requirement.
40.5.1.19	Provides capability to present enrollment instructions and guidelines for supporting functions by selected enrollment options	Met by interChange. The Provider Enrollment panel and process, iTRACE documentation, and the Provider Portal meet this functional requirement.
40.5.1.20	Provides capability to system-generate application attachments based on required criteria and affirmative responses	Met through customization of interChange and through COTS integration of the K2 workflow engine. The Provider Enrollment panel and the interChange Letter Generator functions meet this functional requirement.
40.5.1.21	Provides capability to identify and enroll providers classified as special, atypical, State-funded, or funded by other assistance programs	Met by interChange. The Provider Enrollment panel and processes and the provider contract functions meet this functional requirement.
40.5.1.22	Provides capability to identify and assign unique	Met by interChange. The provider function accepts NPI and

RFP No.	RFP Requirement	EDS Response
	identifiers to providers	assigned provider numbers. The Provider Enrollment panel and process meet this functional requirement.
40.5.1.23	Provides capability to support a time-limited, abbreviated, or expedited enrollment process that collects a limited amount of information to enroll a provider for a limited period	Met by interChange. The Provider Enrollment panel and processes meet this functional requirement.
40.5.1.24	Provides capability to capture the requestor, sender, and status for all hard copy provider enrollment form requests	Met by interChange. The Provider Enrollment Application Information panel meets this functional requirement.
40.5.1.25	Provides capability to capture all enrollment events	Met by interChange. The Provider Enrollment Application Information panel and application tracking process meet this functional requirement.
40.5.1.26	Provides capability to accept and electronically store electronic funds transfer (EFT) information	Met by interChange. The Provider EFT Account panel and function meet this functional requirement.
40.5.1.27	Provides capability to flag provider records to support operational activities	Met by interChange. The Provider Maintenance Service Location panel and provider review function meet this functional requirement.
40.5.1.28	Provides capability to capture and validate nine-digit (9-digit) zip code to geographic location	Met by interChange. The Provider Location Name Address panel meets this functional requirement.
40.5.1.29	Provides capability to store abandoned or incomplete applications for ninety (90) days	Met by interChange. The Provider Enrollment Application Information panel meets this functional requirement.
40.5.1.30	Provides capability to capture provider eligibility, program eligibility, and participation status codes with associated affiliations, effective dates, and end dates	Met by interChange. The Provider Group panel and provider contract function meet this functional requirement.
40.5.1.31	Provides capability to capture the providers' preference to use electronic submittal of claims, remittance, and/or EFT	Met by interChange. The Provider Maintenance Service Location, Trading Partner Information, and Provider EFT Account panels meet this functional requirement.
40.5.1.32	Provides capability to capture, link, and reference multiple provider affiliations, specialties, and taxonomies, by program, with associated effective and end dates	Met by interChange. The Provider Maintenance Service Location panel and provider contract function meet this functional requirement.
40.5.1.33	Provides capability to capture providers' legal business filing status, including Non-profit, Corporate, State-owned, Federally owned, For Profit, and Tribal-owned	Met by interChange. The Provider Maintenance Service Location panel meets this functional requirement.
40.5.1.34	Provides capability to capture, verify, and cross-reference provider ownership information	Met by interChange. The Provider Maintenance Service Location panel meets this functional requirement.
40.5.1.35	Provides capability to recognize predefined events requiring State determination or intervention	Met through COTS integration. Predefined events are coded as triggers to the K2 workflow engine, directing the process to the next step. We will work with the State to identify the triggers requiring State determination or intervention.

RFP No.	RFP Requirement	EDS Response
40.5.1.36	Provides capability to accommodate NPI and multiple associated taxonomies	Met by interChange. The Provider Identifier panel meets this functional requirement.
40.5.1.37	Provides capability to validate all NPIs	Met by interChange. The Provider Identifier panel meets this functional requirement.
40.5.1.38	Provides capability for option selection for a provider to indicate preference to receive a paper RA	Met by interChange. The Provider Maintenance Service Location panel meets this functional requirement.
40.5.1.39	Provides capability for the system to capture electronic signatures	Met through customization of interChange. We will work with the State to define the legal and technical requirements for meeting this requirement.
40.5.1.40	Provides capability to use workflow functionality to forward a completed application for credentialing/re-credentialing or verification	Met through COTS integration of the K2 workflow engine.
40.5.1.41	Provides capability for batch and/or online real-time access between EIS, Mental Health Eligibility Inquiry, CSDW, Medicaid Quality Control, Online Verification, Automated Collection and Tracking System (ACTS), and Health Information System (HIS) and the Replacement MM IS using API and SOA concepts	Met through customization of interChange. interChange allows access to the system by any authorized user. Custom API and SOA calls must be developed to facilitate online real-time access and batch access as noted in the requirement.
40.5.1.42	Provides capability to send, receive, and update data between DHSR and the Replacement MMIS in support of provider participation for enrollment functionality	Met through COTS integration. The BizTalk integration tool will accept and send enrollment data.

Provider Credentialing Requirements

The following table, EDS Response to Provider Credentialing Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Provider Credentialing Requirements

RFP No.	RFP Requirement	EDS Response
40.5.1.43	Provides capability to conduct provider credentialing and source verification of provider participation criteria and requirements	Met through COTS integration. The GetProof VisionPro software will be used to perform the provider credentialing and source verification of provider participation criteria. An interface between VisionPro and interChange will be created to store long-term results of the provider credentialing.
40.5.1.44	Provides capability for credentialing to include Office of Inspector General (OIG) participation “exclusion” data or capability to receive and employ OIG file interface	Met through COTS integration. VisionPro will be used to perform the provider credentialing. The EDS provider enrollment credentialing process will validate using OIG data to meet the requirement. VisionPro is currently configured for interfacing directly with OIG data.
40.5.1.45	Provides capability for credentialing process to include criminal background checks and query of the North	Met through COTS integration. The GetProof VisionPro software will be used to perform the provider credentialing,

RFP No.	RFP Requirement	EDS Response
	Carolina State Provider Penalty Tracking "exclusions" data	including provider background checks.
40.5.1.46	Provides capability to restrict or eliminate provider billable services if the service requirements are no longer supported (by endorsement, certification, or licensure) with associated begin and end date by service	Met by interChange. The Provider Maintenance Service Location and Provider Contracts panels and function meet this requirement. The associated begin and end dates of a provider's enrollment can be set to enforce the restriction or eliminate provider billable services as required.
40.5.1.47	Provides capability to send and receive electronic communications to support credentialing data verifications	Met through COTS integration. VisionPro will be used to perform the provider credentialing, including provider background checks. VisionPro can send and receive electronic communication to support the credentialing data verification process. Confirmation and results reports can be created to store in the EDMS and link to provider ID.
40.5.1.48	Provides capability to exclude a provider from licensure requirements based on provider type or category	Met through COTS integration. Using the K2 workflow engine, the provider enrollment and credentialing process can be customized based on the provider type and category to exclude a provider from licensure requirements.
40.5.1.49	Provides capability to generate notification to providers of status, changes, enrollment, termination, credentialing, re-verification, penalties, and termination	Met by interChange and through COTS integration of DOC1. The Provider Change Notification Letter meets this functional requirement.
40.5.1.50	Provides capability to capture and electronically store critical credentialing data missing from current Legacy MMIS+ to support licensure, credentialing, and verification processes	Met by interChange, with a portion of the requirement requiring customization code. The provider subsystem contains data elements to support licensure, credentialing, and verification. Custom data elements will be added where interChange does not contain the equivalent data element.
40.5.1.51	Provides capability to share licensure, endorsement, and accreditation information with issuing agencies, authorized State entities, and users	Met by interChange. The Provider Maintenance Service Location panel meets this functional requirement.
40.5.1.52	Provides capability to send notification to a provider of impending renewal	Met by configuration of interChange parameters and features. The Letter Generator feature meets this requirement.
40.5.1.53	Provides capability to send notification to providers who failed to respond to renewal information requests	Met by configuration of interChange parameters and features. The Letter Generator meets this requirement.
40.5.1.54	Provides capability to send, receive, and update data between DHSR and the Replacement MM IS in support of provider credentialing functionality	Met through COTS integration. The BizTalk integration tool will send and receive data between interChange and external sources.

Provider Maintenance Requirements

The following table, EDS Response to Provider Maintenance Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Provider Maintenance Requirements

RFP No.	RFP Requirement	EDS Response
40.5.1.55	Provides capability to present to the provider selected data for verification and update	Met by interChange. The Provider Enrollment panel and process meet this functional requirement.
40.5.1.56	Provides capability to support different business rule definitions by program and services to be provided	Met by interChange. The Provider Program Eligibility and Provider Contracts panels and process meet this functional requirement.
40.5.1.57	Provides capability to make State-approved forms available online	Met through configuration of interChange parameters and features. The Publications Search panel features the ability to search for publications for download.
40.5.1.58	Provides capability to process online requests for generation and distribution of provider contracts	Met through customization of interChange. We will work with the State to define these requirements and the technical solution.
40.5.1.59	Provides capability to accept and process online requests for additions and changes to the provider data	Met by interChange. The Demographic Maintenance panel and process meet this functional requirement.
40.5.1.60	Provides capability to capture, identify, and report suspected duplicate provider identification numbers and applicable expiration dates	Met by interChange and operational processes and procedures. The system will not allow duplicate primary IDs. Using a combination of the K2 workflow engine criteria and interChange rules, duplicate secondary numbers such as a license number or employer ID can be identified.
40.5.1.61	Provides capability to capture, update, and maintain Clinical Laboratory Improvement Amendments (CLIA) information for providers	Met by interChange. The CLIA panel and process meet this functional requirement.
40.5.1.62	Provides capability to track, identify, and provide notification the status of licenses, certifications, endorsements, and State-defined participation requirements or criteria	Met by interChange. The Provider Reports and Letters — Letters panel and process meet this functional requirement.
40.5.1.63	Provides capability to systematically suspend and notify providers who do not meet enrollment or participation criteria	Met through customization of interChange. The K2 workflow engine triggers will prompt action, such as provider letters requesting information for continued enrollment.
40.5.1.64	Provides capability to cross-reference all provider identifiers that correspond to the providers' tax identification/reporting number	Met by interChange. The Provider Maintenance Service Location panel and process meet this functional requirement.
40.5.1.65	Provides capability for online access of providers to training materials, training registrations, and tracking, including audit history of all provider trainings	Met by operational processes and procedures.
40.5.1.66	Provides capability to generate on-demand reports with date span parameters for provider data	Met by interChange. The Provider Reports and Letters — Reports panel and process meet this functional requirement.
40.5.1.67	Provides capability to enter and maintain tax and financial information, including budget codes for accessing State funds	Met by interChange. The FIN Budget Information panel and process meet this functional requirement.

RFP No.	RFP Requirement	EDS Response
40.5.1.68	Provides capability to capture data regarding agency-specific provider incentives, sanctions, withholds, and review processes by issuing agency with beginning and end dates	Met by interChange. The provider subsystem data tables contain the data elements necessary to capture this data.
40.5.1.69	Provides capability to capture the providers who participate in the Competitive Acquisition Program with begin and end dates by program	Met by interChange. The Provider Program Eligibility panel and process meet this functional requirement.
40.5.1.70	Provides capability to suspend, sanction, or terminate providers	Met by interChange. The Provider Program Eligibility panel and process meet this functional requirement.
40.5.1.71	Provides capability to identify and report on out-of-state provider claims denied for non-enrollment	Met by interChange. The daily Exception Summary By Claim Type report meets this functional requirement.
40.5.1.72	Provides capability to maintain 1099 and associated payment summary data	Met by interChange. The Financial 1099 Detail Information panel and process meet this functional requirement.
40.5.1.73	Provides capability to identify and reference ownership across multiple occurrences and entities	Met by interChange. The Provider Owner panel and process meet this functional requirement.
40.5.1.74	Provides capability to generate provider notifications of licensure, certification, accreditation, and endorsement renewals or expirations and monitor all response activity	Met by interChange. The Provider Reports and Letters panel and process meet this functional requirement.
40.5.1.75	Provides capability for providers to enter requested updates to data and identify instances that require operational review	Met by interChange. The Provider Enrollment panel and process meet this functional requirement.
40.5.1.76	Provides capability to identify to the State those providers with issues under review, giving the State equal access to work queue and documents to support the business decision process	Met by interChange. The Provider Review panel and process meet this functional requirement.
40.5.1.77	Provides capability to identify providers for whom mail has been returned and suppress all printing and claims activity	Met by operational processes and procedures.
40.5.1.78	Provides capability to place the provider on pre-payment, post-payment, payment review, compliance payment withholds, and denial as directed by the State	Met by interChange. The Provider Review panel and process meet this functional requirement.
40.5.1.79	Provides capability to leverage electronic listserv technology to allow providers to register for notifications and facilitate communications	Met through COTS integration of the ListServ tool.
40.5.1.80	Provides capability for online access by State-authorized users to view and update information on sanctioned providers by LOB	Met by interChange. The Provider Maintenance Service Location panel and process meet this functional requirement.
40.5.1.81	Provides capability to perform manual and automated updates to provider data	Met by interChange. The Provider Maintenance Service Location and other provider function panels and processes meet this functional requirement.

RFP No.	RFP Requirement	EDS Response
40.5.1.82	Provides capability for online real-time access to Provider data using API and SOA concepts between EIS and the Replacement MMIS	Met through customization of interChange. interChange allows access to the system by any authorized user. Custom API and SOA calls must be developed to facilitate online real-time access and batch access.
40.5.1.83	Provides capability for a daily provider table extract	Met through customization of interChange. A batch job will be created to produce a provider extract file.
40.5.1.84	Provides capability for online, real-time responses to EIS and DIRM applications for all provider data processing transactions	Met by interChange. The Provider Application Base Edit panel and process meet this functional requirement.
40.5.1.85	Provides capability to send, receive, and update data between DHSR and the Replacement MMIS in support of provider maintenance functionality	Met through COTS integration. The BizTalk integration tool will send and receive data between interChange and external sources.

Provider Training Requirements

The following table, EDS Response to Provider Training Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Provider Training Requirements

RFP No.	RFP Requirement	EDS Response
40.5.1.86	Provides capability for online automated provider training and related documentation access	Met through COTS integration. Documentum is a repository for content, accessed through API or Web services in the portal, CTMS, interChange, or native interface.
40.5.1.87	Provides capability to capture and maintain provider-written, verbal, or electronic correspondence requesting an on-site visit or training	Met through configuration of interChange parameters and features. The CTMS Base Edit panel meets this requirement using configured source, contact method, and reason codes.
40.5.1.88	Provides capability for automated workflow functionalities to process call center and provider training requests and educational monitoring activities	Met through COTS integration of the K2 workflow engine.
40.5.1.89	Provides capability for an online provider training tutorial that can be tailored by selection to facilitate training in a variety of subject matters	Met through configuration of interChange parameters and features. The Provider Web Portal training materials will be configured to provide training on the designated subjects.
40.5.1.90	Provides capability to image, maintain, and make accessible all (current and historic) course instructional materials	Met by interChange. These objects can be accessed in iTRACE using a browser page.
40.5.1.91	Provides capability to image instructional materials, training evaluations, and other correspondence linked to a site visit to the provider record	Met through COTS integration. Documentum is a repository for content, accessed through API or Web services in the portal, CTMS, interChange, or native interface.
40.5.1.92	Provides capability to track and report on provider requested visits	Met through configuration of interChange parameters and features. The CTMS Base Edit panel and process meet this

RFP No.	RFP Requirement	EDS Response
		requirement using configuration of source and reason codes.
40.5.1.93	Provides capability for online and on-site training evaluation questionnaires for providers to complete	Met through COTS integration of the EZSurvey tool.
40.5.1.94	Provides capability to develop a State-approved training evaluation process	Met by operational processes and procedures.
40.5.1.95	Provides capability to maintain and submit to the State provider training sessions participants	Met by operational processes and procedures.
40.5.1.96	Provides capability to identify providers with a claims denial rates of twenty (20) percent or higher	Met by interChange. The MAR Provider Error panel meets this functional requirement.
40.5.1.97	Provides capability to maintain State-approved instructional materials for viewing and retrieval	Met by operational processes and procedures.
40.5.1.98	Provides capability for initial and updated State-approved Provider Basic Training Tutorials to be available through Web access	Met through configuration of interChange parameters and features. The Publications Search page features the ability to search for publications for download.

Secure, Browser-Based, Web-Enabled Capability Requirements

The following table, EDS Response to Secure, Browser-Based, Web-Enabled Capability Requirements, describes how we will meet the RFP requirements.

EDS Response to Secure, Browser-Based, Web-Enabled Capability Requirements

RFP No.	RFP Requirement	EDS Response
40.5.1.99	Provides capability to record, track, and report on provider and recipient communication	Met through customization of interChange. A new report, either online or batch, is required to provide reporting on provider and recipient communication.
40.5.1.100	Provides capability to make provider contact data accessible and retrievable	Met by interChange. The Provider Maintenance Service Location panel and process meet this requirement.
40.5.1.101	Provides capability to report on queries for call-related data	Met through customization of interChange. A new report is required to provide reporting of call-related data.
40.5.1.102	Provides capability for communication tracking business area to interface with other MMIS functional areas	Met by interChange. The CTMS Contact Tracking Sub Menu panel meets this functional requirement.
40.5.1.103	Provides capability for individual access to query tools	Met by interChange. The Provider Search panel meets this functional requirement.
40.5.1.104	Provides capability to auto-populate Replacement MMIS provider data into the Web-based provider enrollment and maintenance functions	Met by interChange. The provider subsystem function prepopulates data as available.

40.6.1 Reference System Requirements

The reference subsystem of the Replacement MMIS will serve as the repository for reference codes, pricing conditions, benefit packages, and edit and audit parameters. Our solution allows for a high degree of flexibility with minimum effort and expense, allowing the State to efficiently and cost-effectively accommodate future changes and new benefit packages.

State of North Carolina

Claims adjudication is like a well-conducted orchestra with each function playing a distinct but critical role—for example, recipient eligibility from the recipient function and provider type and specialty from the provider function. The reference system can be thought of as the conductor in this orchestra, coordinating the edits, audits, pricing agreements, and overall benefit plan rules that apply for any given claim. Making this critical business function easy to navigate and highly configurable, yet capable of producing the data required for accurate, real-time claims processing, is the enormous business challenge interChange meets.

The interChange reference system maintains critical information in the following logical groupings:

- Benefit Administration
- Diagnosis/Procedure Codes, including the following:
  - Diagnosis codes
  - National Drug Codes (NDCs)
  - ICD-9 clinical modification (CM) procedure codes
  - Modifiers
  - Procedure codes
  - Revenue codes
  - Edit and audit criteria/disposition

Since 1995, EDS has been evolving and enhancing the interChange reference system to allow authorized business users to configure the reference file, reducing the need for technical resource support. Powered by interChange, authorized reference business users can create and maintain edit/audit disposition, audit criteria, pricing, code set relationships such as procedure code to place of service, and virtually all other reference file updates, without technical assistance.

Inquiry and update access to this information is provided through the interChange browser interface. Easy access to the tables accommodates pricing or policy changes, providing rapid response to the dynamics of state and federal medical policy.

From establishing benefit plans to developing new benefit limitation audits, users of the Replacement MMIS will be given the following:

- **Configurable, table-driven design—**interChange provides the ability for authorized staff members to easily establish benefit plans or new programs by defining what procedure codes will be covered, what edits and audits will be applied, and what price will be in effect for a specific plan—without programming changes.
- **Multi-payer/program processing—**interChange supports multiple payer groups and service delivery models. Each program can have its own eligibility criteria, provider network, reimbursement methodology and rules, medical policy, and benefit structure, yet receive the same benefits of a shared system and operational environment.

In the following sections, we discuss three critical features of the interChange reference business function that meet the Replacement MMIS requirements:

- Benefit Administration
- Code Set Maintenance
- Edit/Audit Maintenance

Benefit Administration

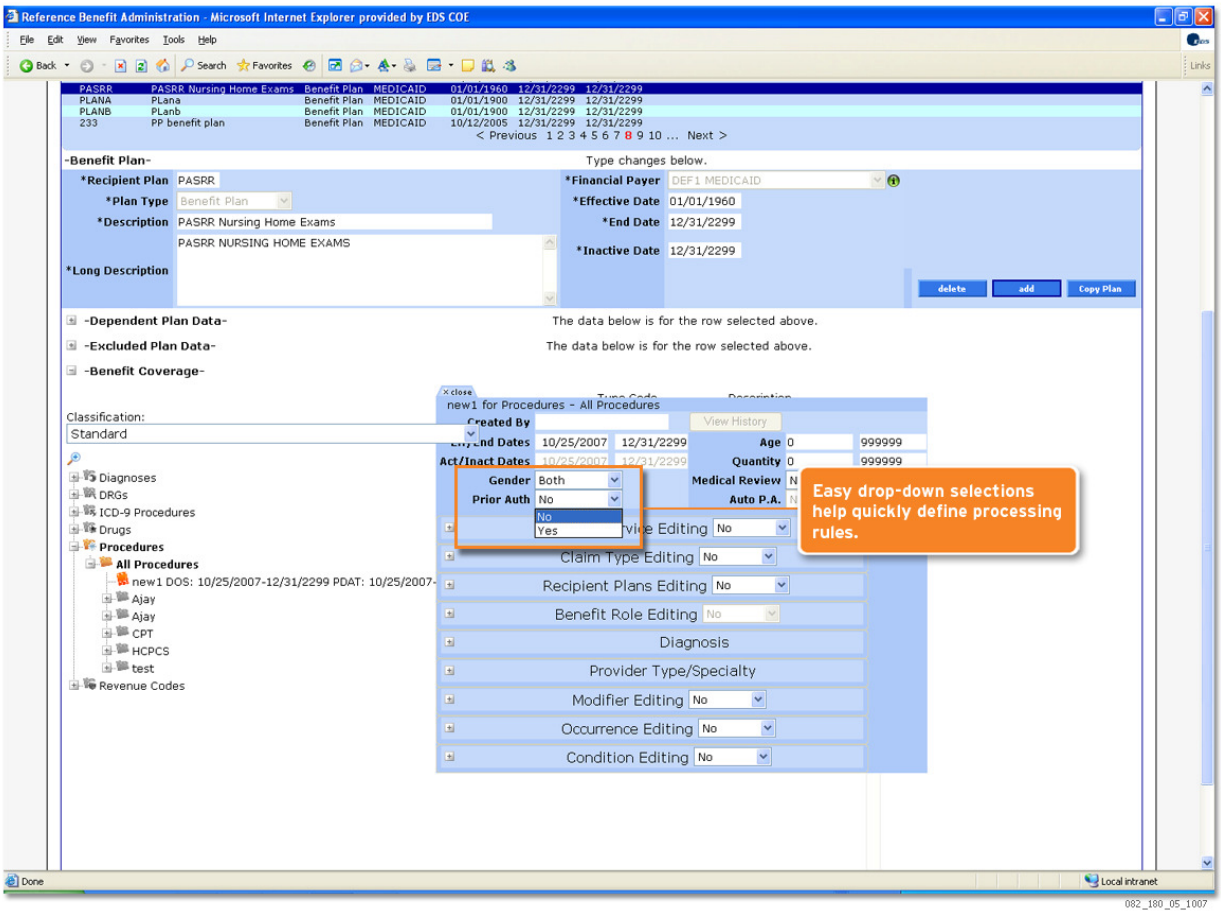
Claims adjudication begins with validating the claim against established benefit plan rules stored in the benefit administration (BA) component of the reference system. Through BA, authorized users can maintain and view the following:

- **Benefit Classification**—Defines the various classifications of benefits, with like codes grouped under classifications to ease plan development
- **Benefit Plan—**Defines the payer and covered services for specific benefit plans
- **Financial Payer**—Defines the organization responsible for funding the plan
- **Provider Contract**—Determines which types of providers can bill for and get reimbursed under a specific plan
- **Other Insurance**—Defines the types of other insurance a recipient can have and still be covered under a specific benefit plan
- **Reimbursement Agreement**—Determines how a service billed under the plan will be reimbursed
- **Rule Catalog—**Provides a quick reference to the rules maintained through benefit plan administration (BPA)
- **Plan Hierarchy—**Defines the order of plans for adjudication when a recipient is covered by multiple plans for a single date or service

Benefit Plans

As demonstrated in the following exhibit, Benefit Plan Configuration, users can configure numerous coverage rules for a benefit plan, such as whether a procedure code requires prior approval for a certain benefit plan or if a code is covered under a particular place of service for a benefit plan.

Benefit Plan Configuration



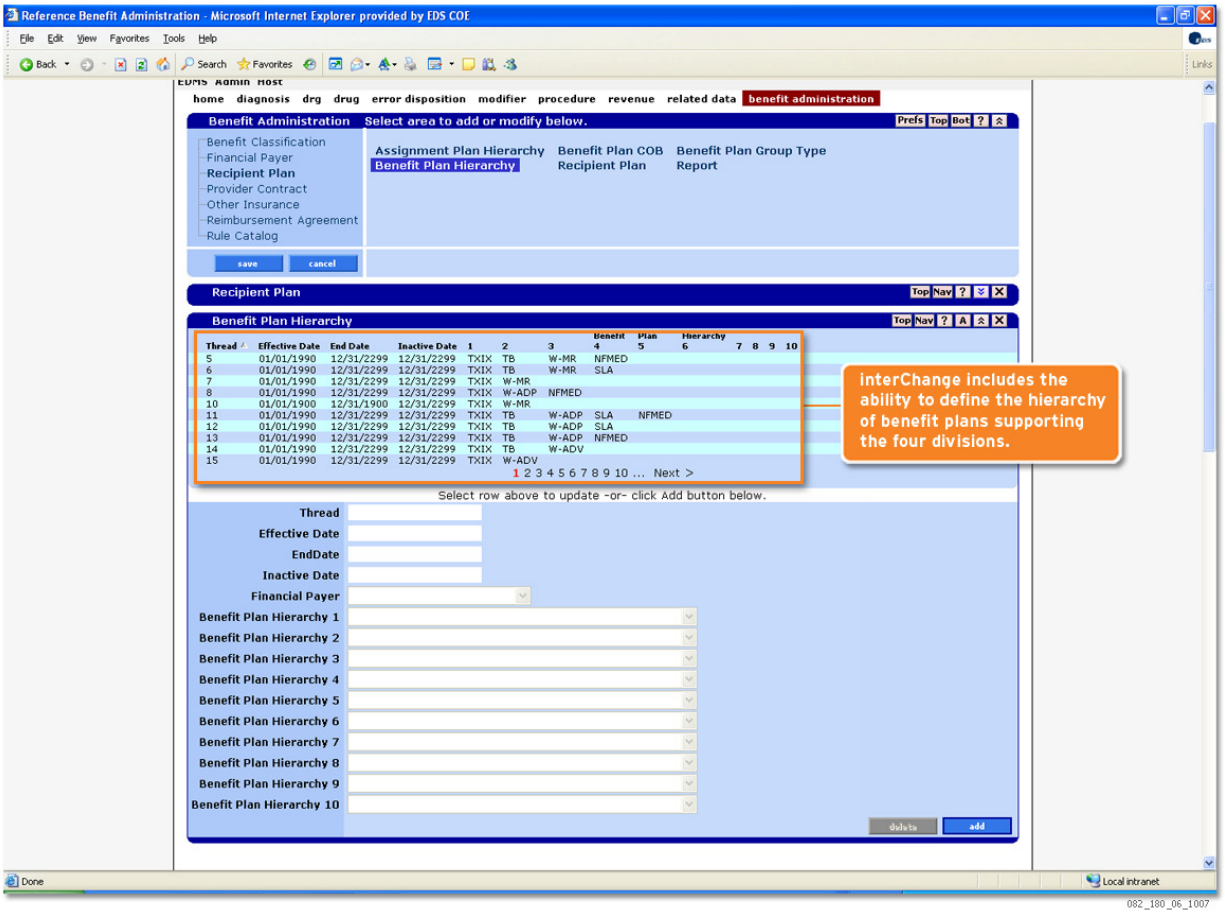
User-configured benefit plan rules are the first driver within the reference function to determine if a service is covered for a recipient.

User-configured benefit plan rules are accessed during claims adjudication to determine if the billed service is covered under the recipients assigned benefit plan.

Another key component of benefit plan administration is determining the hierarchy for multiple, overlapping plans. This is especially critical in the multi-payer environment the State requires. Recipients can be enrolled in multiple benefit plans at the same time. When this occurs, the system must be able to identify which plan takes precedence during processing. When the system can automatically determine that Medicaid—not a State-funded program—is the

appropriate first payer, the State accurately shares cost responsibility with the federal government. This is demonstrated in the following exhibit, Benefit Plan Hierarchy Panel.

Benefit Plan Hierarchy Panel

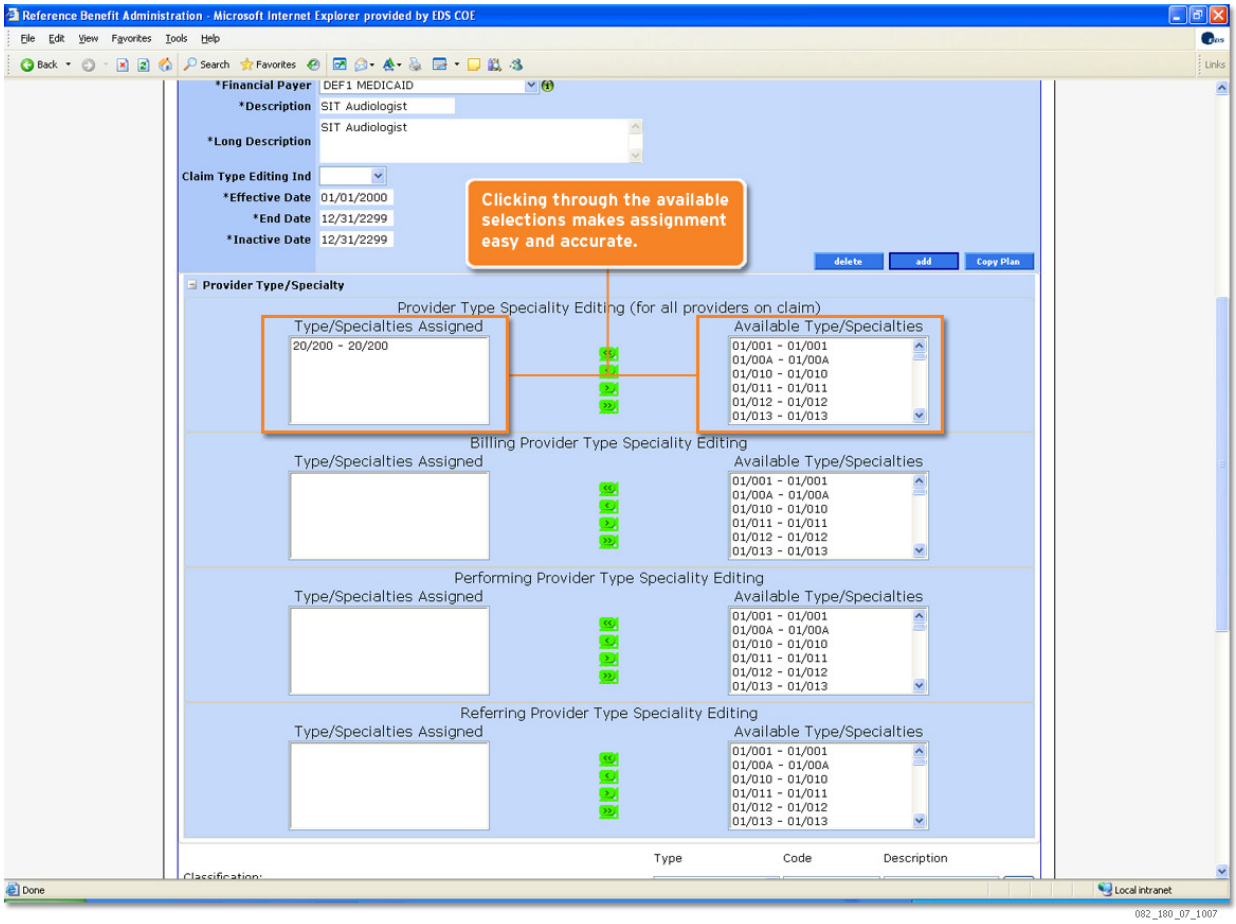


Through the Benefit Plan Hierarchy panel, users configure the order in which benefit plan coverage will be applied if the recipient has multiple overlapping eligibility segments.

Provider Contracts

The interChange reference function also allows users to configure the various provider contracts in effect within the Replacement MMIS. Even if a billed service is covered under a recipient's benefit plan, the provider must still be eligible to bill that service. Provider contracts allow users to configure the exact procedures, diagnosis, revenue codes, and other values for which providers assigned to that contract are eligible to receive reimbursement. As shown in the following exhibit, Provider Contracts, users configure a contract for provider type/specialty 20/200 that is configured as audiologist. This means that this contract can only be assigned to that particular type and specialty.

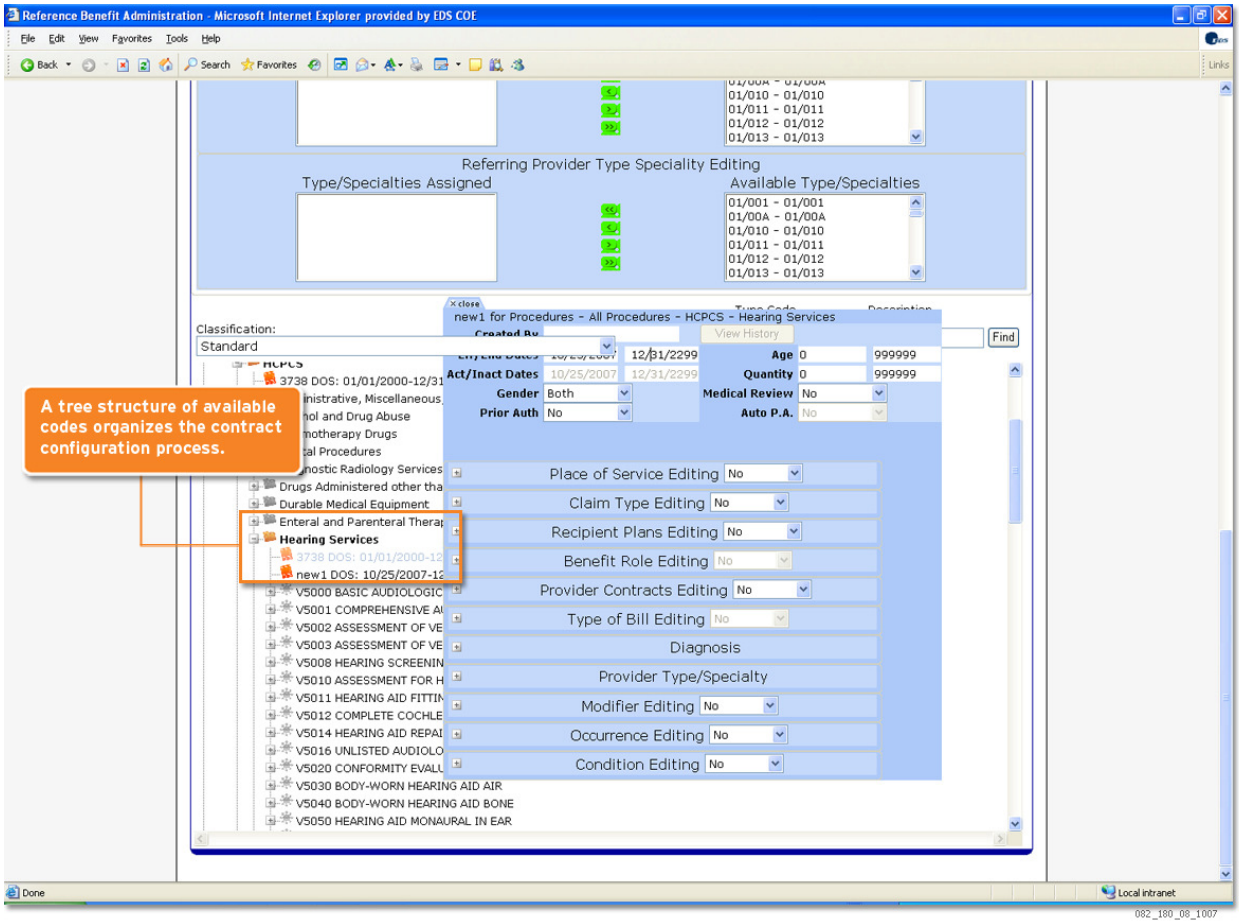
Provider Contracts



Provider contracts allow users to define the provider types/specialties and services for which a provider is eligible to receive reimbursement.

After users configure the types and specialties eligible for a contract, they can further define the services covered by this contract, as shown in the following exhibit, Provider Contract Configuration.

Provider Contract Configuration



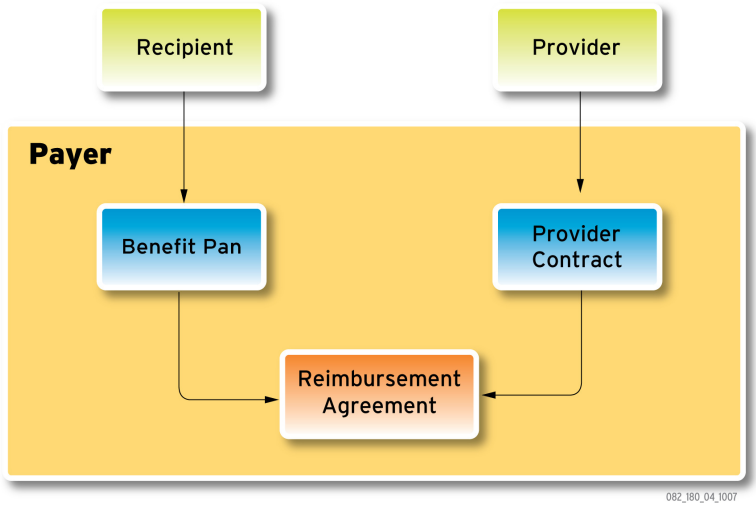
Provider Contract Rules configuration allows users to denote which services are eligible for reimbursement under a specific provider contract.

After establishing a contract for audiologists, users denote that hearing services are covered under this provider contract. When a claim is received for an audiologist under this contract, the service billed must be covered under the contract in order to be eligible for reimbursement.

Reimbursement Agreements

After users have configured benefit plans, denoting services for which a recipient is eligible, and provider contracts, denoting for which services a provider may bill, the next step is to create reimbursement agreements. As demonstrated in the following exhibit, Reimbursement Agreements, these indicate how a claim is to be priced based on the recipient's benefit plan and the provider's contract.

Reimbursement Agreements

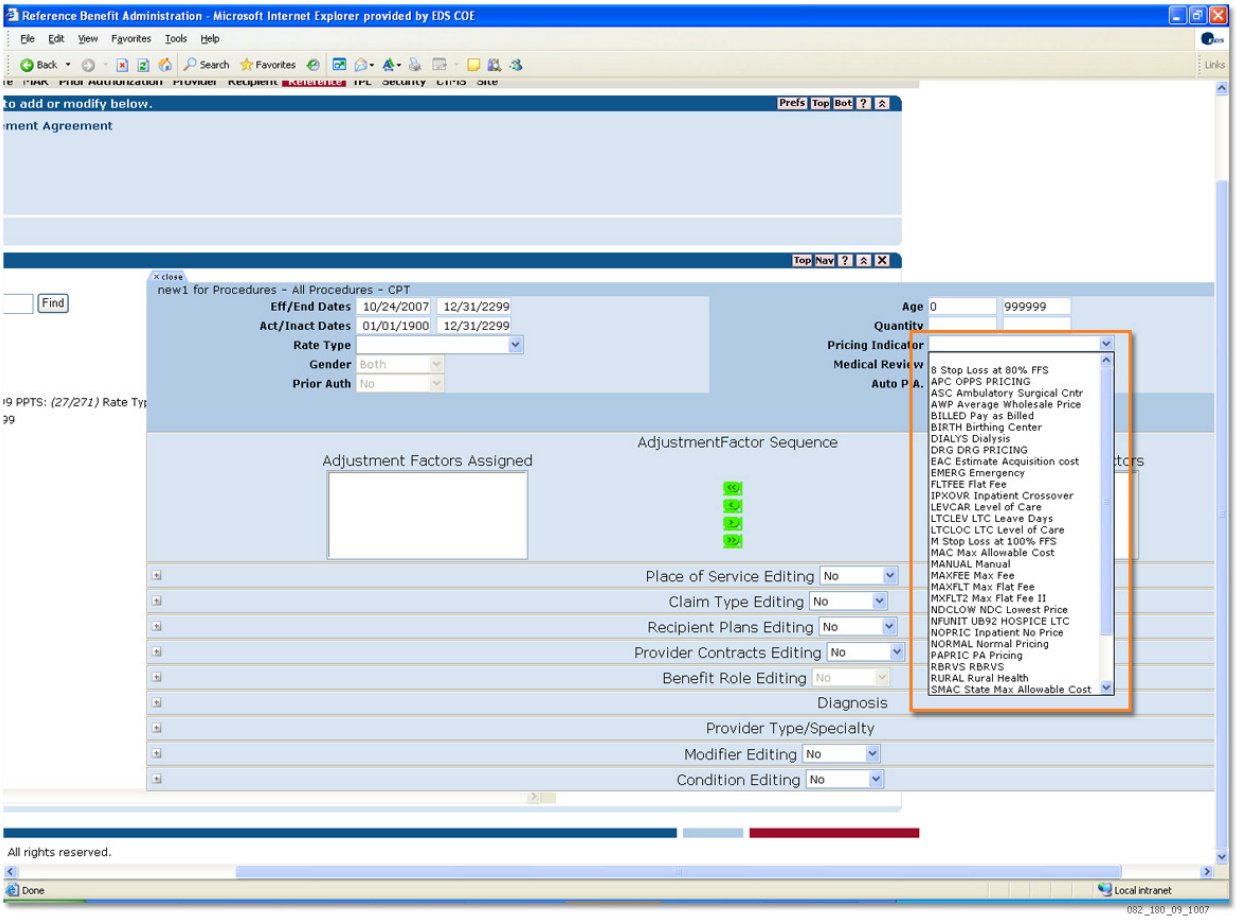


Reimbursement agreements tie together the benefit plan and provider contract billed on a claim and other configurable criteria to determine how the claim should be priced.

Using high degrees of specificity, the interChange reference functions allow users to configure the pricing methodology to be used for a claim based on various criteria including the benefit plan and contract. With interChange, various combinations of claim criteria can result in different pricing methods, even for the same procedure code. For example, users can configure an office visit under Mental Health to pay using Max Fee, but the same codes could be reimbursed using a resource-based relative value scale (RBRVS) when the service is billed under Medicaid.

The following exhibit, Reimbursement Agreement Rule Configuration, shows the various criteria users can configure to determine the appropriate pricing methodology on a claim.

Reimbursement Agreement Rule Configuration



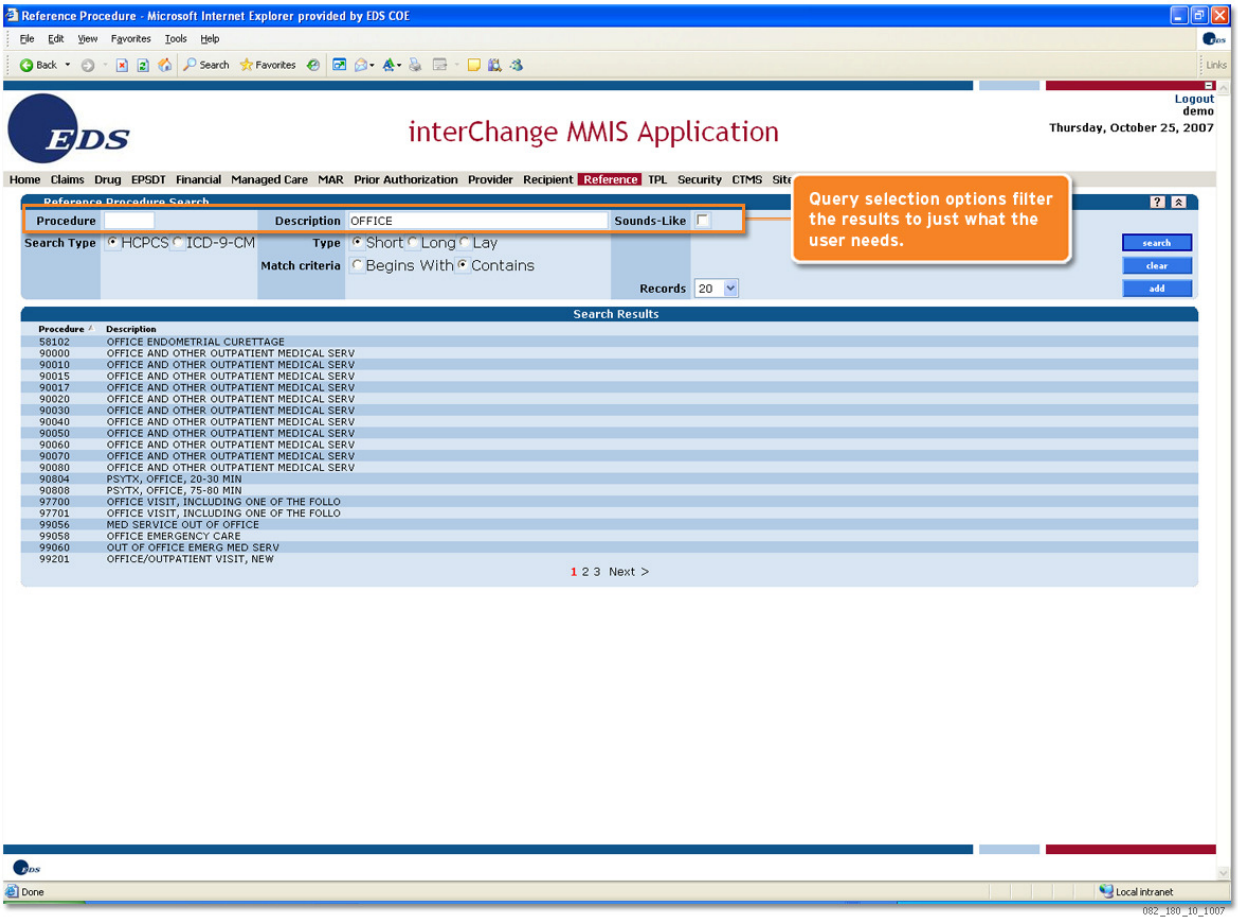
Authorized users are able to configure the exact pricing methodology for a claim based on numerous criteria, including benefit plan, provider contract, place of service, and diagnosis.

Users also can configure adjustment factors under a reimbursement agreement, which indicate the pricing methodology and additional incentive or cutback to the amount allowed based on the claim data. This is useful in situations where the State wishes to increase access in rural areas. Provider contracts can be established for those areas such that providers are paid RBRVS plus an additional 10 percent.

Code Set Maintenance

The BA plan allows for configuration of those services for which a recipient is eligible and a provider may bill, and how the claim should be priced. It pulls together information maintained in the various code sets reference tables—procedure, diagnosis, revenue, and drug—that allow users to build these plans. Additional information required to accurately process claims is viewed and maintained through links to the particular code set. The following exhibit, Code Set Search Capability, provides an example of a search criteria panel for the procedure code set, with similar search panels existing for the other sets.

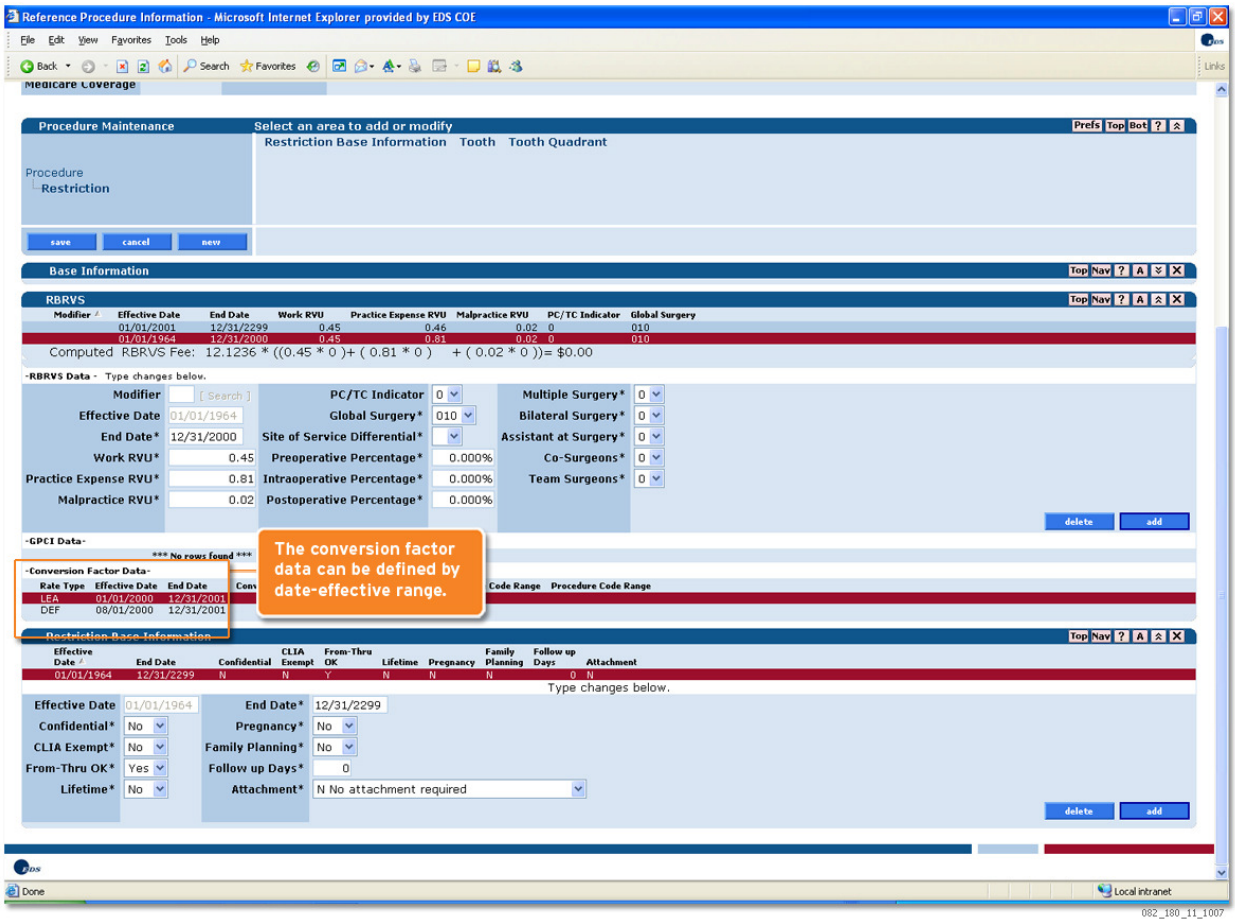
Code Set Search Capability



Users can search by code or description, including SOUNDEX search capability, to locate the appropriate code.

By simply clicking on the desired code, users are navigated to the code information, as shown in the following exhibit, Procedure Code Information.

Procedure Code Information



Code set information is easily maintained and viewed within interChange, allowing users to quickly access the desired code and information.

The code set information maintains additional information about the code required during claims processing. For example, the panel displays the pricing rates for this particular code when it is priced using the RBRVS methodology. Additionally, restrictions for this code, such as identifying it as a once-in-a-lifetime procedure, also are maintained in the code set information. Restriction information is accessed during claims editing and auditing.

Information is date-segmented for accurate claims processing. For example, pricing on procedure codes is maintained with effective and end dates. Each time a claim is processed, the date of service is compared to the date-segmented information on the appropriate procedure code pricing table based on the appropriate configured pricing methodology, and the correct segment is used for claim pricing.

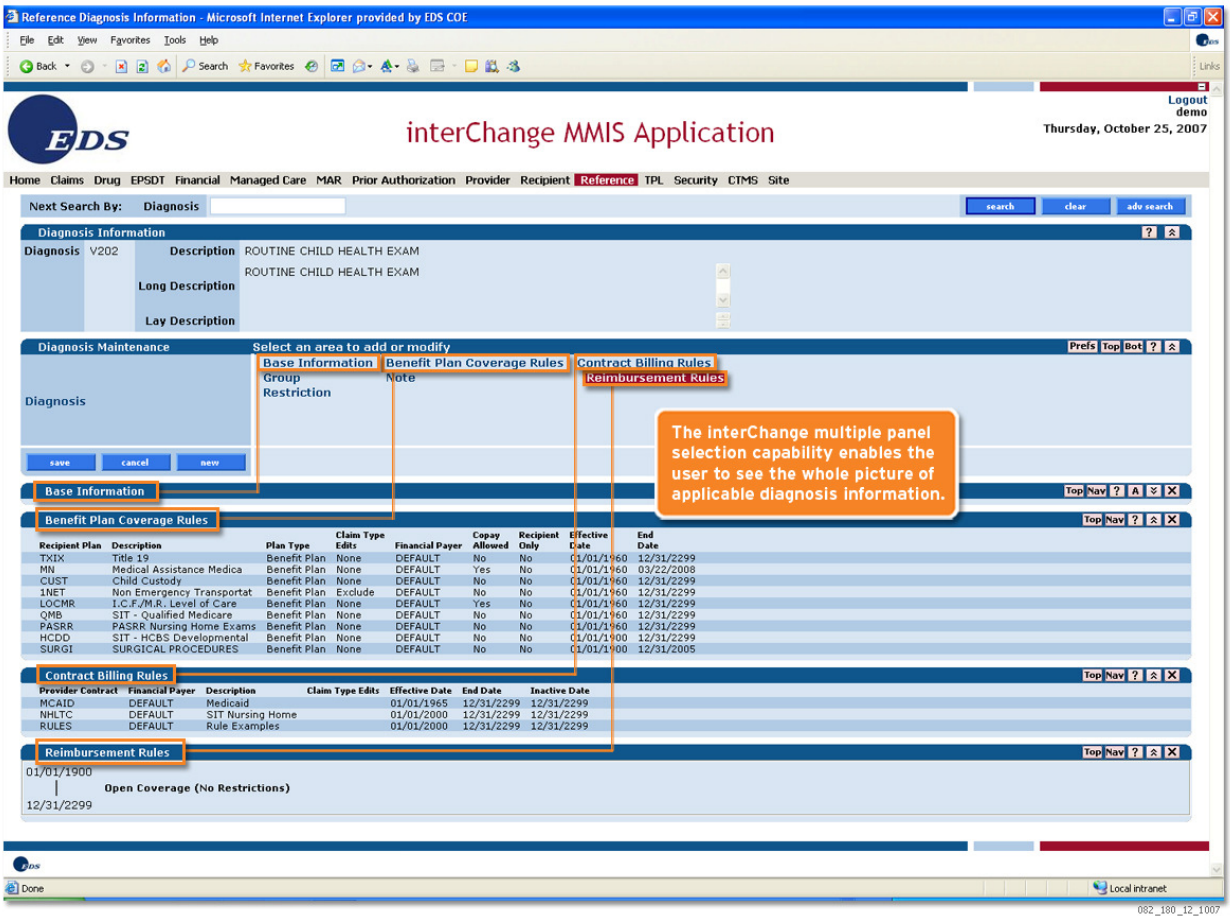
The reference database can handle an unlimited number of date-specific historical segments of coverage and pricing for each procedure code, procedure code or modifier combination, revenue code, drug code, and other areas. Reference history

is built by adding informational segments to the reference codes. To preserve data integrity, online deletions are not allowed on the reference files. Codes, pricing, and other date-sensitive items are end-dated, rather than deleted, allowing the history of the data to remain in the reference database indefinitely for claims processing and online research. Date-specific information is maintained in the database and viewable online indefinitely.

Integrity within the reference functions is critical to program integrity. Audit trail information is available by looking up a procedure, revenue, diagnosis, or other reference component code. Audit trails maintain the date/time of the update, an image of the data before the update, and the user that made the change.

Users also can view the applicable provider contract, benefit plan coverage, and reimbursement agreements for a given code through the code set panels. For example, the following exhibit, Cross-Reference to Benefit Plan, Provider Contract, and Reimbursement Agreements, shows the benefit plans and provider contracts that cover diagnosis code V20.2.

Cross-Reference to Benefit Plan, Provider Contract, and Reimbursement Agreements



Code set information is cross-referenced to BA to provide a complete view of coverage.

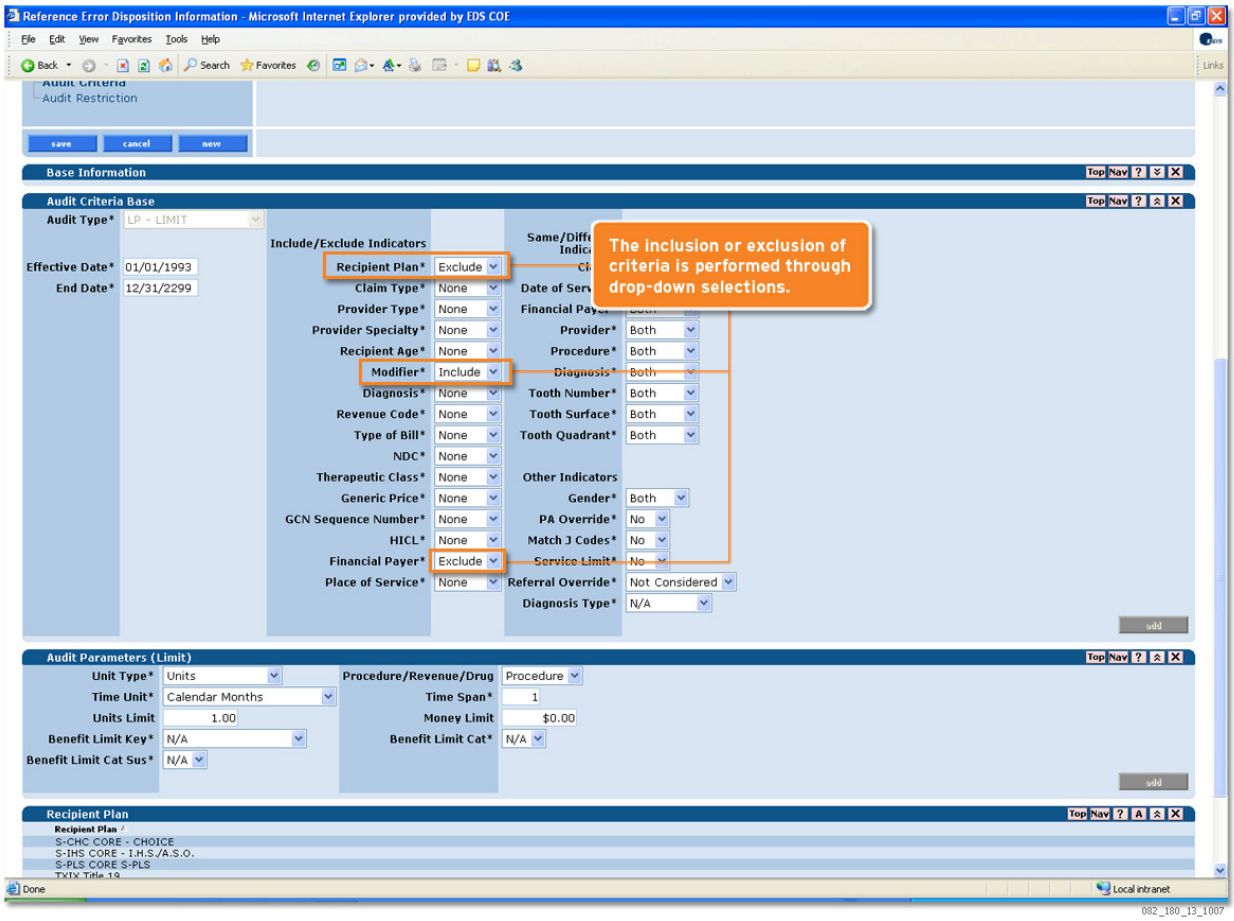
Using interChange, the Replacement MMIS reference function will maintain the required information for a particular code set from effective dates to pricing rates. This information will be cross-referenced to the information maintained in the BA function and accessed during claims processing for accurate adjudication.

Edit/Audit Maintenance

The information maintained in the BA function or the individual code sets is accessed during the editing and auditing process. For example, the once-in-a-lifetime audit accesses the procedure code information to determine if a procedure is listed as once-in-a-lifetime and audits the claim appropriately. Edits that deny services based on covered services access the information in the benefit plan or provider contracts to determine if the recipient or provider is eligible.

Authorized users establish new audits, update audit criteria, and maintain edit/audit disposition criteria through the online browsers. The following exhibit, Audit Criteria, shows the criteria available for inclusion or exclusion on an audit.

Audit Criteria



Authorized users can configure the criteria to be included or excluded in a particular audit.

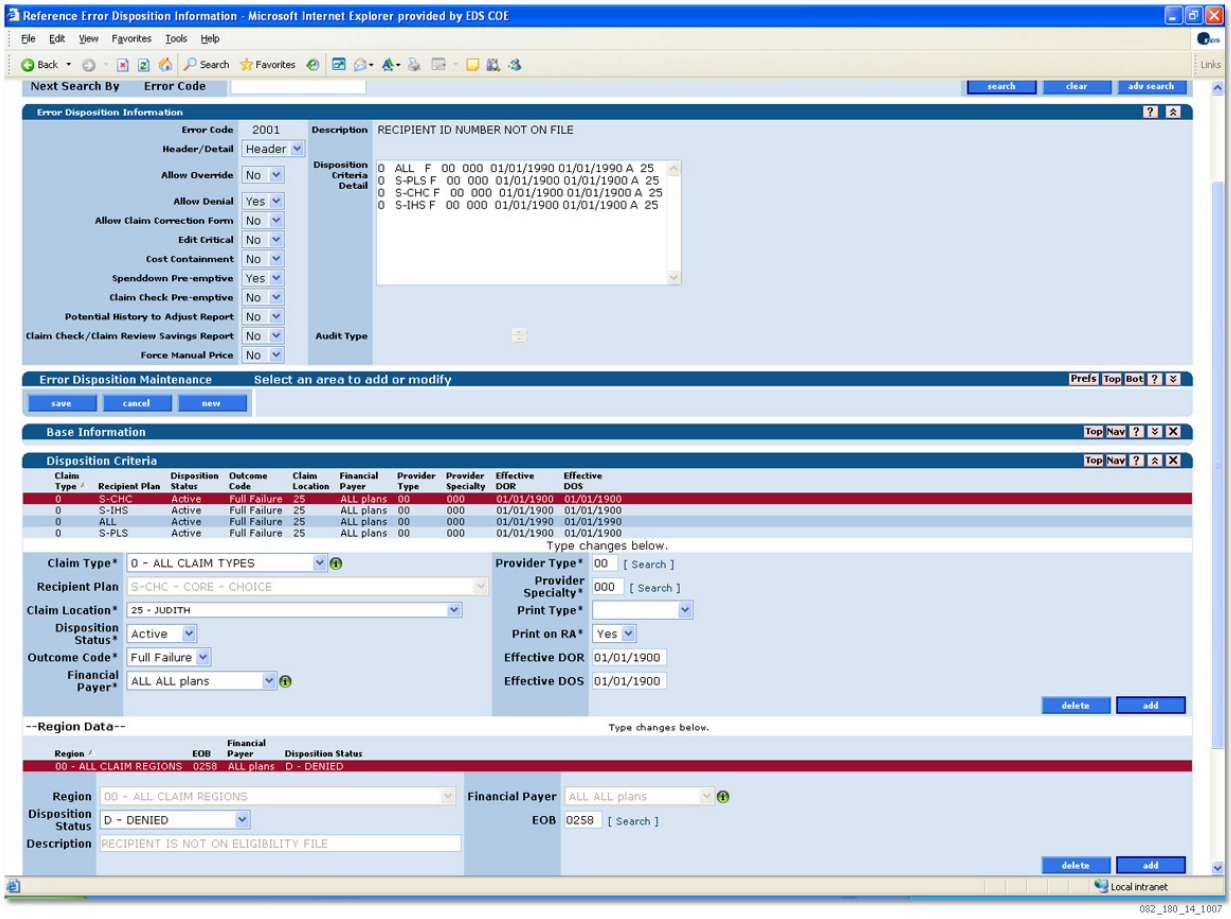
As seen in the previous panel, audits can be configured based on several criteria, including the recipient plan. In this example, the recipient plan is set to "exclude." When a recipient plan is excluded, claims processed for excluded plans are not counted toward the audit limitation. After criteria are set for include or exclude, users configure the appropriate information. In this example, the recipient plans to be excluded from the audit are shown in the Recipient Plan subpanel.

This panel also shows the audit parameters. A user can configure the specific parameters of this audit using this feature. An example of a parameter is the number of units.

Updates to the audit parameters and criteria are done using a point-and-click feature, eliminating technical intervention and making the Replacement MMIS highly responsive to a changing healthcare environment.

Equally configurable is the disposition criteria applied when an edit or audit is triggered. As shown in the following exhibit, Disposition Criteria, users can specify if an edit or audit (in this example, a recipient ID not on file), should deny or suspend based on a number of criteria, including the benefit plan of the claim, the provider type and specialty, and how the claim was submitted—electronic, paper, paper with attachments, as an adjustment, through the Internet, or through POS.

Disposition Criteria



Users configure the action the system will take when an edit or audit is triggered.

The reference function will orchestrate the information required for accurate claims processing, whether that information is maintained under BA, code sets, or edits and audits. Updates are applied in real time, without the need for technical resources. This means that the State can focus its resources and time on the right policy development, knowing the Replacement MMIS powered by interChange can quickly handle the resulting changes.

Approach to Customization and Modifications

The Replacement MMIS is a user-definable, rules-based, table-driven system that allows authorized users to add or change processing in real time as business needs require without programmer or system analyst assistance.

interChange was designed to put power into the hands of the trained users and reduce the need for hard-coding, thereby minimizing technical intervention. The approach to customization and modifications is for analysts to use the panels to configure the application with the specific State reference values during the DDI process. At the heart of interChange processing engines is a series of user-

configured tables. These tables provide the rules that the system needs to accurately process transactions as they are received.

For any MMIS implementation, the task of translating the legacy reference data into the interChange reference data should not be underestimated. Policy and reference experts from EDS and the State will need to work together to translate and develop the conversion and translation rules needed to populate the reference data in the Replacement MMIS. The EDS team will use our policy transition business practices to guide the process of collecting the policy from the existing disparate systems and configuring interChange with the required policy. The ability to use these proven DDI process is one of the most important aspects of the implementation. The critical success of the multi-payer project is directly dependent on the policy configuration. EDS has successfully transitioned policy into interChange over the past five years.

Enhancements to Functional Requirements

While the interChange reference function meets the majority of the Replacement MMIS requirements for the reference system, EDS has identified the following enhancements for implementation in North Carolina:

- Reconciliation to the diagnosis update tape
- Reformatting of automated files
- End date reporting
- Additional search criteria
- Edit manual cross-referencing
- Additional audit trail data elements
- Ability to accept non-FDB drug file updates
- Additional edit disposition criteria
- State-specific interfaces, reporting, and extracts

Response to Reference System Requirements

The following table, EDS Response to Reference System Requirements, describes how we will meet the requirements set forth in the RFP. Where appropriate, we have listed the existing interChange user interface panels, reports, and processes that meet the stated requirements. We also have identified when an integrated COTS piece of software is used to meet the requirements.

EDS Response to Reference System Requirements

RFP No.	RFP Requirement	EDS Response
40.6.1.1	Provides capability for necessary data to accommodate multiple population groups, their benefit packages, and payment methodologies	Met by interChange. The Recipient Plan Web panel allows users to administer population groups, benefit plans, and reimbursement agreement deals with the payment methodologies. The Web panels can accommodate most scenarios with limited configuration effort.

RFP No.	RFP Requirement	EDS Response
40.6.1.2	Provides capability for online access to all Reference and pricing data	Met by interChange. The reference diagnosis, diagnosis-related group (DRG), drug, drug labeler, error disposition, modifier, procedure, revenue, benefit administration, and related data Web panels and pages meet this functional requirement. Pricing data is accessible through the benefit administration subpanels.
40.6.1.3	Provides capability to accept online and batch updates, additions, and deletions to all Reference data with the capability to make changes to individual records or mass changes to groups or classes/records	Met by interChange and operational processes and procedures. The user interface provides online access to Reference data with the capability to make changes to individual records. Several standard batch file update processes exist including scheduled updates of HCPCS, FDB and ICD-9 files. Additional mass updates will be handled on an ad hoc basis if needed.
40.6.1.4	Provides capability to identify all covered and non-covered ICD-9/ICD-10 Diagnosis codes and any field value differences based upon a match of the Replacement MMIS Diagnosis Codes to the Diagnosis Update Tape/data	Met through customization of interChange. EDS is currently implementing processes in the HCPCS, ICD-9 diagnosis, ICD-9 procedure and drug load functions that report the impact of the file update and which rules would be inherited or needed to maintain current policy. Through user-controlled parameters, the system will simply report the effect and not update the classification or it will update the classification with the result of the file load.
40.6.1.5	Provides capability to produce a report that demonstrates the differences of all covered and non-covered ICD-9/ICD-10 Diagnosis codes and any field value differences based upon a match of the Legacy MMIS+ Diagnosis Codes to the Diagnosis Update Tape/Data for State use in determining appropriateness to update ICD-9/ICD-10 data	Met by interChange. The HCPCS procedure, ICD-9 Procedure and ICD-9 Diagnosis Code batch update processes update the appropriate tables in interChange and produce numerous reports, including a Procedure Maintenance and Error report by type, Deleted Procedures, Reactivated Procedures, Changed Procedures, Changed Modifiers and Discontinued Modifier reports.
40.6.1.6	Provides capability for diagnosis codes to be accessible from the National Council of Prescription Drug Programs (NCPDP) claims and physician drug program	Met by interChange. A table of a recipient's diseases and allergies—including the diagnosis code—is maintained to support drug and disease Pro-DUR auditing. It is developed based on adjudicated claims and professional and pharmacy claims. FDB inferred disease module is used to define diagnosis based on drug treatments.
40.6.1.7	Provides capability to configure maximum rates and algorithms that permit rates to be assigned based on one of the following for all providers: • Financial payer • Billing provider (i.e., single county or multi-county) • Population group • Procedure code • Begin and end date of service	Met through configuration of interChange parameters and features. The Reimbursement Agreement Edit panel meets this functional requirement. This panel provides the flexibility to make rate assignments based on multiple variables defined in the BA configuration.

RFP No.	RFP Requirement	EDS Response
	• Attending provider (i.e., single county or multi-county) • Recipient	
40.6.1.8	Provides capability to allow reformatting of automated files to develop or update fee schedules and/or rate files	Met through customization of interChange and operational processes and procedures. We will create a new interface to update rate files based on spreadsheets or other external data. An operational process will be in place to accept the rate files and changed to match input format for the new interfaces. interChange supports loading pharmacy pricing rates based on the feeds from FDB.
40.6.1.9	Provides capability for system logging of receipt date of each Reference File Maintenance Request, file maintenance initiation completion date, operator completing request, and supervisor validation date	Met by interChange and operational processes and procedures. The Web-based iTRACE tool will be used to create and track memos with operational processes.
40.6.1.10	Provides capability for parameter-driven, ad hoc activity logging reports	Met by interChange. interChange provides audit trail features for specific fields in Web panels.
40.6.1.11	Provides capability to ensure appropriate tracking, controls, and audit logs are associated with all file updates	Met by interChange and operational processes and procedures. The system automatically tracks file changes by audit tables and provides Web panels to view changes. Batch file updates are logged through batch control reports. Manual updates are controlled through enhanced panel security requirements and business processes that require documentation and approval.
40.6.1.12	Provides capability to link Reference File updates to applicable edits/audits	Met through configuration of interChange parameters and features. All audits and many edits are based on the configuration of reference data. When new batch updates of HCPCS or NDCs are performed, the pharmacy and medical classification engines described in requirement 40.6.1.4 show all rules to be inherited or added based on the update. When a new value is added to a code group (such as procedure, diagnosis, or revenue code), it is inherited automatically in the edits, audits, and reporting that use that code group. A report can be run to indicate which edits and audits are affected by which code group.
40.6.1.13	Provides capability to maintain the diagnosis data set using State-approved number of characters of the ICD-9/ICD-10 coding system that supports relationship between diagnosis code and claim information, including: • Valid age • Valid gender • Family planning indicator • Health Check indicator • Prior approval requirements	Met by interChange. There are numerous panels that control the relationship between the diagnosis code and claim information. Because interChange is a multi-payer system, these configurations generally are defined in the rules and may differ from payer to payer or benefit plan to benefit plan. Age, gender, and PA requirements are examples of relationships controlled at the benefit plan level. This rules-based configuration gives DHHS much greater flexibility in defining the operational processes.

RFP No.	RFP Requirement	EDS Response
	• Reference indicator • TPL, emergency, accident trauma diagnosis, and cause code/indicator • Inpatient length of stay criteria • Description of the diagnosis • Attachment required • Primary and secondary diagnosis code usage • Cross-reference to procedure codes • Drug by designated parameters	
40.6.1.14	Provides capability for online, updateable edit disposition tables and files that contain unlimited edit numbers with: • Description of edit • Description of edit for RA per RA media • RA print indicator, exception print detail, or list indicator • Disposition, force indicator, deny indicator, location code, prior approval override indicator, location override per claim type, per claim media, per program, per provider • Cross-referencing edits/audits • Information line	Met by interChange. The Error Disposition Information panel meets this functional requirement. The system can support 9,999 available edit numbers.
40.6.1.15	Provides capability to audit HCPCS codes and associated National Drug Codes (NDCs) against pharmacy NDCs to prevent duplicative services	Met by interChange. interChange supports cross-claim auditing and features a cross-reference table, which relates HCPCS codes to NDC codes for overlapping dates. This list of HCPCS to NDC relationships is updated through a batch update of CMS-supplied data or manually through online panels.
40.6.1.16	Provides capability to maintain an online, updateable claims Edit Resolution Manual that reflects correct processes for adjudicating edits and audits	Met by interChange. The resolution manual is entered into interChange as the edits are being set up and is available in iTRACE. It can be printed to hard copy. The resolution pages contain the criteria for posting the edit or audit written in nontechnical language, the associated service groups, the associated policies, and the detailed step-by-step-instructions for manual review.
40.6.1.17	Provides capability to cross-reference new CPT codes and ICD-9/ICD-10 codes to Replacement MMIS edits and audits that support the code's data set within the same or specified range	Met by interChange and operational processes and procedures. interChange can link procedure codes to edits or audits. It also can link revenue codes, HICL, NDC, GCN, and diagnosis codes to edits or audits within the same or specified range.

RFP No.	RFP Requirement	EDS Response
40.6.1.18	Provides capability to generate a report of edits/audits associated with codes that will be end-dated	Met through customization of interChange. A new report will be required for this feature.
40.6.1.19	Provides capability to categorize edits/audits	Met by interChange. interChange allows the user to define groups and associate edits and audits to these groups. It also groups edits and audits by suspense location, indicating the specific skill set required to process an edit or audit.
40.6.1.20	Provides capability to link each procedure code, diagnosis code, revenue code, dental code, etc. to the associated current and reverse (historical) edit	Met by interChange and operational processes and procedures. interChange can define groups based on each of the major code sets and can associate those groups to edits and audits for processing. They also can be documented in the resolution manual browser pages related to edits and audits.
40.6.1.21	Provides capability to create online Edit Manuals that enables access by edit or specific procedure code, revenue code, diagnosis code, dental code, etc. that displays: • Edit relationships • Other procedure, revenue, diagnosis, dental codes • Modifiers related • Sex, age indicators (by day, month, year) • State Memo effective date with a link to a separate promulgated policy file to obtain policy or related detail information • Any other parameters that drive the edit	Met through customization of interChange. The resolution manual is available through iTRACE. The ability to access the edit manual by a specific procedure code, revenue code, diagnosis code, or dental code will require custom development.
40.6.1.22	Provides capability to upload State-approved HCPCS updates from CMS, including Resource-Based Relative Value Scale (RBRVS)	Met by interChange. interChange provides jobs or programs to load CMS updates.
40.6.1.23	Provides capability for a procedure code data set that contains the current five-character (5-character) HCPCS/CPT code and can accommodate the future six-character (6-character) HCPCS codes, second-level HCPCS codes, State-specific local Level III codes, and ICD-9 procedure codes and can accommodate the future ICD-10 procedure codes, acceptance of a one-character (1-character) or a two-character (2-character) field for HCPCS pricing modifier(s); and at a minimum, the following elements: • Valid tooth surface codes and tooth number/quadrant designation • Date-specific pricing segments by program code, provider taxonomy, and/or provider type and or specialty	Met through configuration of interChange parameters and features. interChange meets the functional requirements of storing and accessing the data including a seven-character diagnosis for ICD-10 and a six-character procedure code. The reference diagnosis, DRG, drug, drug labeler, error disposition, modifier, procedure, revenue, benefit administration, and related data Web panels and pages provide access to the basic configuration of these code sets. Pricing data is accessible through the benefit administration subpanels. Nearly all of the pricing tables are configurable by a rate type that is associated to one or more reimbursement agreements. This allows for multiple prices to be configured for each pricing methodology. Nearly all of the stated features are enabled through interChange, but the relational database storage

RFP No.	RFP Requirement	EDS Response
	• Five (5) date-specific pricing segments, including two (2) occurrences of pricing action • Five (5) status code segments with effective beginning and end dates for each segment • Indicator of covered/not-covered and effective and end dates by program code • Allowed amount for each pricing segment • Multiple modifiers and the percentage of the allowed price applicable to each modifier or procedure code/modifier combination • State-specified restrictions on conditions to be met for a claim to be paid, including, but not limited to: – Recipient eligibility – Pricing Action Code – Category of service – Specialty – Lab certification – Recipient age/sex restrictions – Allowed diagnosis codes – Prior approval required – Medical review required – Place of service – Pre- and post-operative days – Appropriate diagnosis – Acceptable place of service – Units of service – Once-in-a-lifetime indicator – Attachments required – Valid provider type/specialty – NDC codes and units – Claim type – Purge criteria – Provider subspecialty – Drug Coverage (effective/term dates)	methodology is significantly different than the current MMIS. Because interChange is designed to support multiple programs and multiple payers, the majority of the reference configurability is related to rules associated through those programs.

RFP No.	RFP Requirement	EDS Response
	– Health Check reporting indicator – Family Planning indicator – Family Planning Waiver Indicator • Narrative language of procedure codes in both short and long description • Indication of when or whether claims for the procedure can be archived from online history (such as once-in-a-lifetime procedures) • Indication of TPL actions, such as cost avoidance, benefit recovery, or pay and chase by procedure code • Indication of third party payers, non-coverage by managed care organizations by managed care organization type • Other information, such as accident/trauma indicators for possible TPL, Federal cost-sharing indicators, and Medicare coverage indicator	
40.6.1.24	Provides capability to maintain Pharmacy Point-of-Sale (POS) reference files that include: • NDC number • Generic Code Number (GCN) or formulation ID • Generic Code Number-Sequence (GCN-Sequence) or clinical formulation ID • Therapeutic class-specific (TxCL) or Therapeutic class code (General Classification Code 3 [GC3]) • Ingredient list ID (HICL-S, relational and non-relational) • HICL sequence number • Med ID • Routed DF Med ID • Routed MED ID • Med Name ID • HIC Sequence • Generic name (GNN) • Ingredient List ID (HICL) • Brand name • Label name • Manufacturer	Met through customization of interChange. A change is required to include ETC, MEDID, and UPC in the drug file. Enhancement to the existing search criteria is required to meet these requirements.

RFP No.	RFP Requirement	EDS Response
	• Enhanced Therapeutic Classification (ETC) system • American Hospital Formulary (AHF) classification • Universal Product Code (UPC) Search criteria should also include edit description, claim exceptions, explanation of benefits (EOBs), and NCPDP rejects.	
40.6.1.25	Provides capability for the procedure code data set to contain a minimum of five (5) years of data to support claims online history	Met by interChange. The reference diagnosis, DRG, drug, modifier, procedure, and revenue Web panels and pages meet this functional requirement and can hold an unlimited amount of historical information.
40.6.1.26	Provides capability to upload annual Diagnosis Related Group (DRG) and Medicare Code Editors (MCE) software based on a Federal fiscal year no later than October 1st each year and report all errors that occur in processing of the annual DRG code update	Met by interChange, with a portion of the requirement requiring customization code. interChange supports the annual DRG update process. interChange can support either the CMS DRG or the All Payer (AP) DRG modules. A new process will be created to upload the data.
40.6.1.27	Provides capability to receive all weekly, biweekly, or daily drug updates from the drug update service vendor and upload within one (1) business day, including all new modules developed by the Vendor	Met by interChange. interChange contains weekly FDB drug update capability; however, the jobs can be run on demand.
40.6.1.28	Provides capability to process updates from the contracted or State-owned drug update service upon receipt without overwriting exact updates previously made by the State or at the request of the State	Met through customization of interChange. interChange will be customized to receive and process a non-FDB drug update file and define the update requirements.
40.6.1.29	Provides capability to produce a report that identifies contracted drug updates bypassed identifying the data on the database and the update received from the State-owned or contracted drug update service	Met through customization of interChange. interChange will be customized to identify and report on bypassed updates from a State-defined drug file.
40.6.1.30	Provides capability for State-specified customized updates to the drug file from a contracted or State-owned drug update service	Met through customization of interChange. interChange will be customized to receive and process a non-FDB drug update file and define the update requirements.
40.6.1.31	Provides capability for specific “facility rate times DRG weight” as well as appropriate facility disproportionate share information for inpatient reimbursement annually	Met by interChange. The DRG Rates panel meets this functional requirement. The reference subsystem provides the DRG Rate Web panel to maintain DRG weighting. This requirement is shared with the interChange provider function.
40.6.1.32	Provides capability to maintain rate files for all services and institutional rates to support pricing that conforms to program requirements	Met by interChange. The Provider Disproportionate Share Rate, Provider Drug Rate, Provider Level of Care Rate, Usual Customary Charge, DRG Rate, Drug AWP, Entity Maintenance Search, Flat Fee, and Max Fee panels meet this functional requirement. This requirement is satisfied by the Max Fee, DRG Rate, Drug AWP, Drug EAC, and Revenue Flat Fee panels in reference. Within the provider subsystem, the Customary Charge, NH/IP Rates, Inpatient Level of Care Rate, Provider

RFP No.	RFP Requirement	EDS Response
		DRG Rate, and Provider Disproportionate Share Rate panels administer provider-related rate information.
40.6.1.33	Provides capability to create NC Title XIX Tables Manual and Edit Resolution Manuals	Met by interChange and operational processes and procedures. The resolution manual is entered into interChange as the edits are set up, and it is available in iTRACE or can be printed to hard copy. The iTRACE tool includes a live connection to the Oracle database and the ability to define the list of code tables needed for the tables manual. The definition of the table and each field is presented through iTRACE. The actual data in each table can be accessed from the model office or production database in real time without the need to log into Oracle.
40.6.1.34	Provides capability to apply edit criteria across claim types, provider type, and specialty types of service, provider taxonomy, provider type and/or specialty by procedure code and therapeutic class, generic product indicator, generic code, and all other drug codes	Met by interChange, with a portion of the requirement requiring customization code. The base system provides the ability to edit or audit based on the criteria listed apart from taxonomy. For drug codes, interChange can audit on NDC, therapeutic class, generic price, GCN sequence number, HICL, and HIC3. interChange has the ability to add additional elements—such as taxonomy or generic code—as additional rule attributes with a relatively minor amount of customization.
40.6.1.35	Provides capability to electronically store State-assigned EOB and ESC message descriptions	Met by interChange. The Entity Maintenance Search and Error Disposition Base Edit panels meet this functional requirement. The base system provides the EOB and Error Disposition panels to maintain EOB and ESC codes. These also are available through iTRACE in real time.
40.6.1.36	Provides capability to store unlimited policy changes received via State/Fiscal Agent Memo regarding file changes for procedure codes, diagnosis codes, revenue codes, dental codes, etc.	Met by interChange. The iTRACE repository can store the State/Fiscal Agent Memos regarding reference changes. These will be associated to the appropriate tables and code set updates defined in the memos.
40.6.1.37	Provides capability to electronically store accommodation rate data	Met by interChange. Accommodation rates include a rate type for each revenue code so the same revenue code can be priced many ways, depending on the reimbursement agreements.
40.6.1.38	Provides capability to maintain indefinitely procedure codes that have timeframe limitations	Met by interChange. The Reference Procedure Information and Maintenance panels meet this functional requirement. Reference data is not purged.
40.6.1.39	Provides capability to electronically store modifier information with appropriate multiple modifier and payment calculations	Met by interChange. The Procedure Modifier panel meets this functional requirement. interChange provides the Modifier Information, Max Fee, Provider Customary Charge, and Modifier Rate panels to store modifier and payment calculations.
40.6.1.40	Provides capability to produce electronic copies of Reference Files	Met by operational processes and procedures. iTRACE allows users to export the first 2,000 rows of a table into an Excel

RFP No.	RFP Requirement	EDS Response
		spreadsheet for download without any technical assistance. The BIAR system provides a similar capability to export and download files without technical assistance. Additionally, electronic copies of reference files would be handled ad hoc through an operational process.
40.6.1.41	Provides capability to electronically store an unlimited number of pricing files and methodologies by date range that support NC DHHS program requirements	Met by interChange and through configuration of interChange parameters and features. This requirement is satisfied by the Max Fee, DRG Rate, Drug AWP, Drug EAC, and Revenue Flat Fee panels in the reference subsystem. Within the provider subsystem, the Customary Charge, NH/IP Rates, Inpatient Level of Care Rate, Provider DRG Rate, and Provider Disproportionate Share Rate panels administer provider-related rate information.
40.6.1.42	Provides capability to create crosswalk of all claim type/provider type/taxonomy combinations to State, Family Planning, and Federal Categories of Service for all Types of Service	Met by interChange and through configuration of interChange parameters and features. interChange supports the configuration of state, federal, CMS 64, CMS 21, and MSIS category of service values for all types of service using claim type, provider type, provider specialty and age. EDS will work with DHHS analysts to define the appropriate combinations to define each category of service.
40.6.1.43	Provides capability to apply State-approved policy to: • HCPCS, including CPT, American Dental Association (ADA) codes, HCPCS Level II codes, NDCs, State local codes, International Classification of Diseases diagnosis and procedure codes (ICD-9) and future ICD codes • Drug codes • Edits • Rate methodology and calculations • Professional services fees	Met by interChange and through configuration of interChange parameters and features. The base system provides the information panels within reference as a single point to maintain the entities listed for this functional requirement. Policy is configured through the rule authoring pages and the editing and auditing pages. Pricing methodologies can be configured to meet state policy using the available data and panels in interChange.
40.6.1.44	Provides capability for the Replacement MMIS Reference diagnosis file to interface with pharmacy claims processing to ensure that the diagnosis data is the same in both systems	Met by interChange. The pharmacy processing uses the FDB-inferred disease module that infers diagnosis from specific pharmacy product usage. It supplements this data with diagnosis information from the professional claims.
40.6.1.45	Provides capability to maintain a Reference Modifier File that contains procedure code and modifier information, including sub-database/matrix that supports State/Fiscal Agent staff-authorized access by procedure code and modifier that displays: • Narrative of procedure code • Narrative of modifier, including effective end dates by either date of service, date of	Met by interChange. This requirement is met by the Procedure Information, Procedure Restriction, Procedure Modifier, and RBRVS — Procedure panels. The recipient plan coverage rules, provider contract rules, and reimbursement agreement rules can be configured using the standard rule definition attributes, which include, among many others, provider type and specialty, modifiers (1 to 4 — include or exclude logic), diagnosis (header or detail — include or exclude logic), place of service, and benefit plan.

RFP No.	RFP Requirement	EDS Response
	• processing, or date of receipt • Modifier and narrative applicable to the use of the procedure code/modifier combination • Modifier pricing information, including effective end dates by either date of service, date of processing, or date of receipt • Applicable modifier combinations • Applicable procedure/modifier combinations • Applicable providers for each modifier, including effective and end dates	
40.6.1.46	Provides capability to maintain Reference data with all procedure codes and pricing action codes (PAC) that indicate where pricing occurs based on: • Procedure code, type of service, and/or modifier • Provider type, provider specialty, taxonomy, and procedure code • Type of service • Place of service • Provider and per diem rate • Provider, DRG rate, and financial payer • Provider accommodation code • Provider number, percentage of charges, and financial payer • Pharmacy dispensing fee • Enhanced pharmacist professional services fee for performing cognitive services and State-approved interventions • Revenue code • Accommodation code on the Accommodation Rate File • Capitation payments and management fees	Met by interChange. The Reimbursement Agreement Edit panel meets this functional requirement. The Reimbursement Agreement panel provides the capability to maintain pricing actions. Under each of the main reference entities—procedure, diagnosis, drug, DRG, or revenue code—a read-only panel is available that shows the applicable reimbursement rules and pricing actions. Most pricing actions can be configured. The same service can be priced using multiple methodologies, depending on the applicable rules.
40.6.1.47	Provides capability to indicate whether pricing is performed on the revenue code or the CPT code when a combination of the two is billed	Met by interChange and through configuration of interChange parameters and features. The Reimbursement Agreement Edit panel meets this requirement. The panel is used to configure the pricing methodology based on several variables, including CPT and revenue code.
40.6.1.48	Provides capability to determine if auditing/editing occurs on procedure code or revenue code when a combination of revenue code and procedure code is used	Met by interChange and through configuration of interChange parameters and features. The Error Disposition and Audit Criteria panels provide the capability to control auditing on a procedure versus a revenue code.

RFP No.	RFP Requirement	EDS Response
40.6.1.49	Provides capability to search for drugs using the following search criteria: • NDC number • Generic code number or formulation ID • Generic sequence number or clinical formulation ID • Therapeutic class specific or Therapeutic class code • Ingredient list ID (HICL-S, relational and non-relational) • HICL sequence number • Med ID • Routed DF Med ID • Routed Med ID • Med Name ID • HIC Sequence • Generic name (GNN) • Ingredient List ID (HICL) • Brand name • Label name • Manufacturer • Enhanced Therapeutic Classification (ETC) • AHF classification • UPC	Met by interChange, with a portion of the requirement requiring customization code. A change is required to add the criteria listed to the Drug Search panel, which currently allows searching by NDC/GCN, label name, brand name, and generic name. In addition to the changes to the search panel, the interChange ad hoc BIAR system allows a user to search on any FDB elements as needed.
40.6.1.50	Provides capability to search for Drug Utilization Review (DUR) parameter data, drug name, NDC, TxCL, GCN, GCN-Sequence, or State-defined data elements	Met through customization of interChange. Modifications are necessary to add these search criteria.
40.6.1.51	Provides capability for an online, updateable GCN data set to maintain references and associations of drugs with similar indications/therapeutic benefits	Met by interChange. interChange uses the GCN information supplied by FDB. interChange uses the GCN in several areas, including the setting of edits and audits and in the DUR+ prior approval process.
40.6.1.52	Provides capability for an online, updateable GCN data set to identify acute level and duration of a drug before prior approval is required	Met by interChange. interChange can set audits, including step therapy audits based on GCN using configurable dates. The DUR+ prior approval process also is configurable by GCN and dates.
40.6.1.53	Provides capability to electronically store and maintain all State-approved pharmacy pricing methodologies	Met by interChange and through configuration of interChange parameters and features. The state or federal MAC, AWP, EAC, and other rates provide the ability to maintain pharmacy pricing methodologies.

RFP No.	RFP Requirement	EDS Response
40.6.1.54	Provides capability to create a crosswalk of HCPCS Level I and Level II codes in the Physician Drug Program (PDP) to NDC/GC3 codes	Met by interChange. The Drug Procedure Xref panel meets this functional requirement. The NDC/HCPCS Procedure panel provides the capability to cross-walk drugs to procedures.
40.6.1.55	Provides capability to create a crosswalk of HCPCS Level I and Level II codes to rebateable NDCs	Met by interChange. The Drug Procedure Xref panel meets this functional requirement. The NDC/HCPCS Procedure panel provides the capability to cross-walk drugs to procedures. These cross-references can be modified to include only the rebateable NDCs, but the default is to use the HCPCS to NDC cross-reference available from CMS.
40.6.1.56	Provides capability to identify Drug Efficacy Study Implementation (DESI) drugs	Met by interChange. The Drug State DESI panel meets this functional requirement.
40.6.1.57	Provides capability for State-approved provider maximum reimbursement rates for claims processing to ensure the ability to modify, add, or delete any rates on an individual provider basis or mass provider basis	Met by interChange. The Customary Charge panel meets this functional requirement. Individual providers are managed through the Universal Commercial Code (UCC) rates, which can be set for a procedure by a provider. Mass provider is handled through creation of a defined benefit plan.
40.6.1.58	Provides capability to electronically store maximum reimbursement rates for DME by procedure code priced for rental or purchase (new or used)	Met by interChange. The Max Fee panel meets this functional requirement.
40.6.1.59	Provides capability to electronically store laboratory maximum reimbursement rates for individual and "panel" laboratory procedures	Met by interChange. The Max Fee panel meets this functional requirement.
40.6.1.60	Provides capability to maintain an online audit trail of all updates to Reference data, including PRO-DUR data, identifying source of the change, CSR number, memo number, before and after images, and change dates to assure State and Federal auditing requirements are met	Met through customization of interChange. CMS-certified audit trails in interChange include the date and time stamp of the change, as well as the user ID and the before image of the updated or deleted data. Modifications can be developed to include the CSR number and memo number.
40.6.1.61	Provides capability to receive memos from the State online and send memos to the State online for approval	Met by interChange and operational processes and procedures. iTRACE will be used to create and track memos with operational processes.
40.6.1.62	Provides capability to electronically store and track State Memos with online status updates	Met through interChange and operational processes and procedures. iTRACE will be used to create and track memos with operational processes.
40.6.1.63	Provides capability to generate an online status report of State Memos	Met by interChange and operational processes and procedures. The iTRACE tool provides search panels to generate memo status reports.
40.6.1.64	Provides capability for note entry	Met by interChange. interChange provides the ability to make an unlimited number of free-form notes for HCPCS/ICD-9 procedures, diagnoses, modifiers, DRGs, drugs, and revenue codes only.
40.6.1.65	Provides capability for electronic storage of unlimited policy changes received via State/Fiscal Agent Memos	Met by operational processes and procedures. State memos can be stored in the document management system and

RFP No.	RFP Requirement	EDS Response
	and link to all the memo contents for all record changes	cross-referenced to the iTRACE tool. There is no limit to the amount of policy changes that can be stored. iTRACE includes linkage to system objects, requirements, directives, and test data that can be linked to the memos.
40.6.1.66	Provides capability to link a State/Fiscal Agent Memo with associated procedure codes	Met through customization of interChange. A change will be required to create a Web panel to query audit tables by memo number and return procedure codes affected by a given memo number.
40.6.1.67**	Provides capability to maintain budget criteria information	Met by interChange. Benefit plans are tied to payers and budget codes. The interChange financial system compares the available budget dollars to a claim and can perform several configurable options, including choosing the next budget in the hierarchy, suspending the claim detail, denying the claim detail, or overspending the budget.
40.6.1.68	Provides capability to replicate rates from one (1) type of provider and service to another like type of provider when the service and rate are equal	Met by interChange. The Reimbursement Agreement Edit panel meets this functional requirement. interChange does not directly map provider types to rate amounts, but provides the ability to map a provider type to a rate type that is used to calculate the pricing amount. In this way, multiple provider types can be mapped to the same rate type without having to recreate the rate for each provider type.
40.6.1.69	Provides capability to supply claims pricing information to the Division of Vocational Rehabilitation and the Division of Services for the Blind	Met through customization of interChange. An interface change will be required to create an extract of pricing information.
40.6.1.70	Provides capability to retain MMIS Reference data change requests received from the State in the format received for control, balance, and audit purposes for the life of the Fiscal Agent Contract	Met by operational processes and procedures. File maintenance requests are stored in the COTS electronic document management system, EMC | Documentum, for search and retrieval.
40.6.1.71	Provides capability for a user-controlled method to maintain edit criteria online	Met through configuration of interChange parameters and features. The Error Disposition Information panel meets this functional requirement. Security authorization rules restrict update capability to a limited number of users.
40.6.1.72	Provides capability to access or link with State online policies to facilitate search of policies for changes in CPT and ICD-9/ICD-10 codes	Met through customization of interChange. interChange will be modified to provide the capability to access or link with State online policies to facilitate search of policies for changes in CPT and ICD-9/ICD-10 codes.
40.6.1.73	Provides capability for inquiry, entry, and updates to group-level pricing parameters for the determination of pharmacy reimbursement calculations	Met by interChange. The state and federal maximum allowable cost (MAC), average wholesale price (AWP), estimated acquisitions cost (EAC), and other rates provide the ability to maintain pharmacy pricing methodologies. The Reimbursement Agreement panel allows the creation of reimbursement rules at any group level within the classification.

RFP No.	RFP Requirement	EDS Response
40.6.1.74	Provides capability to maintain and electronically store pharmacy pricing methodologies to appropriately price claims according to the appropriate financial payer or population according to State policy and business rules	Met through configuration of interChange parameters and features. The state and federal MAC, AWP, EAC, and other rates provide the ability to maintain pharmacy pricing methodologies. The Reimbursement Agreement panel allows the creation of reimbursement rules at any group level within the classification. Each claim—pharmacy or otherwise—stores the pricing methodology used to calculate reimbursement.
40.6.1.75	Provides capability to maintain and electronically store new pricing methodologies, criteria, and/or parameters	Met through configuration of interChange parameters and features. The Reimbursement Agreement Edit panel meets this functional requirement. The Reimbursement Agreement Web panel allows the creation of reimbursement rules. The rate type and pricing indicator provide the ability to add new rates and pricing. Every new pricing methodology requires a limited amount of coding to inform the system of which tables or rates to read to identify the proper pricing methodology, but the majority of effort in using that new pricing methodology is performed through configuration.
40.6.1.76	Provides capability to search for drug data using as primary search criteria: • NDC • Generic code number • Generic sequence number • Therapeutic class • Drug name • Any State-identified First DataBank (FDB) data element	Met through customization of interChange. A change is required to add the criteria listed to the Drug Search panel, which currently allows searching by NDC/GCN, label name, brand name, and generic name. The BIAR system allows a user to search on any FDB element without customization.
40.6.1.77	Provides capability for inquiry, entry, and updates of existing and new drug data for a specific drug	Met by interChange. interChange meets this functional requirement. interChange provides the Drug Information panel that links to panels with the ability to add or update drug data.
40.6.1.78	Provides capability to search for claim exception parameter data using primary and/or secondary search criteria	Met by interChange, with a portion of the requirement requiring customization code. interChange provides robust search parameters for most of the key data using several search criteria. If additional search criteria are needed, they will be defined during the requirements verification sessions.
40.6.1.79	Provides capability to search by phonetic and partial description or user-defined selection criteria	Met by interChange. interChange allows phonetic and partial searches for descriptions for the main entities within the reference HCPCS/ICD-9 procedures, diagnoses, modifiers, DRGs, drugs, and revenue codes.
40.6.1.80	Provides capability to electronically store and update drug rates on a schedule determined by the State that	Met through configuration of interChange parameters and features. The state and federal MAC, AWP, EAC, and other

RFP No.	RFP Requirement	EDS Response
	allows drug price indicator to be turned on or off for coverage	rates provide the ability to maintain pharmacy pricing methodologies. The Provider Contract and Recipient Plan panels allow rules to be created and updated to turn coverage on and off for a particular benefit package or provider contract.
40.6.1.81	Provides capability to restrict pharmacy services according to State policy and business rules	Met by interChange. Existing pharmacy rule capability and pharmacy edit capability give vast features to restrict pharmacy use.
40.6.1.82	Provides capability to handle recipient opt-in to specified lock-in pharmacies according to State policy and business rules	Met by interChange and operational processes and procedures. The lock-in assignment plans can be constrained to include only those providers who wish to participate. interChange can be configured to terminate a provider or recipient, if desired.
40.6.1.83	Provides capability to electronically store and maintain the Prescription Advantage List (PAL) tiers	Met by interChange. interChange will receive and publish the PAL list tiers to the publicly accessible Web.
40.6.1.84	Provides capability to maintain and use list of Medicare Part D drugs for dual-eligible recipients according to State policy and business rules	Met through configuration of interChange parameters and features. Provider Contract and Recipient Plan panels allow rules to be created and updated for a particular benefit package or provider contract. Rules can be created within a benefit classification that could be configured to contain Medicare Part D drugs.
40.6.1.85	Provides capability to search inquiry, entry, and updates for step care data	Met by interChange. The Audit ST Group panel meets this functional requirement. Several types of step therapy audits are configurable and updatable through interChange.
40.6.1.86	Provides capability for inquiry, entry, and updates to a list of preferred agents for a specific step care plan	Met by interChange. The Audit ST Group panel meets this functional requirement.
40.6.1.87	Provides capability to ensure that all prior approval requirements and associated edits and audits are linked	Met through configuration of interChange parameters and features. The Provider Contract and Reimbursement Agreement panels provide a way to set PA requirements. The link between PA requirements and edits is made in the benefit administration configuration using meta data.
40.6.1.88	Provides an online separate file in the Prior Approval business area that includes all services that require prior approval with a minimum of code, definition, initial date the prior approval was required, and end date when prior approval is no longer required	Met through customization of interChange. A new report will be created to extract PA requirements from the benefit administration rules tables by service.
40.6.1.89	Provides capability to create Fee Schedule reports detailed in the bullets below: • Adult Care Home Personal Care • Ambulance • Ambulatory Surgical Centers/Birthing Centers	Met through customization of interChange. The base system provides features within the Provider Web Portal to query fee schedule data from reimbursement rules. Searches can be performed by financial payer, provider contract, benefit group, or procedure for a given date of service (DOS).

RFP No.	RFP Requirement	EDS Response
	• Behavioral Health (separate schedules) • Certified Clinical Supervisor and Addictions Specialist • Children's Developmental Service Agencies • Licensed Clinical Social Worker and Licensed Professional Counselor and Licensed Marriage and Family Therapist • Licensed Psychological Associate • Mental Health Enhanced Services • Mental Health (LME) • Mental Health Non-Licensed Clinical Fee Schedule • Nurse Practitioner • Nurse Specialist • Prospective Rates • Psychologist • Residential Treatment Level III and IV • Community Alternatives Program (CAP) Rates (separate rates) • CAP/AIDS • CAP/Children • CAP/DA • CAP/Mentally Retarded-Development Disability (MR-DD) • DRG Weight Table • Dental Services • Durable Medical Equipment • Federally Qualified Health Center • Home Health Agency Services • Home Infusion Therapy • Hospice • Local Education Agency Practitioners • Local Health Department • Multi-specialty Independent Practitioner • Nursing Facility Rates • Occupational Therapy • Orthotics and Prosthetics	

RFP No.	RFP Requirement	EDS Response
	• Physical Therapy • Physician Drug Program • Respiratory Therapy • Rural Health Center • Speech and Audiology Services	
40.6.1.90	Provides capability to create fee schedules and related rate reports for State users and division Web site, including: • Dialysis Centers • Nurse Midwife • Portable X-ray • Optical and Visual Aids • Private Duty Nursing • Targeted Case Management	Met by interChange. The base system provides features within the Provider Web Portal to query fee schedule data from reimbursement rules. Searches can be performed by financial payer, provider contract, benefit group, or procedure for a given DOS.
40.6.1.91	Provides capability to create rate reports for internal State use only, including: • Lower Level NF Rates • Outpatient Hospital Pricing, Ratio-Cost-to-Charge • Nursing Facility Rates	Met through customization of interChange. A change will be required to create extracts of rate files.
40.6.1.92	Provides capability to electronically store a daily file of county DSS mailing addresses	Met through customization of interChange. The County Web panel provides the ability to maintain DSS mailing addresses. A new interface will be required to accept a daily file and make the appropriate updates.
40.6.1.93	Provides capability to calculate selected physician fee schedule records based on periodic Resource-Based Relative Value Scale (RBRVS) updates	Met by interChange. The interChange inherent pricing methodologies include the ability to perform RBRVS pricing. The pricing methodologies are configured during the DDI effort.

40.7.1 Prior Approval System Requirements

Adaptability and flexibility are integral to our prior approval solution. For groups with special needs, the flexibility of our user configuration at the benefit plan level will empower the State to effectively manage services across a broader spectrum of the community.

State of North Carolina

The State directs programs that reimburse for medically necessary, appropriate, and cost-effective services. Flexibility, accuracy, and responsiveness are critical characteristics for any MMIS in the current environment of healthcare change and reform and fiscal constraints.

A highly capable and efficient prior approval (PA) system will be a key component in enabling the State to manage services and financial pressures more economically. Our Replacement MMIS will provide the framework to support the State's objectives with the optimized K2 workflow engine for workflow management and the InRule rules engine to define and document the State's PA business rules. The local EDS team working on the current Pre-Admission Screening and Annual Resident Review (PASARR) project gives our DDI team a head start on the definition and analysis of PA rules for configuration in the rules engine. This enables EDS to deliver a more thoughtful and complete solution to the expanding challenge of PA.

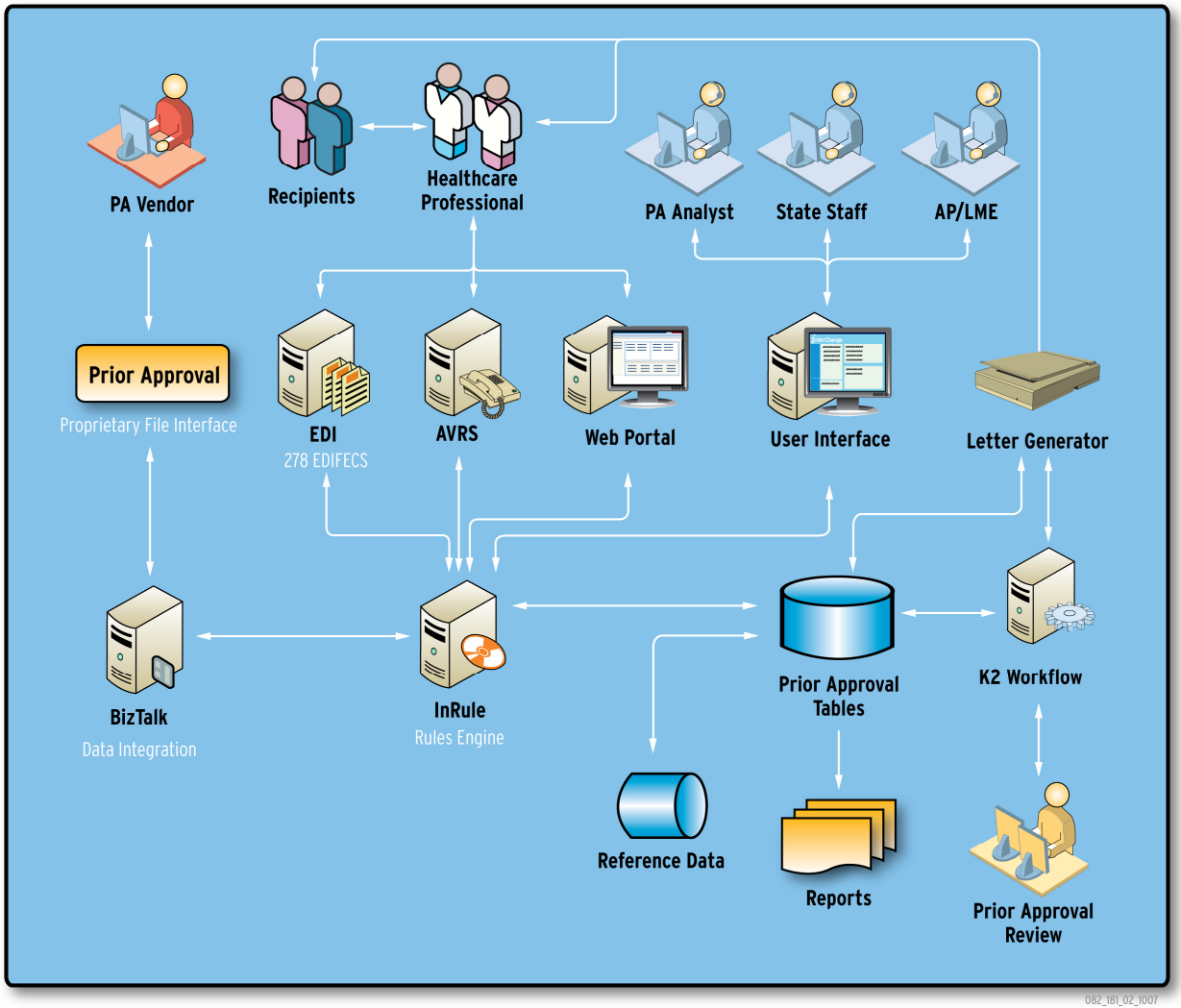
Adaptability and flexibility are integral to our PA solution. For groups with special needs, such as waiver, Community Alternatives Programs (CAP), or self-directed care and recipients assigned to DMH or ORHCC programs, the flexibility of our user configuration at the benefit plan level will empower the State to effectively manage services across a broader spectrum of the community.

The interChange solution addresses the need for PA support through two methods: rules-based, workflow-enabled manual entry of PAs and system generation of pharmacy claim PAs through our unique DUR+ capability.

The Replacement MMIS also will enable PAs to be initiated and queried from numerous authorized sources, including EDI, the Web portal, local PA analysts, external PA vendors, telephone, fax, or mail.

The following exhibit, Prior Approval Flow, shows the ways a PA request can be received and how the Replacement MMIS will apply the same business logic to each.

Prior Approval Flow



PA requests are subject to the same business rules, no matter how they are received. This provides consistency and quality throughout PA processing.

The Replacement MMIS will provide the following capabilities in support of the PA business area:

- Process the PA request by validating recipient eligibility, provider eligibility, and service coverage based on predefined rules
- Automatically generate PA records for pharmacy-related claims that meet customized rules related to the recipient; claim history, including pharmacy, medical, and institutional data; and provider taxonomy information
- Receive and process PA transactions from multiple input sources, including paper, telephone, fax, Web portal, National Council for

Prescription Drug Programs (NCPDP), and standard Health Insurance Portability and Accountability Act (HIPAA)–compliant transactions

- Apply customized rule criteria to each PA request to automate the PA classification and the approval or denial of the PA request to the degree possible, freeing up PA experts to focus on the non-standard PA requests
- Allow providers to initiate PA requests through the Internet and query PA requests to learn the decision status and the authorized units or dollar amounts
- Generate provider and recipient notification letters using combinations of fixed, variable, and free-text formats that are automatically triggered, or allow users to initiate using point-and-click technology on the PA page
- Treat letters containing protected health information (PHI) as secure documents
- Use browser-based pages to give authorized users various levels of access depending on their security levels, ranging from basic inquiry to complete PA entry, update, and approval capabilities
- Enable changes due to administrative review or appeals and appropriately track the dates and changes and generate the necessary letters

Processing PAs

EDS will review, process, and determine the appropriate outcome of PAs according to State policy. The EDS solution for the PA function will help control the use of services and equipment based on the medical necessity of the service. We will implement the latest technologies in workflow management and systematic application of processing rules to effectively apply State policy. Enabling North Carolina recipients to receive timely approval for services while allowing the State to control expenditures are the hallmarks of a successful PA process.

Timely, accurate adjudication of PAs requires the following:

- Clinical expertise
- A strong understanding of State policy
- The technical infrastructure to support the adjudication process

Through our experience with North Carolina and other state healthcare programs throughout the country, EDS has the insight and understanding to successfully implement and operate the PA business function. We will provide the clinical expertise required to apply sound healthcare principles and make crucial medical necessity decisions. With the clinical expertise in place, we also have a technical infrastructure solution that allows our team to focus on the decision, not the paperwork. We are excited to provide significant enhancements

to the current MMIS technical infrastructure to reduce paper, eliminate unnecessary manual intervention, and decrease adjudication times compared to the current MMIS PA processing capability.

Within the Replacement MMIS solution, each payer group will maintain its unique approach to PA. In some programs, PA is relied on heavily as a means to control costs. Other programs rely on back-end auditing to validate program compliance and subject few services to PA. The Replacement MMIS will allow users to denote by specific payer group which services require PA for a given plan. Specifically, the system will allow users to denote PA by program, using the following services:

- Procedure code, including Current Procedural Terminology (CPT), Health Care Common Procedure Coding System (HCPCS), and the American Dental Association (ADA)
- As many as four modifiers
- Revenue code
- Diagnosis code
- NDC/generic sequence number/HIC3
- Tooth number/tooth quadrant

After a payer group has established its specific PA requirements, the Replacement MMIS will recognize this limitation during processing and will not pay claims without the presence of an approved PA for the service.

PA determinations are made case by case, using one of the following outcomes:

- **Approved—**Used when the service is approved exactly as requested
- **Modified—**Used when the number of units, dollars, or time frame requested is authorized at a decreased level
- **Denied—**Used when all of a requested service is denied
- **Pended—**Used when information is insufficient to make a determination or when another request appears in the system for the same service

Appropriate decision correspondence can be automatically generated to the provider and recipient based on the PA determination.

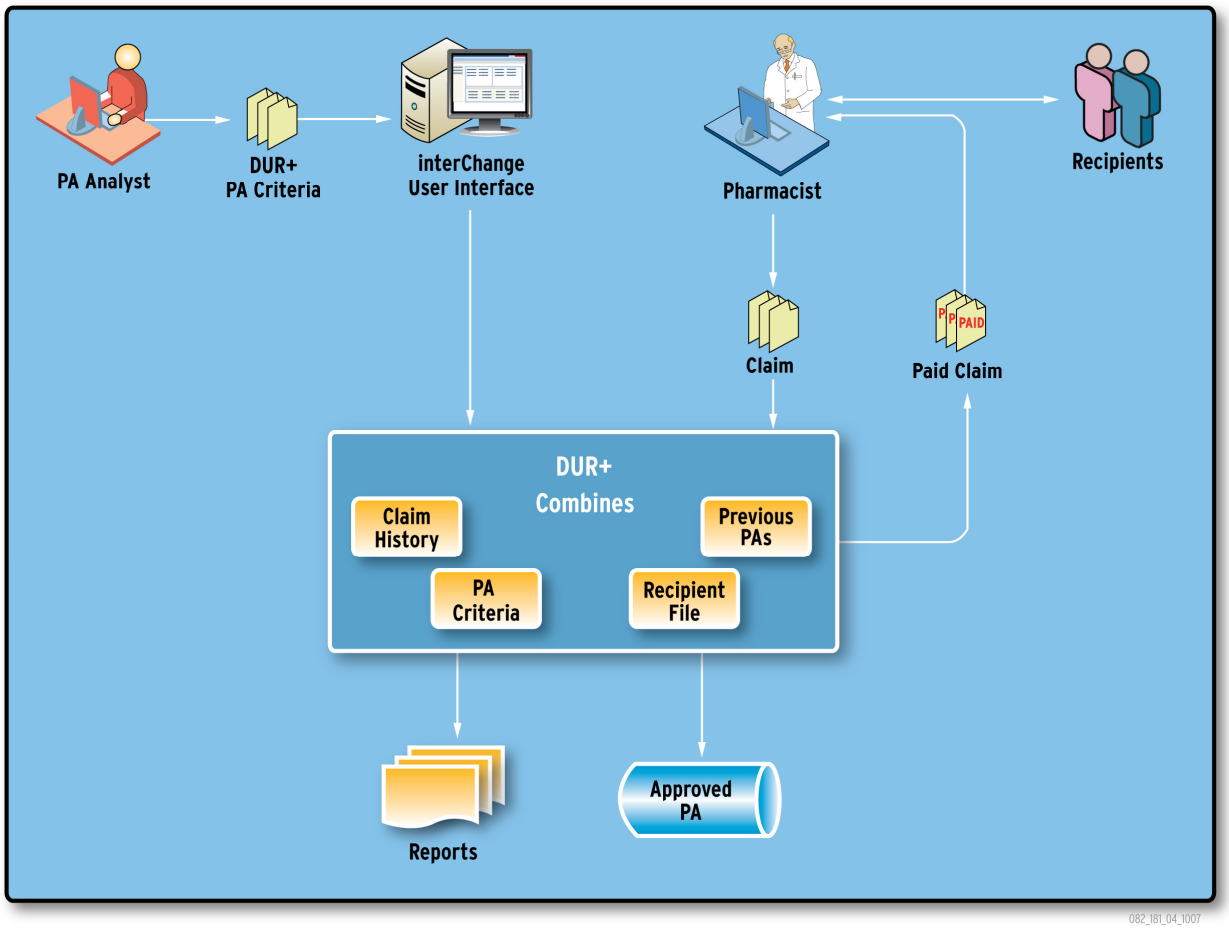
DUR+

The Replacement MMIS PA system will provide robust support to automatically generate pharmacy-related PAs in situations that meet State-defined criteria. The need for physician- or pharmacist-initiated pharmacy-related PA requests is vastly reduced through the use of the EDS DUR+ PA capability. DUR+ can automatically review the recipient data, existing PA history, medical- and pharmaceutical-related history, and State-configurable business rules to

determine if a PA can be automatically generated from a pharmacy claim in process. If the proper conditions are not met, the PA is not generated and the pharmacist or physician must submit a PA request, which will be reviewed by the appropriately trained PA staff for proper dispositioning.

The following exhibit, interChange DUR+ System Process, shows how the DUR+ system compares the new pharmacy claim entering the configured PA criteria, claims history, recipient information, and previously approved, related PA data to system-generate a new PA. This PA is then auto-approved for the PA requirements of the processed claim. This interChange feature makes pharmacy PA and claim processing more efficient for the provider community.

interChange DUR+ System Process



The number of manually entered pharmacy PA requests is reduced when the DUR+ system can auto-adjudicate defined PA policy for the State.

The following is a high-level review of the decision criteria that the DUR+ module evaluates to determine if a pharmacy PA request can be systematically defined and approved:

- **Base information—**This identifies the criteria used to establish the authorization. Criteria code can be established for an individual National Drug Code (NDC), generic code number (GCN), or therapeutic class (HIC3). It also can be established for groups of NDCs, generic products, or therapeutic classes.
- **Grandfathering—**This creates a new PA if a previous approval has expired or is close to expiration. It approves a new PA if there was already a related, previous PA on file for this condition. The system allows for each criterion to specify how soon before or after an authorization existed to trigger the creation of a new authorization. The system-generated PA is based on the number of units per day (dose ratio) and duration days.
- **Age—**This allows for coverage based on clinical exemptions for young or elderly recipients. It allows for parameters to be set to establish authorizations based on the recipient being in a specific age range. The PA is established based on the number of units per day (dose ratio) and duration days associated with the age of the recipient.
- **Primary diagnosis—**This allows for an authorization based on a specific condition being confirmed. Primary diagnosis can be included or excluded. An included diagnosis allows for a drug to be authorized for an appropriate use, while an excluded diagnosis prevents a PA from being created if it would be considered contraindicated. This allows for a specific daily dose based on diagnoses. A higher dose can be established for one disease state as compared to another. For example, rheumatoid arthritis and osteoarthritis are dosed differently, and the authorization is automatically created with the correct quantity being approved.
- **Secondary diagnosis—**This allows for an authorization based on a specific condition being confirmed. A secondary diagnosis can be included or excluded; an included diagnosis allows for a drug to be authorized for an appropriate use, while an excluded diagnosis prevents a PA from being created if it would be considered contraindicated. This allows for a specific daily dose based on diagnoses.
- **Full taxonomy/specialty—**This establishes the PA solely based on the practitioner specialty generating the prescription. This allows for special consideration to be given to a particular taxonomy. For example, for a 5HT3, if the recipient does not have a cancer diagnosis but the script is written by a provider with a taxonomy of hematologist or oncologist, the claim can be given special consideration, and a PA is established on the assumption that the recipient has a cancer diagnosis.
- **First/second line drug therapy—**This creates an authorization based on previous drug history. It can be included or excluded. Inclusion may be used for a step-therapy type of PA. For example, criteria for authorization

of COXIIs require previous use of two different NSAIDS. DUR+ allows for inclusion of a GC3 and can count two different GCNs out of the GC3 within a specified time period. Exclusion may be used for a situation where concurrent use of a particular type of drug may be contraindicated with the DUR+ drug. For example, the DUR+ may be for CNS stimulants. It is not necessarily appropriate for a recipient to also receive a CNS depressant. With exclusion, the CNS depressant GC3 can be excluded as first or second line drug therapy. Step therapy can be set to look at a policy-specific number of days in history. The system-generated PA is based on number of units per day (dose ratio) and duration days.

- **Co-morbid diagnosis—**This allows for specificity to the dose and consideration of a co-morbid condition. It can be included or excluded. For example, with the COXIIs, it may be included if the recipient has a diagnosis of gastric hemorrhage and the required first line drug therapy of NSAIDS would be contraindicated. Or, it may be excluded if the request is for a CNS stimulant and the recipient has a history of drug abuse.
- **Linking—**This allows for multiple criteria to be considered before granting an authorization. This flexibility allows for parameters such as age and step therapy to be combined before establishing an authorization. There is no limit of combinations that can be used.

The breadth of these criteria gives the State precise control over which PA approvals can be automated and which should be reviewed manually by a pharmacy professional.

The following table, DUR+ Criteria Evaluation Logic, lists the specific steps that the DUR+ system follows, the criteria evaluated at that step, and the outcomes of that evaluation for each step. These outcomes determine if the claim being processed qualifies for a DUR+ system-generated PA. Each of these PA criteria steps produces a different PA reason so the reviewers can tell instantly which criteria was matched to generate the PA.

This table indicates the following conditions and outcomes for each step:

- Condition tested (Step)
- Action taken if there is no criteria for this specific step (No Criteria)
- Action or outcome if the claim and related data matched the Include criteria (Matched Include Criteria)
- Action or outcome if the claim and related data did not match the Include criteria (Did Not Match Include Criteria)
- Action or outcome if the claim and related data matched the Exclude criteria (Matched Exclude Criteria)

DUR+ Criteria Evaluation Logic

Step	No Criteria	Matched Include Criteria	Did Not Match Include Criteria	Matched Exclude Criteria
Grandfather PA	Go to Min/Max Age Check	Create Grandfather PA if Link Indicator is set to No. If Link Indicator is set to Yes, the process checks the next criteria.	Go to Min/Max Age Check unless the Link Indicator is set to Yes. If Link Indicator is set to Yes, and this criteria did not match, the process stops and no PA is issued.	Not applicable
Min/Max Age Check	Go to Primary Diagnosis Check	Create Min/Max Age PA if Link Indicator is set to No. If Link Indicator is set to Yes, the process checks the next criteria.	Go to Primary Diagnosis Check unless Link Indicator is set to Yes. If Link Indicator is set to Yes, and this criteria did not match, the process stops and no PA is issued.	Not applicable
Primary Diagnosis	Go to Secondary Diagnosis Check	Create Primary Diagnosis PA if Link Indicator is set to No. If Link Indicator is set to Yes, the process checks the next criteria.	Go to Secondary Diagnosis Check unless Link Indicator is set to Yes. If Link Indicator is set to Yes, and this criteria did not match, the process stops and no PA is issued.	Not applicable
Secondary Diagnosis	Go to 1st Line Drug	Create Secondary Diagnosis PA if Link Indicator is set to No. If Link Indicator is set to Yes, the process checks the next criteria.	Go to 1st Line Drug unless Link Indicator is set to Yes. If Link Indicator is set to Yes, and this criteria did not match, the process stops and no PA is issued.	Not applicable
1st Line	Go to 2nd Line Check	Create 1st Line Drug PA if Link Indicator is set to No. If Link Indicator is set to Yes, the process checks the next criteria.	Go to 2nd Line Check unless the Link Indicator is set to Yes. If Link Indicator is set to Yes, and this criteria did not match, the process stops and no PA is issued.	No PA; quit
2nd Line	Go to Co-Morbid Check	Create 2nd Line Drug PA if Link Indicator is set to No. If Link Indicator is set to Yes, the process checks the next criteria.	Go to Co-Morbid Check unless Link Indicator is set to Yes. If Link Indicator is set to Yes, and this criteria did not match, the process stops and no PA is issued.	No PA; quit
Co-Morbid	Go to Taxonomy Check	Create Co-Morbid PA if Link Indicator is set to No. If Link Indicator is set to Yes, the process checks the next criteria.	Go to Taxonomy Check unless Link Indicator is set to Yes. If Link Indicator is set to Yes, and this criteria did not match, the process stops and no PA is issued.	No PA; quit
Taxonomy	Go to next DUR+ record	Create Taxonomy PA.	Go to next DUR+ record.	Not applicable

By using this configurable business logic, pharmacy PA clerks will not spend time "rubber-stamping" PA requests that the system can determine meet the appropriate criterion. They can use their time more productively working with physicians and pharmacists where the conditions fall outside of the defined parameters.

Effect on Claims Processing

The Replacement MMIS will allow authorized staff to determine the conditions where a service must have PA before it will pay. These services can be defined either through the use of benefit program administration (BPA) rules for individual services or through the use of audits for program limits, step therapy, or service contraindication. By using PA, providers can bypass the specific edits or audits that would otherwise prevent payment for services provided.

The provider does not need to supply the PA number on the claim during submission. The Replacement MMIS will use appropriate matching logic based on provider, recipient, service date, and services authorized to determine if there is a valid PA on file. PA approvals also can be payer-specific, allowing, for example, a PA to cover a DMH service but not a DMA service. Assuming there is a match, the system will bypass that edit or audit. If the claim remains in a payable condition, the PA will be associated with that specific claim, and the number of allowed units or dollars will be compared to the billed units or dollars. If the available PA units or dollars are less than billed, the system will either cut back the units or dollars with an appropriate explanation of benefits (EOB) or deny the service. The choice to cut back or deny is configured by selecting a check box at the individual edit or audit level.

Managing the PAs

The Replacement MMIS PA system gives authorized users the ability to change the services that require PA. It also gives users the following capabilities to research, document, and manage the existing PAs when they are supporting the PA business process:

- The State can revise the types of services (typically at the service code or benefit plan levels) for which PA is required. This is done through the interChangeRules rule-authoring process, where PA requirements can be set at nearly any level, from "All DME Service" to a specific procedure code for a motorized wheelchair.
- A specific PA will control the amount and length of time the State pays for a specific service for a specific recipient. interChange displays the list of claims that have used a portion of a PA and will present a running total of the remaining units or dollars related to that PA line item.
- The Replacement MMIS will provide the capability to change, at any time, the scope of services authorized and to extend or limit the effective dates

of authorizations. Multiple agencies can establish program-specific service authorizations.

- Online audit trails will capture changes made to PA data records by user ID and date and time stamp for future research and reference.
- The Replacement MMIS will enable reviewer notes entered online to be sent to a provider or recipient with the PA notice.
- The Replacement MMIS will support the identification of the status of PAs, including pending, approved, denied, and utilized, and allow searches of PAs based on their status.
- The Replacement MMIS will integrate the K2 workflow engine to enable management of the PA review processes to enforce consistency of reviews and balance the workload of reviewers.

Approach to Customization and Modifications

To meet the State's requirements for streamlined PA processing, we will integrate the following COTS products into the Replacement MMIS PA process:

- BizTalk 2006 for file integration and data transformation of batch files
- InRule for business rule authoring and execution
- K2 workflow engine for workflow and business process management

These products are described in detail in proposal section 50.2.4.1.1 Overview of System Solution and Solution for DDI.

BizTalk 2006 will provide the data integration and translation services for the PA files coming from the State-contracted PA vendors or PASARR vendors. The file integration, validation, and transformation capabilities will bridge disparate layouts from external vendors to quickly translate proprietary file formats into a consistent, usable record for continued processing. BizTalk 2006 will log the presence and processing of the files and perform configured data validation, including required fields, valid values, or valid format editing.

On completion of the transformation and translation of the data, it can provide an electronic notification, including e-mail, if desired, that the file has been received and processed. This notification can include the date and time the file was received, date and time processed, number of transactions received, number of transactions processed, number of transactions updated, and number of transaction errors, listing each error transaction and error reason.

InRule will provide a method for the authoring, management, and verification of application decision logic that involves rules, calculations, and user interfaces. InRule's declarative development approach captures business intent by allowing users to encode rules without the overhead of custom programming, which results in adaptive business processes. This process will use the effort EDS is already performing for DMA related to the uniform screening project in defining the appropriate PA program to assign based on a rules-determined level of care. The existing project can help jump-start the analysis and definition of the PA business rules to be configured in the Replacement MMIS.

We will combine the existing CMS-certified features of interChange with the rule-processing capability of the InRule rules engine and the K2 workflow engine. The combination of these products will result in North Carolina having one of the most robust PA functions of any state healthcare agency in the country.

The K2 workflow engine will enable the definition, routing, and monitoring of workflow processes and work queues based on defined business criteria and limits.

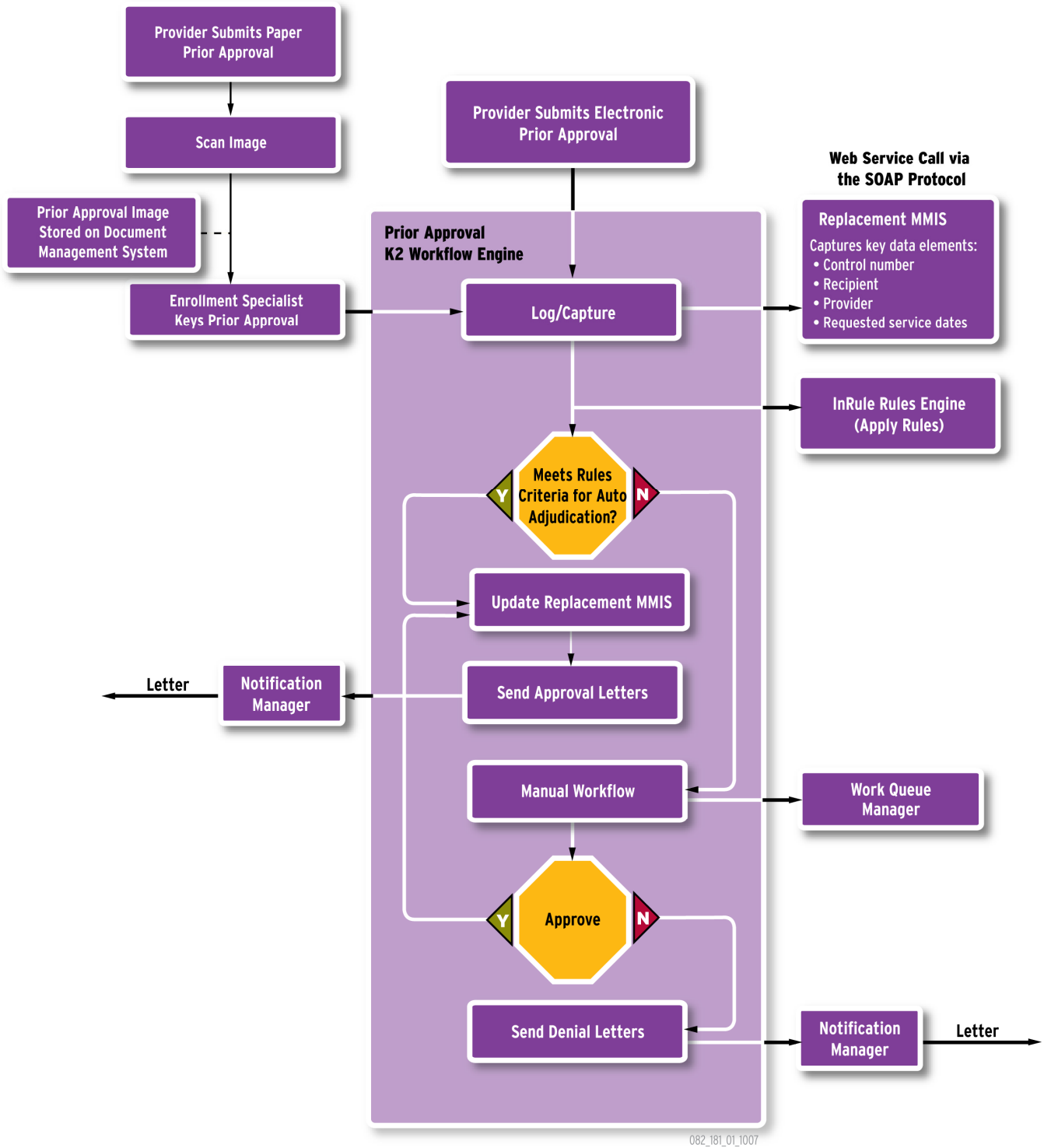
For the Replacement MMIS, we will combine the existing CMS-certified features of interChange with the rule-processing capability of the InRule rules engine and the K2 workflow engine. The combination of these products will result in the State having one of the most robust PA functions of any Medicaid agency in the country.

We will use automated workflow systems to route, review, adjudicate, track, and update PA and override requests and amendments. The K2 workflow engine will route electronic PA requests to the appropriate person immediately on receipt.

Each PA request also will be subjected to the rules defined by the InRule rules engine to further automate the decision-making process. Our solution will provide an automated tracking system for receiving, collecting, transmitting, and assigning PA and override requests to analysts for review. Service requests can be received as paper or electronic documents. Paper PAs will be scanned into the system and made available to analysts at their desktops through hypertext links.

The following exhibit, Workflow and Rules Engine Integration, shows how the K2 workflow engine and the InRule rules engine will be integrated into the Replacement MMIS.

Workflow and Rules Engine Integration



Using an automated workflow system, the Replacement MMIS will provide a system for routing, reviewing, adjudicating, tracking, and updating service authorization requests and amendments.

The request will be routed according to the workflow established for each of these transactions. For example, for electronic receipts, the workflow will immediately register the request and log it within the Replacement MMIS. PAs will be processed through the InRule engine, which will contain a repository of rules associated with PA processing. Before the transaction is assigned to a specialist, it will be processed against a defined rule set. For example, most of the referral requests will be auto-approved by the InRule process. If the PA can be systematically adjudicated according to predefined rules, the K2 workflow engine will update the Replacement MMIS with the approval or denial and call the notification service so the appropriate approval or denial letters can be generated. These letters will contain PHI, so they will be treated as secure documents.

PA requests that are not auto-adjudicated will be assigned to the appropriate staff or authorizing agency based on the rules and criteria of the automated workflow process. A work list will direct the specialist's actions by listing PAs that require attention or review. For example, a dental PA request would be immediately routed to an available dental specialist.

Using the proposed EDS solution, PA, override, and referral request forms will be imaged and made available for viewing in the Replacement MMIS. These imaged files, including notes or even scans of medical photographs, will be accessible by hypertext link from the PA pages. To maintain proactive control over PA receipt, each page of the request will be imaged on receipt in the mail room, and the electronic image will be routed through the electronic workflow process to the appropriate staff.

Enhancements to Functional Requirements

Besides integration of the COTS products previously described to extend the functionality of the PA system, we will enhance the current capabilities of interChange to meet the specific requirements set forth in this RFP. We will add the following functionality to interChange:

- Accept, inquire on, update, utilize, and report on referral requests from providers, including allowing submittal and inquiry along each of the other PA pathways such as the Web portal, EDI, and AVRS
- Accept PA, override, and referral requests through the AVRS
- Provide the capability to manage and adjudicate PA requests for individuals who are not currently on the recipient file
- Provide the capability to encumber funds associated with approved PAs
- Provide the capability to establish variable recipient copayment percentages on a PA
- Enhance the reporting capability to meet the specified needs of the State

- Enhance the pharmacy PA capabilities to use the additional fields of GCN, American Hospital Formulary Service (AHFS), therapeutic class, or other specified FDB-selected data element
- Enhance the PA system to use and search by category of service or override number
- Provide the capability to tie the date of delivery to the PA logic for Medicaid for Pregnant Women (MPW)
- Make available to a provider the last 25 unique referred provider IDs and provider names used during the submission of referrals by Web entry
- Provide the capability for online searchable tracking of therapeutic leave in child care facilities, nursing facilities, and intermediate care facilities for the mentally retarded
- Provide additional search capabilities for covered drugs

Response to Prior Approval System Requirements

EDS has performed a detailed review of the requirements of the RFP and compared them to the capabilities of interChange. By combining the current PA capabilities of interChange with the COTS BizTalk 2006, InRule, the K2 workflow engine and custom code, EDS will implement a PA system that meets the State's requirements.

The following tables map the general, customer service center, therapeutic leave, and pharmacy benefits management PA requirements to our solution. Where appropriate, we have listed the existing interChange user interface panels, reports, and processes that meet the stated requirements. We also have identified when an integrated COTS piece of software is used to meet the requirements.

General PA System Requirements

The following table, EDS Response to General PA System Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to General PA System Requirements

RFP No.	RFP Requirement	EDS Response
40.7.1.1	Provides capability to receive and adjudicate prior approval requests and adjustments	Met by interChange. The PA panels (whole subsystem), EDI 278, Web portal, and batch file transfers allow PA information to be received and processed. Corrections, medical reviews, and appeals are supported to modify the PAs. Claims processing and adjustment capabilities either add or subtract from any limits on units or dollars as appropriate.
40.7.1.2	Provides capability to integrate prior approval	Met by interChange. Claims processing accesses PA tables

RFP No.	RFP Requirement	EDS Response
	functionality for all applicable claims and benefit plans (services and drugs)	to determine if PA is available as needed. If a claim uses PA to process, the claim is linked to that PA number and can be viewed from the PA panels. For pharmacy-related processing, the DUR+ system can actually generate a PA according to predefined rules as appropriate.
40.7.1.3	Provides capability for secure electronic submissions of adjudicated Prior Approval data from State-contracted Prior Approval vendors	Met by interChange, with a portion of the requirement requiring customization code. interChange can receive batch files of PA information and process and store the data on the PA tables. EDS will configure the BizTalk 2006 data integration server to meet the specific proprietary formats of the State and incorporate the specific required business rules.
40.7.1.4	Provides capability for receipt and response of prior approval and referral requests and adjustments via a secure electronic transmission medium, such as AVRS/IVR, Web, ASC X12 278 transactions, and/or NCPDP	Met by interChange, with a portion of the requirement requiring customization code. interChange currently accepts and processes PAs from the Web, ASC X12 278 transactions, and NCPDP transactions. It will be expanded to accept PAs from a 278 content—compliant AVRS/IVR system.
40.7.1.5	Provides capability to receive and manage prior approval, override, and referral requests via telephone, mail, and fax	Met by interChange, with a portion of the requirement requiring customization code. interChange can receive and manage PA and override requests by telephone, mail, and fax. It will be enhanced to receive and manage referral requests in the same manner.
40.7.1.6	Provides capability to create and maintain electronic copies of all prior approval, override, and referral requests and all supporting documentation, including medical photographs	Met through COTS integration. The EMC | Documentum electronic document management system (EDMS) allows for the storage, retrieval, and presentation of a large number of media formats, including medical photographs.
40.7.1.7	Provides capability to electronically link supporting documentation to prior approval, override, and referral request for on-demand online retrieval by staff	Met through COTS integration. Documentum allows for the storage, retrieval, and presentation of a large number of media formats. The PA subsystem will be customized to associate the specific documents, such as attachments and supporting documentation, with the PAs and present them through the online panels.
40.7.1.8	Provides capability for real-time, online prior approval and referral adjudication and notification of response via secure electronic transmission medium, such as AVRS/IVR, Web, ASC X12 278 transactions, and/or NCPDP	Met by interChange, with a portion of the requirement requiring customization code. interChange supports real-time PA adjudication and notification for Web and NCPDP content and near—real-time adjudication for ASCX12 278 transactions. The system will be enhanced to process PA requests through AVRS/IVR in real time and process referral requests through these media formats.
40.7.1.9	Provides capability to review online claims and stored electronic health information	Met by interChange. The Claims Inquiry panel within PA links the specific claims associated with a PA and shows the units and dollars used by each claim against the PA. Clicking on the ICN opens the entire claim detail.
40.7.1.10	Provides capability for automated screening of drug	Met by interChange, with a portion of the requirement

RFP No.	RFP Requirement	EDS Response
	claims to ensure that evidenced-based, drug-specific criteria are met for pharmacy claims, medical claims data (ICD-9/ICD-10, revenue, and CPT codes), laboratory data, and eligibility data	requiring customization code. The DUR+ system currently uses evidence-based, drug-specific criteria using pharmacy claims, medical and UB claims, ICD-9 diagnosis codes, and eligibility data. It will be modified to include laboratory data and revenue codes for the State and to use ICD-10 data if it becomes available.
40.7.1.11	Provides capability for entry, inquiry, updates, and reporting for prior approvals, overrides, and referrals	Met by interChange, with a portion of the requirement requiring customization code. The PA system supports entry, inquiry, updates, and reporting for PAs and overrides. The system will be enhanced to handle referrals.
40.7.1.12**	Provides capability to manage and adjudicate prior approval requests for individuals who are not currently on the Recipient File	Met by interChange, with a portion of the requirement requiring customization code. interChange will be modified to suspend a PA request if the recipient ID requested is not on file. That PA request could be reprocessed after a State-determined time frame. The status of the PA request could be set to Approved if the recipient became enrolled, or Denied if the recipient was not eligible within a specified time frame.
40.7.1.13	Provides capability for entry and adjudication of prior approval request by LOB	Met by interChange. The PA Type panel allows for account-defined groupings of PA categories such as lines of business. Additionally, there are funding codes available to differentiate the different programs that would be funding the PA request.
40.7.1.14	Provides capability for online, real-time update and adjudication of prior approval requests by State and State Prior Approval contractors	Met by interChange. The PA system fully supports online, real-time update and adjudication of PA requests by the State and the State's PA contractors with appropriate security credentials.
40.7.1.15	Provides capability for interface with State-contracted Prior Approval vendors to accept adjudicated prior approvals	Met through COTS integration. The BizTalk 2006 integration layer allows for the simple configuration of file sharing and transformation. Preapproved PA requests can simply be stored within the PA tables. Those needing to be adjudicated against State-defined business rules can have the transactions processed through the InRule business logic prior to writing to the PA tables.
40.7.1.16	Provides capability for interface with the contracted Pre-Admission, Screening, and Annual Resident Review (PASARR) Vendor and retain PASARR number and associated start/end dates	Met through COTS integration. The BizTalk 2006 integration layer allows for the simple configuration of file sharing and transformation. Preapproved PASARR requests can simply be stored within the PA tables. Those needing to be adjudicated against State-defined business rules can have the transactions processed through the InRule business logic prior to writing to the PA tables.
40.7.1.17	Provides capability to retain the relationship of recipient-based hospice information (recipient, diagnosis, provider, and coverage dates)	Met by interChange, with a portion of the requirement requiring customization code. The Recipient Level of Care panel contains this information with the exception of the

RFP No.	RFP Requirement	EDS Response
		diagnosis, although it does include a reason for the level of care. This will be enhanced to include the diagnosis code.
40.7.1.18	Provides capability for a secure online entry of overrides and referrals	Met by interChange. The PA function's application security has panel-level and even field-level security that restricts access to enter or update information into interChange.
40.7.1.19	Provides capability to enter comments (free-form text) within a prior approval, referral, or override	Met by interChange. The Internal Text panel allows entry of notes at the PA or line item level, tracking who and when the notes were written. Additionally, interChange supports external text, which allows notes or instructions unique to this PA to be presented to the provider through the PA notification letter or the Web site.
40.7.1.20	Provides capability for online inquiry, data entry, and update access for prior approval, referral, and override requests 6:00 A.M. until 11:00 P.M. Eastern Time Monday through Friday and 7:00 A.M. to 7:00 P.M. on Saturday and Sunday	Met by interChange and operational processes and procedures.
40.7.1.21	Provides capability for tracking prior approval date of receipt, date of decision, denial/reduction in service reason, and decision notification date	Met by interChange. The PA Information panel includes the date of receipt, the date keyed, the review date, the date mailed, the date an update was received, the date the update was reviewed, and any decisions, reasons, and status.
40.7.1.22	Provides capability for tracking override date and time of receipt and date decision was rendered	Met by interChange. The PA Administrative Review panel displays the date received and date mailed for administrative reviews. The Appeal panel displays the date received, appeal date, mail date, and dismiss date.
40.7.1.23	Provides capability to generate Prior Approval statistical processing report detailing contracted Prior Approval vendors' submissions that indicates the date and time file received, date and time processed, number of transactions received, number of transactions processed, number of transactions updated, and number of transaction errors, listing each error transaction and error reason	Met by interChange, with a portion of the requirement requiring customization code. interChange will accept the batch PA files from the State's vendors through the data integration capabilities of BizTalk 2006. The data transformation capabilities and customizable business logic inherent in BizTalk will be used to generate the necessary operational processing reports.
40.7.1.24	Provides capability to ensure each keyed prior approval, referral, and override by Fiscal Agent, State agency, or vendor has complete audit trail	Met by interChange. Every update to the database table triggers an audit record to be generated, which is viewable online through the PA Audit Table panels.
40.7.1.25	Provides capability to enter prior approval, referral, and override services and limitations	Met by interChange, with a portion of the requirement requiring customization code. The interChange PA and claims processing system allows analysts to enter services and limitation constraints that would require PA and override requests. It will be enhanced to process referral requests similarly.
40.7.1.26	Provides capability to retain prior approvals for each	Met by interChange. The system will be sized appropriately

RFP No.	RFP Requirement	EDS Response
	State program's recipients for five (5) years from last occurrence online and an additional five (5) years near-line; provides capability to maintain all usage by recipient for those benefits that are considered to be periodical or lifetime	to store the PA data online for the expected life of this contract.
40.7.1.27	Provides capability to retain overrides and referrals for each recipient for five (5) years from last occurrence online and an additional five (5) years near-line	Met by interChange. The system will be sized appropriately to store the override and referral data online for the expected life of this contract.
40.7.1.28	Provides capability to assign system-generated unique prior approval, referral, and override numbers to approved, pended, and denied requests	Met by interChange. Each PA, referral, and override request written to the database will be given a unique number, which will never change. This is available through the PA Informational panel.
40.7.1.29**	Provides capability to encumber funds associated with approved prior approval/authorizations	Met by interChange, with a portion of the requirement requiring customization code. EDS will modify the system to provide the capability to encumber funds associated with approved prior approval/authorizations.
40.7.1.30**	Provides capability to establish variable recipient co-pay percentages on a prior approval	Met by interChange, with a portion of the requirement requiring customization code. interChange provides the capability to define and apply variable copayment rules based on benefit plan. We will modify this capability slightly if needed to meet the requirements of the RFP.
40.7.1.31	Provides capability for incrementing approved units, Prior Approval pricing amounts, and frequencies of authorizations resulting from adjusted claims and voided claims or fully refunded claims back to the Prior Approval data	Met by interChange. The PA and claims adjudication process work together to automatically credit back any PA units or dollars for any claim that is adjusted, voided, or fully refunded. This is done through the claims list, which relates the claims associated to a given PA. When that claim is adjusted, it is backed out of the PA, and the replacement claim, if there is one, will again use those units and dollars.
40.7.1.32	Provides capability for decrementing approved units, Prior Approval pricing amounts, and frequencies of authorizations of services reimbursed from paid claims, adjusted claims, and fully refunded claims to Prior Approval data until all services are used up or zero units remaining within approved timeframe in which time closure of prior approval should occur	Met by interChange. This is exactly how interChange works. Each new claim that uses some or all of a PA to adjudicate is associated with that PA and will decrement the number of available dollars and units. If the claim is backed out, as through an adjustment, the value is returned. After the available units or dollars reach zero or the claim is outside the approved time frame, that PA will not be used to authorize additional payment.
40.7.1.33	Provides capability to generate letters of notification for approved, denied, reduced, or pended prior approval requests	Met by interChange. The Letter Generator triggers PA notices to be produced based on a number of conditions, including approved, denied, reduced, or pended PA requests. These letters include both standard and free-form text and incorporate variables such as provider, recipient, or referring provider information directly from the PA request.
40.7.1.34	Provides capability for automated denial of prior	Met through COTS integration. The criteria used to automate

RFP No.	RFP Requirement	EDS Response
	approval and referral requests for providers who are determined to be on suspension or under review	many approval or denial decisions will be incorporated into the InRule rules engine. PA requests that meet defined criteria will be adjudicated immediately. Those that do not meet specific criteria or where the rule decision is defined to suspend will be included in the workflow of the PA analysts for human review and action.
40.7.1.35	Provides capability to request prior approval recipient profiles by name, recipient ID number, specific or range of time from five-year (5-year) Prior Approval history online; near-line five (5) years and lifetime procedures in State-approved format	Met by interChange, with a portion of the requirement requiring customization code. EDS will build a customized report with the Business Intelligence and Analytical Reporting (BIAR) capabilities to meet this requirement.
40.7.1.36	Provides capability to apply Prior Approval logic by LOB, benefit, and recipient eligibility category	Met by interChange. interChange has various methods to indicate if a PA is required for a service, including the benefit program administration rules process and the audit process. Each of these can be used to apply PA logic by line of business, benefit, or recipient eligibility category.
40.7.1.37	Provides capability for online, updateable letter templates to all prior approval letters with the ability to add free-form text specific to a provider or recipient	Met by interChange. The integrated COTS Letter Generator provides configurable online, updatable letter templates with the ability to incorporate fixed, variable, and free-form text. The business rules that trigger which of these letter templates to use also are configurable.

Prior Approval Customer Service Center Requirements

The following table, EDS Response to Prior Approval Customer Service Center Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Prior Approval Customer Service Center Requirements

RFP No.	RFP Requirement	EDS Response
40.7.1.38	Provides capability to support inquiries regarding prior approval, referrals and overrides from physicians, pharmacists, recipients, and other health care professionals	Met by interChange. interChange supports PA inquiries using HIPAA-compliant standards from the secure Provider Web Portal through an ASC X12 278 transaction or by telephone.
40.7.1.39	Provides capability to generate a prior approval to limit drug claims for a specific NDC, GCN, GCN-Sequence, GC3 therapeutic class, American Hospital Formulary Service (AHFS) therapeutic class, or any other State-determined FDB-selected data element	Met by interChange, with a portion of the requirement requiring customization code. The interChange DUR+ system can automatically generate PAs based on business rules and claims data. Currently, the logic supports age, primary diagnosis, secondary diagnosis (for disease states), taxonomy of the prescriber, NDC, GCN-Sequence or GC3. It will be expanded to include the GCN and AHFS therapeutic class or the specific FDB data elements determined during requirements validation.

RFP No.	RFP Requirement	EDS Response
40.7.1.40	Provides capability to change services authorized and to extend or limit the effective dates of the authorization while maintaining the original and the change data on the prior approval, referral, or override	Met by interChange. The PA Line Item panels allow updates to services or dates, which is sometimes triggered by a medical review or an appeal. The audit trail holds a history of the prior values. New letters can be triggered for changed services to either the provider or recipient, or both.
40.7.1.41	Provides capability to search prior approval and overrides by service type, name of provider (issuing and authorized), provider number, name of recipient, recipient number, prior approval and override number, category of service, clerk identification, effective dates, prior approval type, diagnosis, HCPCS, or revenue code and any combinations thereof	Met by interChange, with a portion of the requirement requiring customization code. interChange allows for PA searches based on the following fields in combination: PA number, recipient ID, recipient name, provider ID or name, service provider ID or name, analyst, reviewer, diagnosis, revenue code, HCPCS code, NDC, authorization effective date, authorization end date, or PA status. The PA system will be modified to store category of service and override number, which will be added to the search capability.
40.7.1.42	Provides capability to search referrals by recipient ID, referring provider ID, referred provider ID, and referral number	Met by interChange, with a portion of the requirement requiring customization code. interChange will be modified to search for referrals based on recipient ID, referring provider ID, referred provider ID, and referral number.
40.7.1.43	Provides capability to validate the need for prior approvals based upon NDC, GCN, GCN-Sequence, GC3 therapeutic class, AHFS therapeutic class, or any other State-determined FDB-selected data element	Met by interChange, with a portion of the requirement requiring customization code. The interChange BPA rules can be written using various FDB fields as the criteria. Any of these could be used to determine that a PA is required to authorize a service for a given benefit plan.
40.7.1.44	Provides capability to dispense a seventy-two-hour (72-hour) supply of drugs without prior approval in emergency situations	Met by interChange. interChange uses logic including the emergency indicator on the claim and a day's supply of three or less to bypass PA requirements.
40.7.1.45	Provides capability to tie in the date of delivery to the Prior Approval logic for Medicaid for Pregnant Women (MPW) (actually requiring prior approval for anything but postpartum care after the date of delivery)	Met by interChange, with a portion of the requirement requiring customization code. EDS will customize the PA process to include logic using the date of delivery for pregnant women for services prior to the delivery date.
40.7.1.46	Provides capability for inquiry and update of prior approval, overrides, and referrals reason/exception codes and descriptions	Met by interChange. The PA Reason panel provides the ability to inquire, update, or add reason and exception codes and descriptions.
40.7.1.47	Provides capability to edit DME prior approvals online to include: Valid provider identification and eligibility, including other payers and place of residence Valid recipient age for service Duplicate approval check for previously authorized or previously adjudicated services, including the same service over the same timeframe by different providers	Met through COTS integration. EDS will use InRule to define the business rules and compliance checks needed for the authorization of new PA requests. Those rules can use additional data and perform the necessary evaluations. If a business rule to approve or deny is found, that PA status will be assigned; otherwise, the PA request will be sent to an appropriate work queue for human review.
40.7.1.48	Provides capability to maintain multiple referral types	Met by interChange, with a portion of the requirement requiring customization code. EDS will work with the State to

RFP No.	RFP Requirement	EDS Response
		fully define this requirement and build an appropriate solution for multiple referral types in the PA process.
40.7.1.49	Provides capability for data validation and duplicate prior approval, referral, and override editing	Met by interChange, with a portion of the requirement requiring customization code. interChange performs a significant number of data validations and integrity checks before a PA is allowed to be saved to the system. Those validity checks occur at the entry points (batch file transfer, EDI compliance, Web portal, online panel) to prevent invalid or incomplete data from being applied. EDS will develop appropriate InRule logic to prevent duplicate PAs from being allowed.
40.71.50	Provides capability for authorized users to search for a provider number for purposes of authorizing a referral	Met by interChange. The PA Base panel has search capability for the provider or recipient numbers to assist the analyst in getting the right codes for the PA. This capability will be extended to referrals that will use the same online pages.
40.7.1.51	Provides capability to make available to a provider, his/her last twenty-five (25) unique referred-to provider IDs and provider names used during the submission of referrals via Web entry	Met by interChange, with a portion of the requirement requiring customization code. EDS will build an additional panel, available through the Provider Web Portal, which will meet this need.
40.7.1.52	Provides capability to return to the provider, upon successful submission of a referral, a confirmation page in a readable PDF format	Met by interChange, with a portion of the requirement requiring customization code. The confirmation page of a PA submission through the Web will be made available in a printer-friendly PDF format.
40.7.1.53	Provides capability to allow the referring provider and the referred-to provider to inquire on referrals	Met by interChange, with a portion of the requirement requiring customization code. Currently the referring provider can inquire on PAs—and, by extension, referrals—through the Provider Web Portal. EDS will modify the security protocols for the Web to allow referred-to providers to inquire on PA referrals that they are a part of using a HIPAA-compliant inquiry.
40.7.1.54	Provides capability to produce a report that lists all open referrals not used within a specified period of time	Met by interChange, with a portion of the requirement requiring customization code. EDS will develop a standing report that can be run on a schedule to identify the open referrals not used within a specified period of time.
40.7.1.55	Provides capability for a monthly report that lists the total number of referrals processed within a given month, broken out by referral media type and referral type	Met by interChange, with a portion of the requirement requiring customization code. A new report will be generated to meet this requirement.
40.7.1.56	Provides capability for workflow imaging application, to enable automated processing and work queue functionality for prior approvals and overrides	Met through COTS integration. The K2 workflow engine will be integrated into the PA workflow to manage the work queues for PAs and overrides.

Searching and Tracking of Therapeutic Leave Requirement

The following table, EDS Response to Searching and Tracking of Therapeutic Leave Requirement, describes how we will meet the requirement set forth in the RFP.

EDS Response to Searching and Tracking of Therapeutic Leave Requirement

RFP No.	RFP Requirement	EDS Response
40.7.1.57	Provides capability for online searchable tracking of therapeutic leave in child care facilities, nursing facilities, and intermediate care facilities for the mentally retarded (ICF-MR) by patient identification number and number of days used per calendar year to State staff	Met by interChange, with a portion of the requirement requiring customization code. EDS will work with the State to more fully define this requirement and build an appropriate solution based on the associated claims data for the therapeutic leave occurrences.

Pharmacy Benefits Management Requirements

The following table, EDS Response to Pharmacy Benefits Management Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Pharmacy Benefits Management Requirements

RFP No.	RFP Requirement	EDS Response
40.7.1.58	Provides capability for workflow imaging and work queue functionality to ensure that prior approval requests are listed in each work queue based on first in, first out	Met through COTS integration. The K2 workflow engine will be integrated into the PA workflow to manage the work queues for PAs based on first-in, first-out or other defined prioritization schemes. The K2 workflow engine provides supervisors significant control in changing work queues throughout the day as needs change.
40.7.1.59	Provides capability to generate adjudicated prior approval appeal letters to recipients and providers when prior approval was denied or reduced	Met by interChange. The integrated COTS Letter Generator tool, DOC1, supports producing letters to recipients and providers in a number of predefined or on-demand circumstances, including when PAs are denied or reduced.
40.7.1.60	Provides capability to identify and capture recipient drug information where aberrant drug patterns have been identified	Met by interChange, with a portion of the requirement requiring customization code. We will develop a customized report in the interChange BIAR area to identify and report on recipients showing these patterns of activity.
40.7.1.61	Provides capability for providers to link to the DHHS Web site to obtain the current Prescription Advantage List (PAL) and other pharmacy-related information	Met by interChange, with a portion of the requirement requiring customization code. We will include a link to these sites, as required.
40.7.1.62	Provides capability to ensure verification of recipient eligibility, provider program participation, and third party coverage during adjudication of prior approvals	Met through COTS integration. We will use InRule to define the business rules and compliance checks needed for the authorization of new PA requests. Those rules can use recipient eligibility, provider program participation, or

RFP No.	RFP Requirement	EDS Response
		available TPL coverage to perform the necessary evaluations. If a business rule to approve or deny is found, that PA status will be assigned; otherwise, the PA request will be sent to an appropriate work queue for human review.
40.7.1.63	Provides a prior approval Web site (prior approval-enhanced pharmacy program Web site to include: Home page/Welcome page, What's New section, prior approval list/criteria, prior approval forms, authorization via e-mail, provider information, FAQs, Contact Us page, link to NC Medicaid Home page), and PAL, including upgrades to drug list, updates to criteria, EBM prescriber updates to clinical pearls, and updates to information for providers and recipients	Met by interChange, with a portion of the requirement requiring customization code. EDS will build custom Web pages to house this PA-specific information. This type of Web portal is similar to those we already host and will primarily include the gathering, publishing, and maintenance of current information related to the PA program. The framework for these types of pages is part of interChange. We will simply publish the requested information and links in a user-friendly fashion.
40.7.1.64	Provides for search capability of covered drugs by: • Effective, termination, or a range of dates • NDC. Generic name, brand name • HICL, HICL-Sequence, HICL code, GCN, GCN-Sequence, GNN, label name manufacturer, UPC, GC3, TxCL, AHF	Met by interChange, with a portion of the requirement requiring customization code. interChange allows search of the drug reference data by NDC, generic name, brand name, label name (all names include Soundex), or GCN-Sequence. Advanced sort criteria will be added to include HICL, HICL-Sequence, HICL code, GCN, GNN, UPC, GC3, TxCL, and AHF therapeutic class as well as effective and termination dates.

40.8.1 Claims Processing System Requirements

The rules-based, table-driven design and real-time processing for all claim types in the Replacement MMIS will provide unparalleled efficiency and flexibility for the support of the State's programs. State users will be able to quickly and easily change business rules and update tables that will immediately affect the way claims process.

State of North Carolina

Accurate and expedient claims processing is the heart of the interChange system. It provides the life blood to support the healthcare administration needs of North Carolina.

Our Replacement MMIS claims business process solution will provide strict enforcement of the capture, control, editing, and auditing of claims and encounter data from receipt to final disposition in accordance with State policies. The interChange application controls and processes encounter claims in the same manner as fee-for-service claims, except encounters do not generate payments. The rules-based, table-driven design and real-time processing for every claim type in interChange provides unparalleled efficiency and flexibility for the support of the State's programs. State users can quickly and easily change business rules and update tables that will immediately affect the way claims process. interChange is already processing more than 225 million claims and more than 100 million encounters annually across our existing five production installations.

The interChange claims engine provides real-time adjudication of every claim type, whether submitted electronically or on paper. Providers can access a secure Web site to submit any claim type for processing and receive an immediate, fully adjudicated response, including pricing. If they receive a denial due to an improperly billed claim, such as an invalid diagnosis code, they can copy the denied claim, correct it, and resubmit it through the Web in seconds. This capability will increase provider satisfaction as adjudication time decreases and they are able to check the status of a newly submitted claim in real time.

The objectives of the Replacement MMIS claims business process function include the following:

- Capture claims and encounters in a timely and accurate manner
- Monitor and track location and status of claim and encounter transactions, from receipt to data capture to final disposition
- Edit, audit, and price claims in real time according to established State policies, procedures, and benefit limitations
- Determine the appropriate payer of a service based on an established hierarchy of benefit plans

- Calculate the appropriate claim and detail reimbursement amount according to State payment methodologies
- Provide exact balancing of claims transactions

How the Claims Engine Works

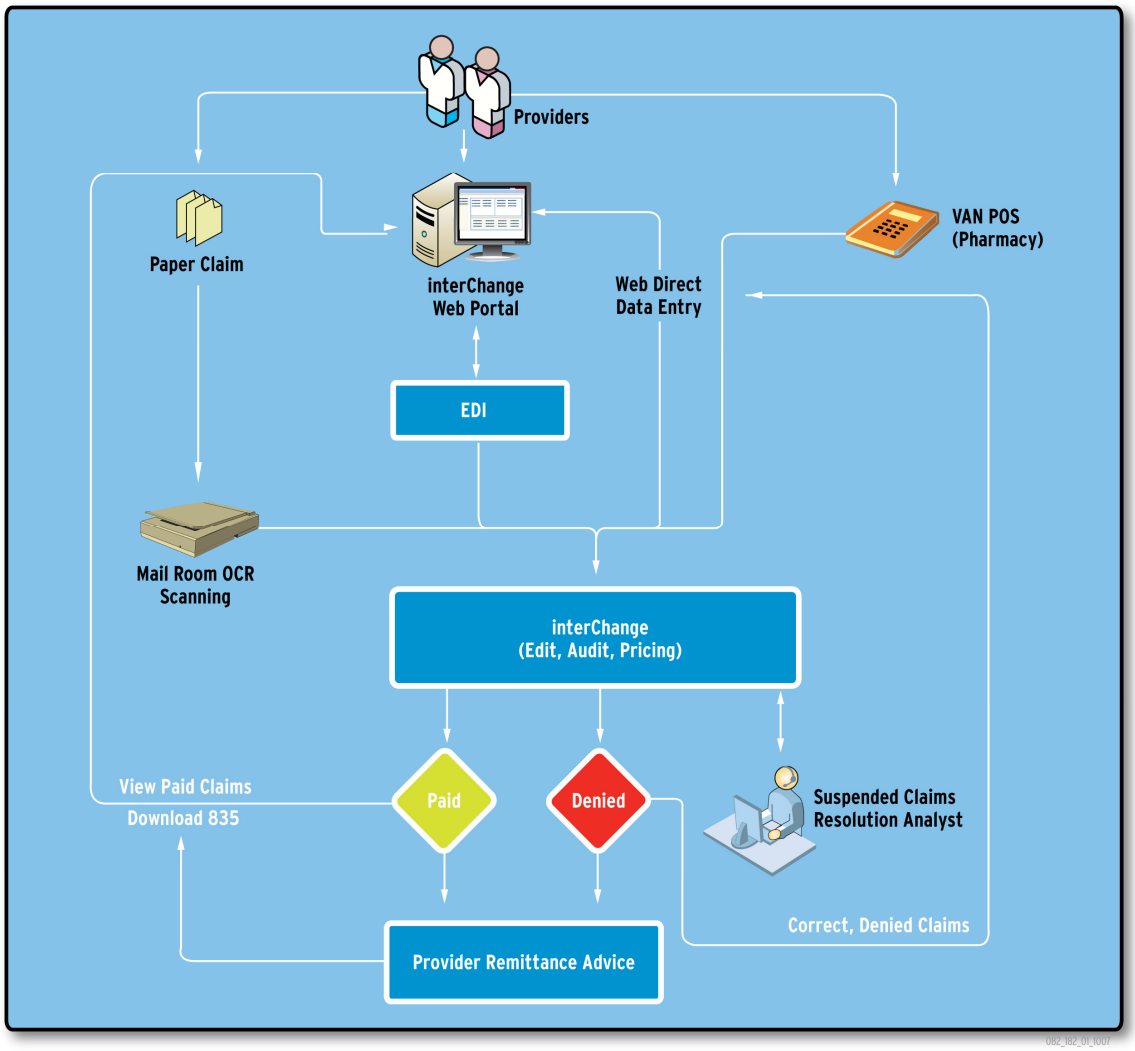
interChange processes claims through an interrelated and interactive series of events. In this section, we discuss these claims processing events as follows:

- Accepting claims
- Editing claims
- Pricing claims
- Auditing claims
- Assigning disposition
- Resolving suspended claims
- Determining payment
- Maintaining claim transaction history

Unlike other systems that only alert providers of the claim's intent, interChange fully adjudicates the claims to finalization in real time. It is not necessary to wait for a batch cycle to run. The transaction-based capabilities of the interChange claims system transform the way providers can interact with the MMIS, giving them direct access to claim submission and adjudication.

The following exhibit, Claims Flow Through interChange, illustrates how the claims process works.

Claims Flow Through interChange



Providers can submit claims by paper, POS, EDI, or Web. Similar claims are translated into a common format and processed by a single claim engine. Responses are returned based on the channel submitted, with the claims, including suspended claims, presented on the RA and available through the Web.

Accepting Claims

As shown in the previous exhibit, interChange accepts claims through a variety of media, including direct data entry submission through the Web portal, HIPAA-compliant electronic transactions, and entry of paper claims and pharmacy claims through VANs. Similar claim forms, such as medical claims or outpatient claims, are translated into consistent internal formats for processing, regardless of how they are received.

Editing Claims

Claims and encounters are subjected to system edits to validate compliance with State policies and medical criteria. Every claim is adjudicated to the fullest extent

possible, and the system design allows an unlimited number of edits posted. The system dispositions claims based on the error disposition rules.

During editing, interChange accesses data from the following MMIS functional areas to validate the claims data:

- Recipient
- Provider
- Coverage and pricing rules
- Reference for diagnosis and edit and audit disposition
- Prior approval (PA)
- Cost avoidance, including third-party liability (TPL)

If a claim or encounter passes through the editing function without an error, it is forwarded to the pricing function for initial pricing. The Replacement MMIS will post all possible errors for a claim during the initial processing. It will provide table-driven, online, real-time, customizable business rules that can be easily configured and adapted to accommodate changing business needs.

Pricing Claims

interChange is a versatile, dynamic system that can price claims according to multiple, distinct methodologies for different recipient populations. Multiple pricing and reimbursement methodologies are maintained to appropriately price claims according to the required specifications. The specific list of pricing methodologies available for a given recipient, provider, and service combination is configured through the reimbursement agreement rules using online panels. Claims will price using multiple, proven pricing methodologies to validate that each service is reimbursed accurately in full accordance with the payment policies established by the State.

Reimbursement rates, whether fee-for-service (FFS) or managed care, are maintained in online tables with date-specific price segments. This approach supports fast changes to pricing criteria and provider relationships because State-authorized staff can make immediate changes to table-driven pricing data, rather than waiting for technical personnel to implement the change. Depending on the pricing methodology used, the system matches the claim service date to the appropriate segment from the provider rate, fee schedule, or managed care payment tables. This method allows services to be reimbursed at the price in effect on the day the service was rendered.

interChange is driven by user-updateable tables, such as fee schedules and provider-specific rate tables, as well as recipient cost-sharing tables such as patient liability and spend-down and TPL tables. These tables provide the claims adjudication system with the data necessary for calculating the appropriate claim and detail payment for each service according to the rules and limitations applicable to each claim type, category of service, and type of provider.

To accurately price claims and encounters, the pricing function of interChange accommodates deductions to the calculated allowed amount, including payments from other insurance carriers (TPL amounts), recipient cost share such as spend-down and copayments, and Medicare paid amounts.

Auditing Claims

After claims editing and initial pricing is determined, the system performs duplicate, relationship, contraindicated, step, and limitation audits to validate compliance to State policies and medical criteria.

The Replacement MMIS will audit claims against defined service, policy, and payment parameters in accordance with the North Carolina Medicaid plan and established state and federal guidelines. interChange supports audit processing with a user-driven, rules-based table structure that contains the criteria for audits. Trained and authorized users define customized audits online through a series of audit criteria pages. Then, interChange performs automated audit processing on claim records using paid history claim records and week-to-date claim records across provider and claim types. We will extend the code to also consider suspended claims.

Assigning Disposition

Based on the results of claims editing, auditing, and claim dispositioning, a claim is paid, denied, or suspended for further review and processing. Paid and denied claims are forwarded to the financial function for processing in the financial cycle. As shown in the previous exhibit, Claims Flow Through interChange, claims suspended for further review and processing go to claims resolution specialists or medical review. These claims are available for immediate viewing by authorized users through interChange and by the billing providers through the Web portal.

Resolving Suspended Claims

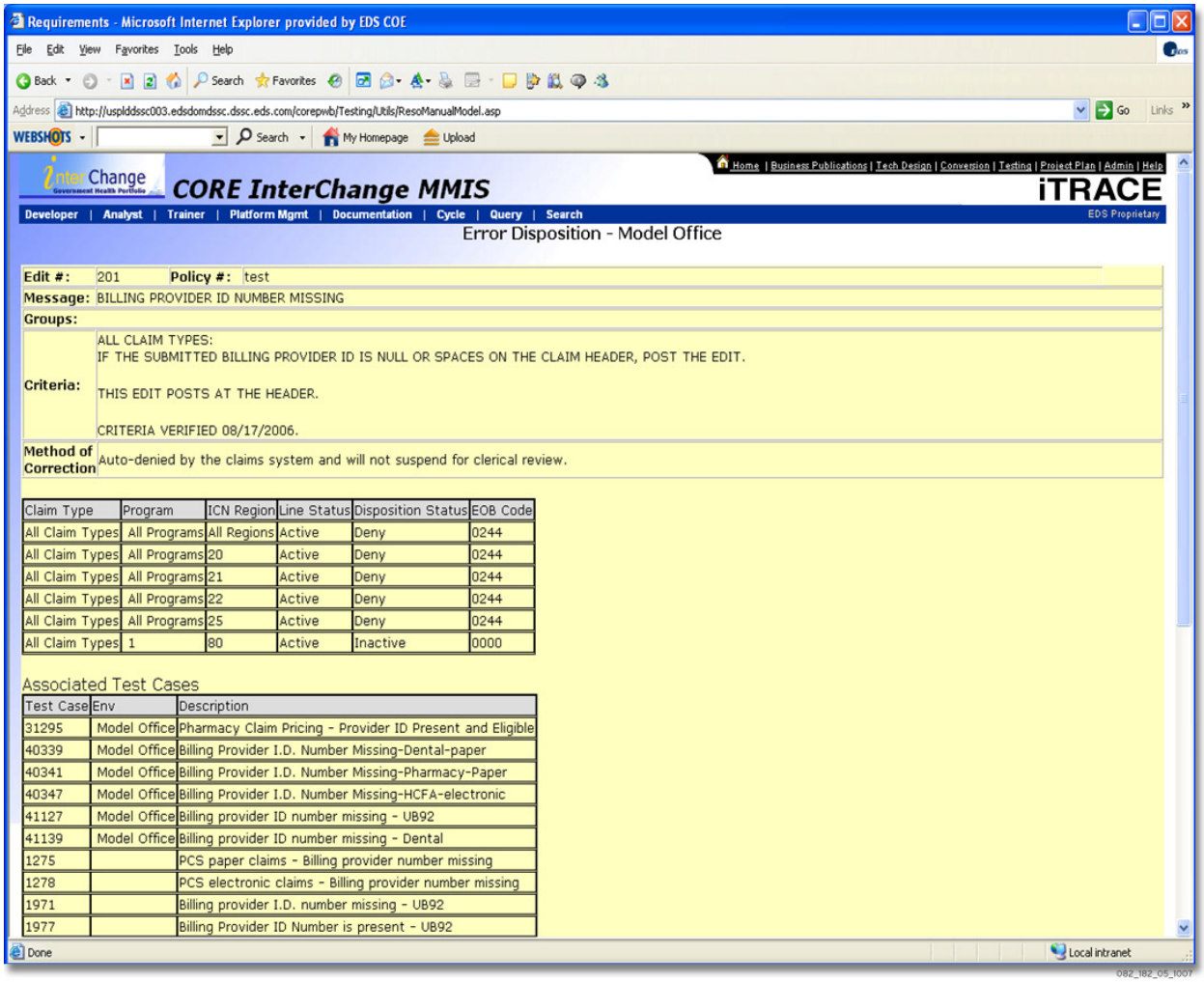
Claims failing edits and audits that are not set to systematically deny will suspend and route to the appropriate system claim suspension locations for review and resolution. interChange tracks this action, indicating the date the claim entered the location and the edits or audits that suspended it. The system also records the identification of the staff member who processed the claim at each suspension location and the date it exited that suspension location.

The suspense scheduling function allows users to define how claims are routed for resolution. Supervisors can monitor the suspense queues in real time and redirect suspended claims if needed. Claims automatically show up in the appropriate work queue based on the suspense location. Clerks work the error types they specialize in, such as recipient-related, and can direct the claim to the next appropriate resolution clerk if needed, such as a medical necessity reviewer, or release the claim back into the system for reprocessing.

Claims resolution in interChange is a paperless process, performed online in real time. The claims resolution staff members have online access to the claims data that was entered into the claims processing system and an image of the claim that was submitted for processing. The resolution "manual" is entered into interChange as the edits are being set up and is available online, as well as in iTRACE, or it can be printed to hard copy. The resolution pages contain the criteria for posting the edit or audit written in nontechnical language, the associated service groups, the associated policies, and the detailed step-by-step-instructions for manual review.

The following exhibit, Sample Error Disposition Page, shows a typical disposition page in iTRACE.

Sample Error Disposition Page



Edit resolution details are presented online through iTRACE, including edit number, criteria, and method of correction.

The resolution clerks also will have access with point-and-click navigation to various tables, such as the recipient and provider tables, that may be needed to

verify data on the claim. Claims hold a history of every edit they hit with every reprocessing for future reporting.

Determining Payment

After calculating the State-allowed amount, the Replacement MMIS will deduct costs borne by other payers. These costs may be TPL amounts from outside insurers or recipient cost sharing requirements, such as copayment, patient liability, or spend-down. Additionally, Medicare payments are deducted when calculating the reimbursable amount for Part A and Part B crossover claims. This approach conserves scarce Medicaid funds by spending Medicaid dollars only after other parties have fulfilled their obligations.

Maintaining Claim Transaction History

One of the strengths of interChange is that we maintain a full history of each claim from the time the claim is first received in the system, up to the final disposition and payment. The system monitors, tracks and maintains a complete audit trail of each transaction, and maintains this information for the life of the contract. interChange preserves each transaction record intact, to make sure the claim history remains available for future review and auditing purposes. While the RFP calls for five years of historical data online and an additional five years in near-line storage, interChange provides all 10 years of historical claims data online, streamlining the data access issues for the users of the system.

How interChange Supports Users

The preceding subsections discussed how interChange supports transactional claims processing best practices. While interChange very quickly processes the claims and encounters as described above, the system also specializes in making the claims support tasks intuitive and straightforward. For an MMIS to effectively manage multiple payers through constantly evolving regulations and policy adaptations, it is critical to have these proven and flexible system features. This section describes how interChange allows the business users to perform the following claims support business functions:

- Accessing claims
- Configuring the system
- Establishing coverage hierarchies
- Modifying rules
- Processing audits
- Dispositioning edits
- Requesting adjustments
- Giving providers access to claims information
- Performing financial balancing

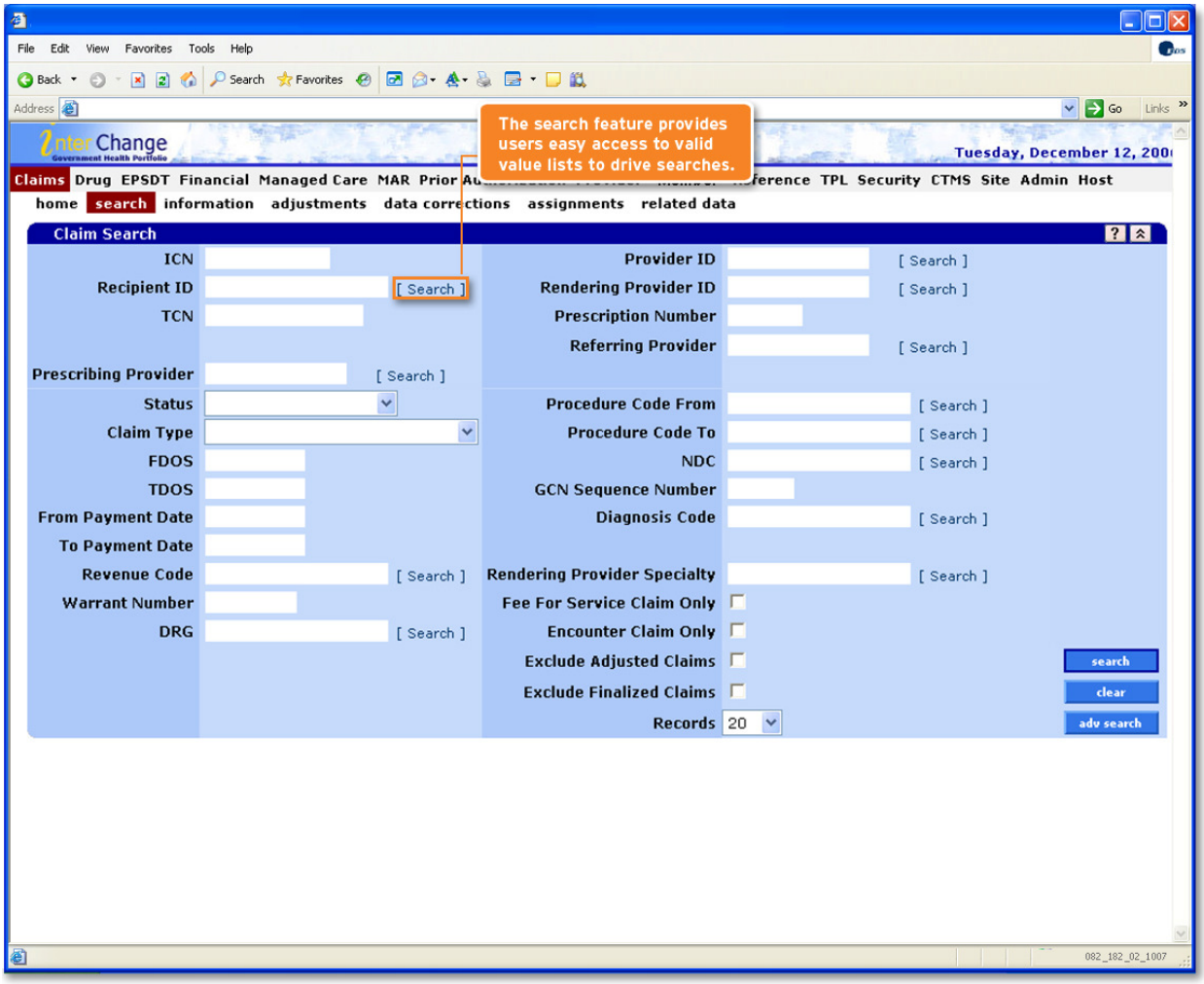
Accessing Claims

interChange provides unique internal control number (ICN) tracking for each claim, encounter, adjustment, and financial transaction, including the date, claim format, batch control, special batch identification, and other data as applicable through assignment of a unique ICN. Regardless of the submission method the provider chooses, every claim received is automatically assigned a unique ICN. An ICN is generated and encoded to indicate the method of submission, claim type, and receive date so that it may easily be identified by visual inspection.

For paper attachments and paper claims, the claims and attachments are scanned together and associated through the claims ICN. They are retrieved in combination when viewing a claim image or when working a suspended paper claim. If separate attachments are received for an electronic claim, they will be linked and cross-referenced back to the original claim using the attachment control number received on the original claim, provider ID, and recipient ID. They are viewable with that claim after they have completed the imaging process. The system links electronic attachments to the related claim and maintains the linkage through the attachment control number.

Hundreds of millions of claims will be stored in the Replacement MMIS. Users will retrieve and view claims and encounters in the Replacement MMIS using a wide variety of search parameters. Authorized users can access claims using the ICN, provider ID, recipient ID, and many other search criteria to research the status of a claim or group of claims. As shown in the following exhibit, Claims Search, many of the fields have a search feature beside the field, providing user access to the valid value list for each of these fields listed on the page.

Claims Search

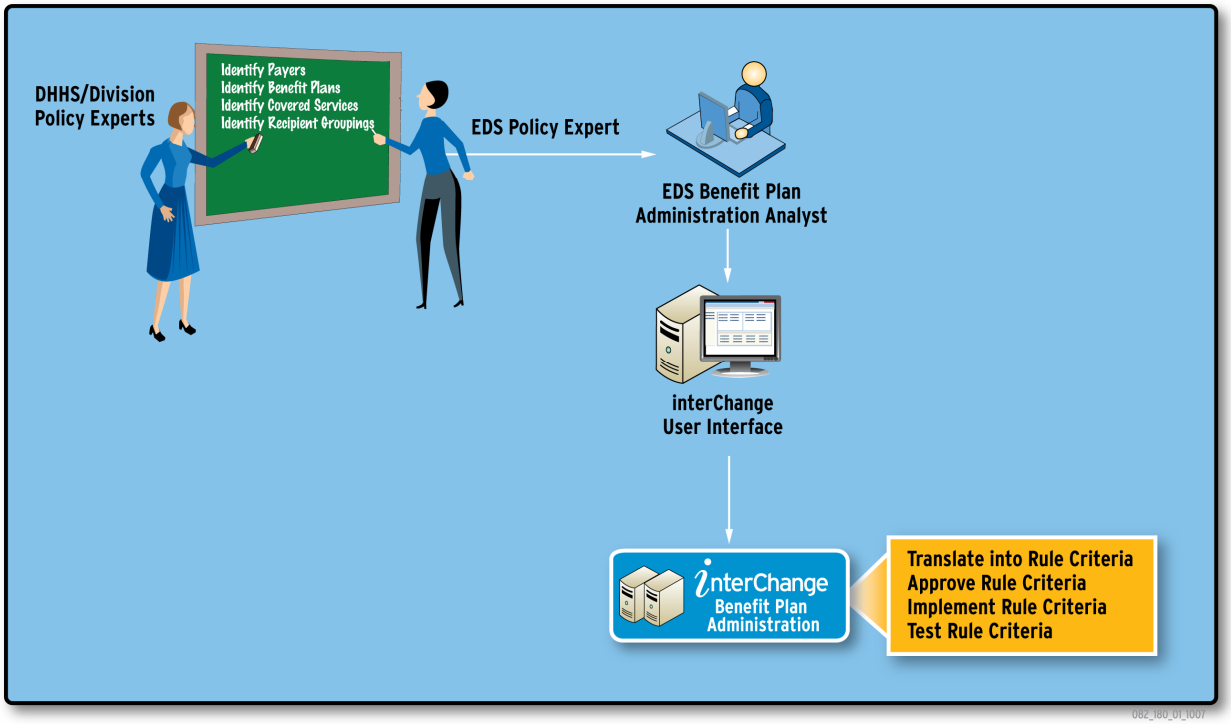


Authorized users can access claims using the ICN, provider ID, recipient ID, and claim status and limit the returned information by service information such as procedure codes, diagnosis codes, or revenue codes. The returned list of claims can be sorted on any of the returned fields. These features help provider assistance clerks research and quickly find the right claims.

Configuring the System

The Replacement MMIS claims system will bring together the right rules, prices, edits, and audits from the reference system to adjudicate the claim or encounter according to State policy. As such, it is directly dependent on how those rules are set up and defined. interChange allows trained analysts to configure most of the business policy through online panels, and the claims system interprets those rules during the adjudication process, as shown in the following exhibit, User-Configurable Business Policy.

User-Configurable Business Policy



interChange allows trained users to configure most of the business policy.

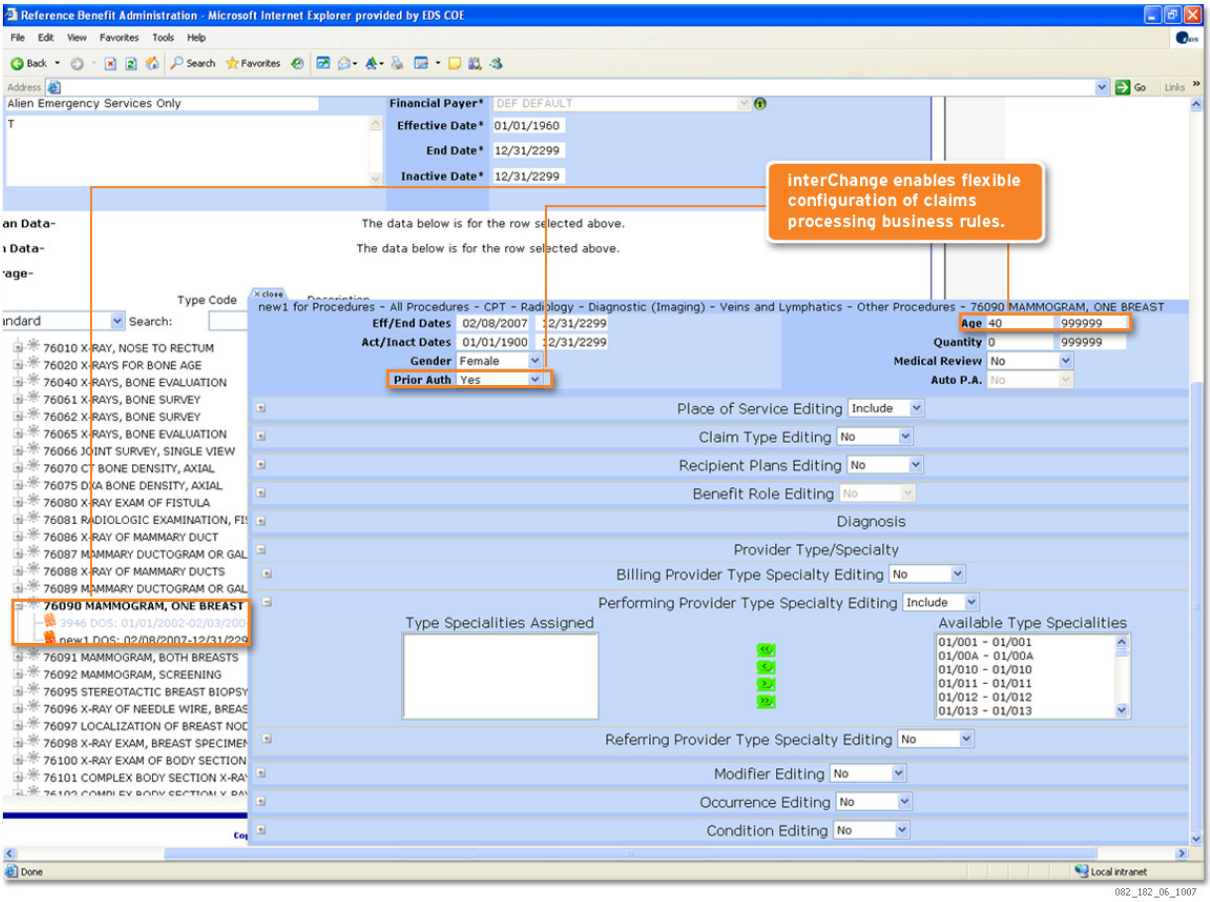
Clear, concise development of rules is critical to accurate claims processing. The development of these rules begins after the State outlines a new policy or a change in existing policy. No system technical expertise can substitute for the analytical business process required to define a new policy and detail its complete impact on the organization.

The EDS Claims Operations Services team proposed for North Carolina, led by Tammy Wheeler, provides knowledgeable, experienced staff members who can help the State through this process and develop the right processing rules for the Replacement MMIS. This policy definition work is represented by the analysts working at the chalkboard depicted in the preceding exhibit. We also provide a full suite of testing tools and methodologies to verify that rules are working as expected before they are promoted to production.

Before a given service can be paid on a specific claim in the Replacement MMIS, there must be three rules established. The first is recipient plan coverage: Is the recipient entitled to the service billed? The second is the provider contract: Is the provider authorized to bill or perform the service? The third is a reimbursement agreement: What pricing methodology should be used in this case? These rule types are established as hierarchies, and the highest available rule is applied. Authorized users can configure these rules through the interChange Benefit Program Administration (BPA) panels.

These panels provide flexibility in how the parameters are configured, including the ability to combine parameters. For example, while a benefit plan may be configured to cover and reimburse mammograms, specific rules can be established that restrict that coverage only to female recipients 40 years of age or older in an outpatient setting with PA, as shown in the following exhibit, Establishing Specific Benefit Plan Coverage.

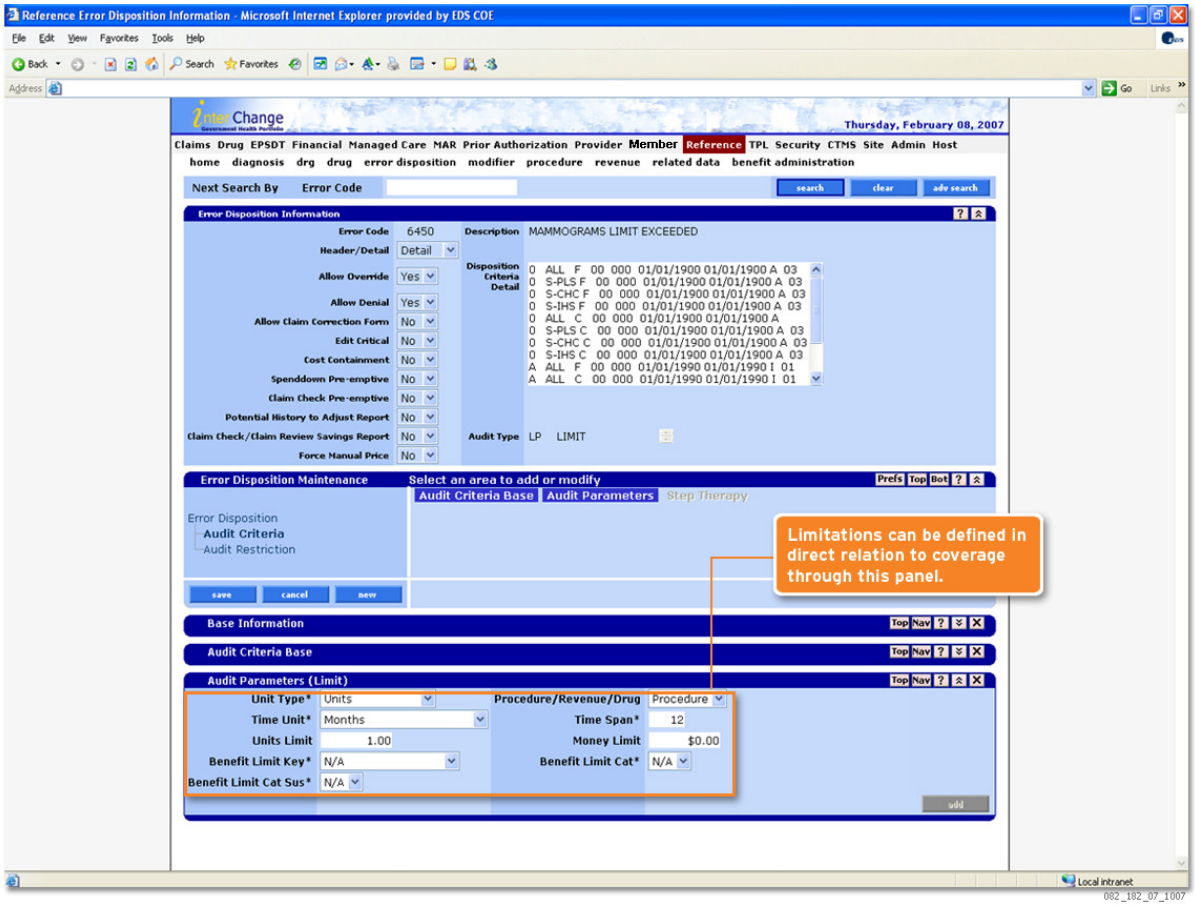
Establishing Specific Benefit Plan Coverage



The interChange BPA function allows users to configure coverage rules through the use of several criteria, including age, place of service, and provider editing.

After the benefit plan and its coverage have been established, users can then establish specific audits that limit the number of services available in a specific time period. In the following exhibit, Combined Coverage and Limitations for Accurate Processing, an audit is being created to limit the number of mammograms to one per year.

Combined Coverage and Limitations for Accurate Processing



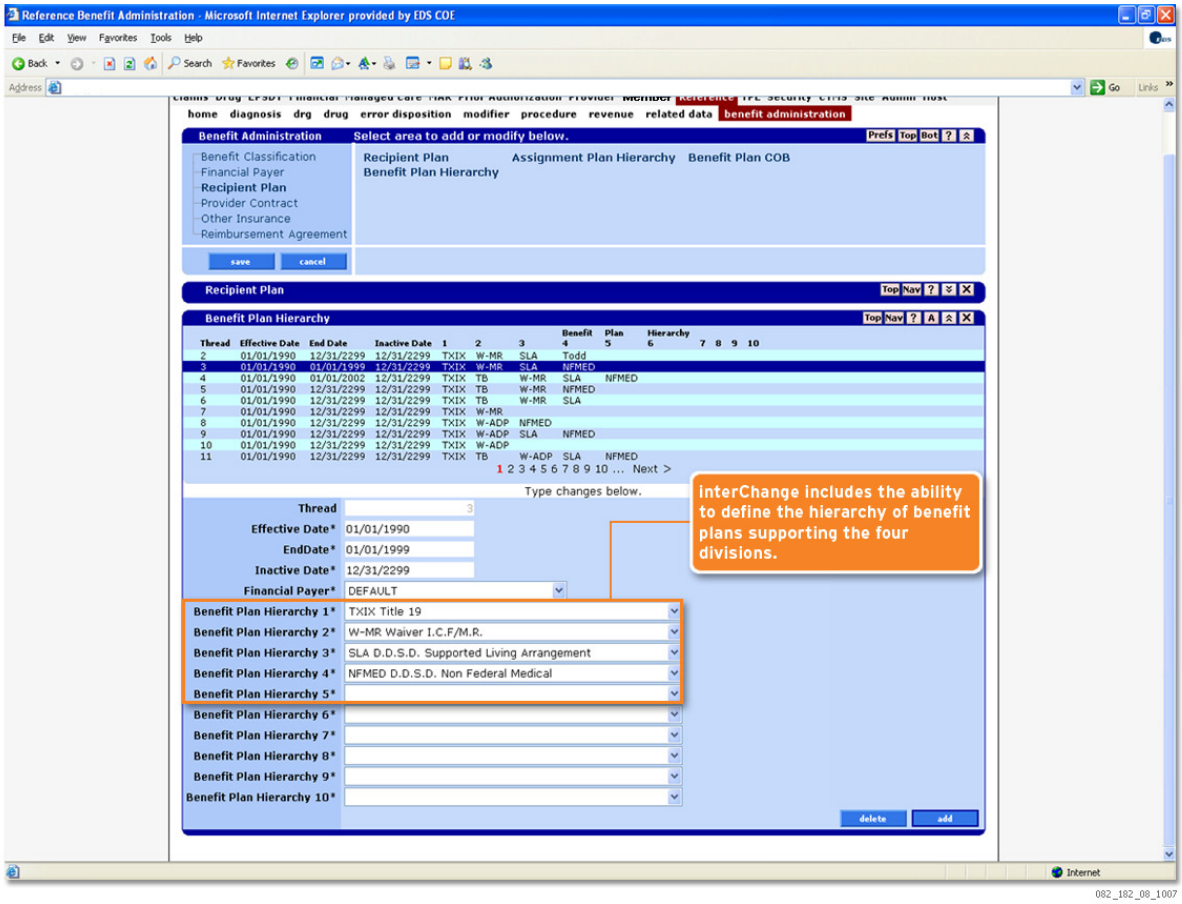
Authorized users can establish and maintain service limits for a procedure within a benefit plan by updating the processing parameters through an online browser.

Audits cause the system to query a recipient's claim history to determine if benefit limitations have been reached. Besides coverage, users also maintain rules for PA, medical policy review, edit or audit disposition, pricing, and authorized provider type or specialty through the online browsers.

Establishing Coverage Hierarchies

When a recipient has concurrent coverage in multiple benefit plans, the system uses the user-configured benefit plan hierarchy structure to correctly adjudicate the claim. The benefit plan hierarchy tells the system in which order it should prioritize a recipient's benefit plans. The following exhibit, Establishing the Hierarchy of Plans, shows a hierarchy in the following order: Title XIX, ICF/MR Waiver, Supported Living Arrangement for the Developmentally Disabled, and Non-Federal Medical Program for the Developmentally Disabled.

Establishing the Hierarchy of Plans



Users define the hierarchy of plans through the panels. This defines the order in which the plans will be processed to determine if a service can be covered.

The claims processing system goes to the first benefit plan listed to see if the billed service was eligible under that plan. If not, it goes against the second plan, and then to each subsequent plan until it finds a plan under which the service is covered for that recipient. The claim detail stores both the specific benefit plan that authorized coverage, and therefore will fund, as well as the "thread," or the list of benefit plans the recipient was entitled to on the date of service. Because benefit plans are associated with payers, the system knows how to fund and report this service.

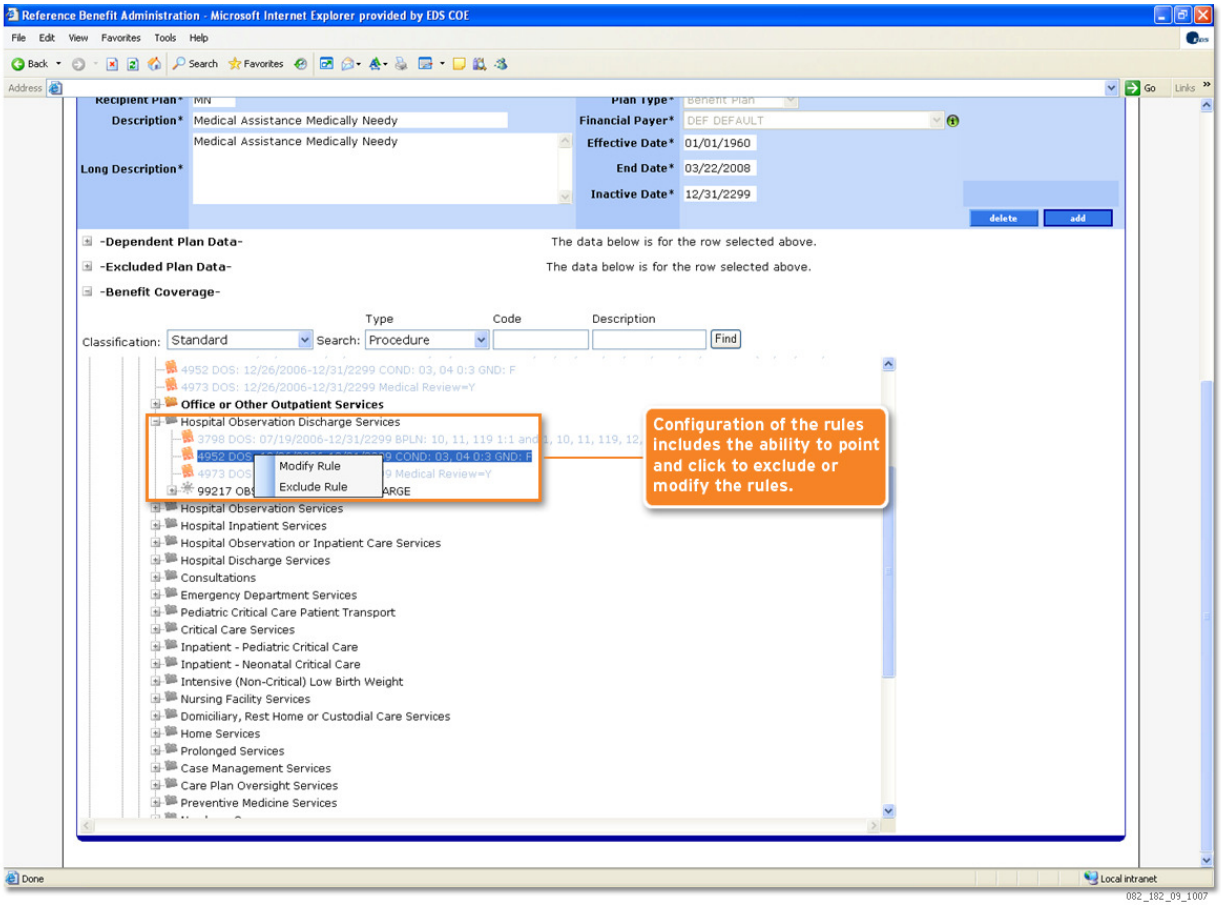
Modifying Rules

Because policies often change, the State needs a system that can react quickly yet does not allow for illogical or inconsistent results. The interChange rules authoring panels are designed to allow change, while automatically reviewing those changes to simplify the rule or prevent overlap.

When an authorized user determines that a change is needed, the user simply navigates to the specific code to be changed, right-clicks, and selects to exclude

or modify the rule, as shown in the following exhibit, User-Configured Rule Exclusions. As illustrated in the following exhibit, User-Configured Rule Exclusions, the user has clicked on the rule and can now modify or exclude it.

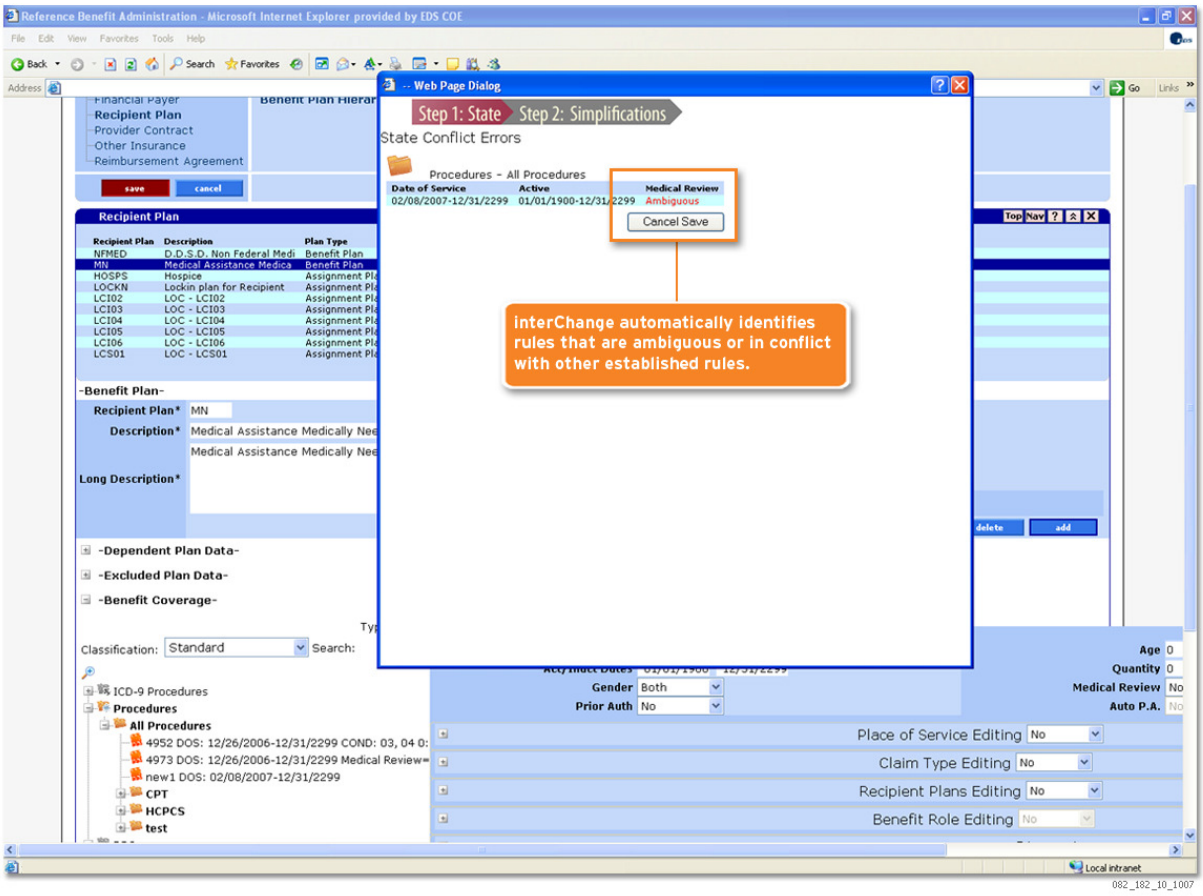
User-Configured Rule Exclusions



interChange users can exclude a specific code or group of codes from a benefit plan by simply overriding the rule.

The interChange methodology keeps simple tasks simple. Users can make and apply complex updates intuitively and in a straightforward manner, without unnecessary steps or complications. Additionally, interChange also reviews the modified rule to determine if it is inconsistent with another existing rule. For example, in the following exhibit, Identification of Conflicting Rules, the user attempted to load a coverage rule for a group of procedures and indicated medical review was not required. A rule for the same coverage group already existed, and it indicated that medical review was required. Therefore, the rules were in conflict and the system automatically generated a notification to the user.

Identification of Conflicting Rules

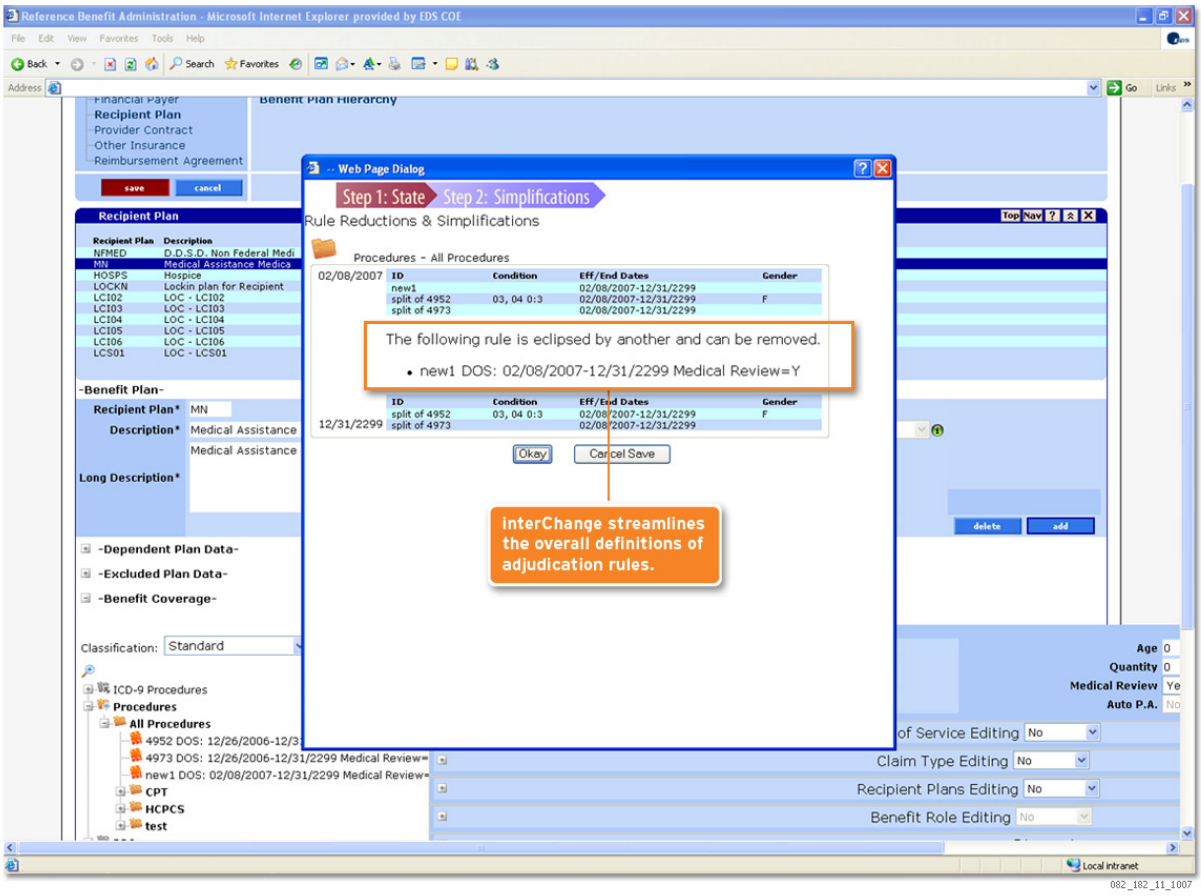


interChange automatically notifies users of conflicting rules.

The user must then correct one or the other of the rules to remove the conflict. This integrated quality checking process prevents conflicting rules from being saved.

In the following exhibit, Identification of Overlapping Rules, the user attempted to save a rule that required medical review for a group of procedure codes in a benefit plan. However, a rule requiring medical review already existed. In this scenario, the rule passed step one—State Errors—but was flagged for simplification. The user is prompted to simplify the parameters by removing the duplicate rule.

Identification of Overlapping Rules

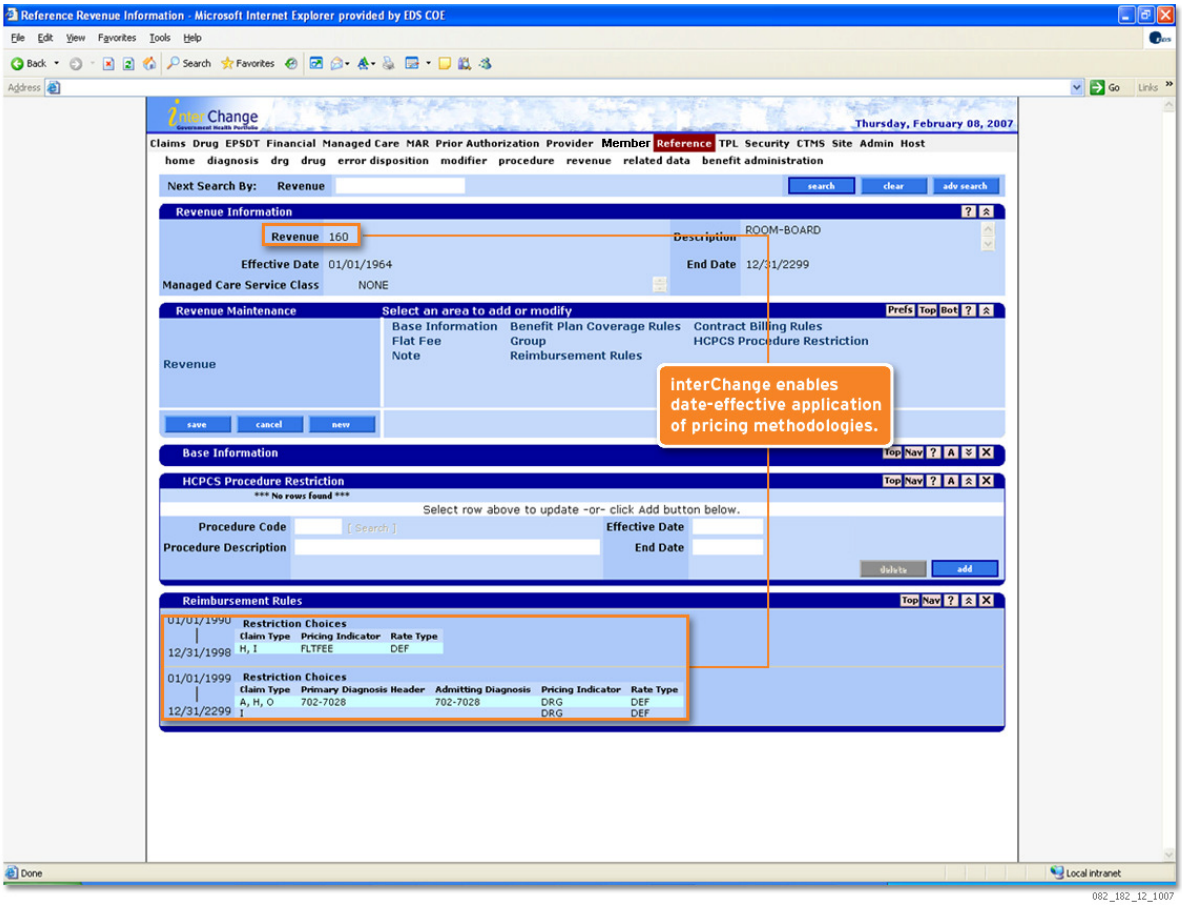


interChange automatically notifies the user of overlapping, unnecessary rules.

The step-by-step process prevents erroneous rules, keeping the long-term defined policy clean and accurate. Clearer policy definition makes communication with the provider community easier and supportive of the multiple divisions served through the Replacement MMIS.

When a claim is received by interChange, the system interrogates the claim against the rule parameters maintained in reference, including benefit plan coverage, audits, edits, and PA. If the system determines the claim is eligible for payment, the claims system accesses the pricing rules to determine the appropriate pricing method and rate for the procedure, provider, and benefit plan combination. In the following exhibit, Reimbursement Rules, we show the capability of the system to maintain reimbursement rules, which allow the user to define how a code will be reimbursed. In this example, the Revenue Code 160 is reimbursed differently—flat fee versus DRG—depending on when it was billed.

Reimbursement Rules



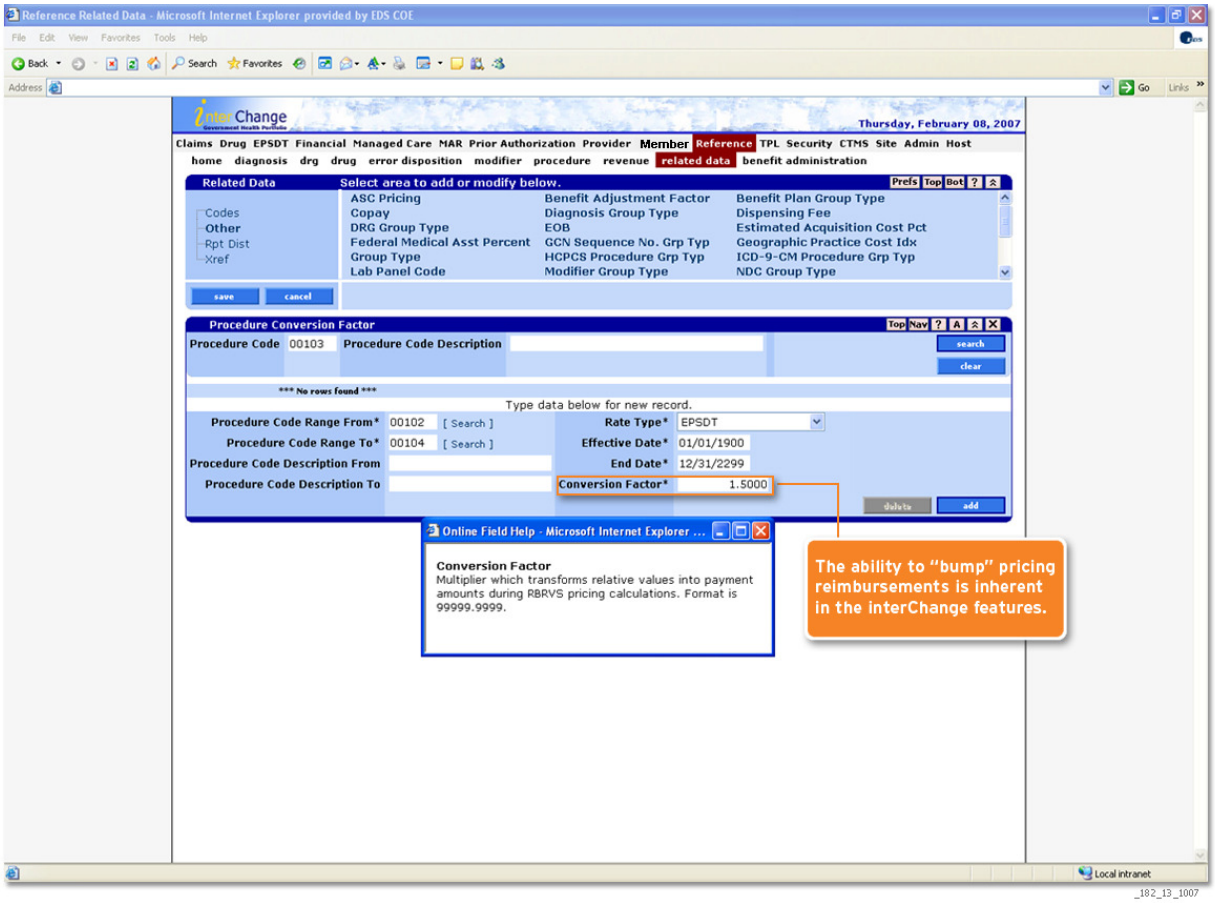
Users can configure specific reimbursement rules for a whole classification or for a specific code.

The reference function allows for flexible rate tables, including anesthesia base rates; administration fees; early and periodic screening, diagnosis, and treatment (EPSDT) schedules; and conversion factors.

A common business scenario would include the policy change to use DRG to price inpatient claims as compared to flat file pricing to have greater delineation in the allocation of benefit dollars. interChange allows for the implementation of pricing rules by the date of service, allowing for accurate payment by the appropriate pricing methodology defined on the date the service to the recipient was performed.

At times, State policy must be adjusted to incent the care of recipients for certain services. This is the business scenario presented in the following exhibit, Ability to Handle State-Defined Factors, where Health Check (EPSDT) services are incented through a multiplier applied to these specific services. These pricing methodologies can be used to positively impact the availability of care throughout the State.

Ability to Handle State-Defined Factors



interChange enables users to establish procedure code conversion factors that impact pricing.

In the above example, claims qualifying for the EPSDT pricing methodology would receive 1.5 times the reimbursement of the normal pricing method for these specific procedure codes.

Processing Audits

The Replacement MMIS will audit claims against State-defined service limitations, including once-in-a-lifetime procedures and other frequency, periodicity, and dollar limitations. interChange can define the criteria for the following types of audits using online panels without additional coding needed, and the claims engine then will make sure those audits are performed in accordance with State policy:

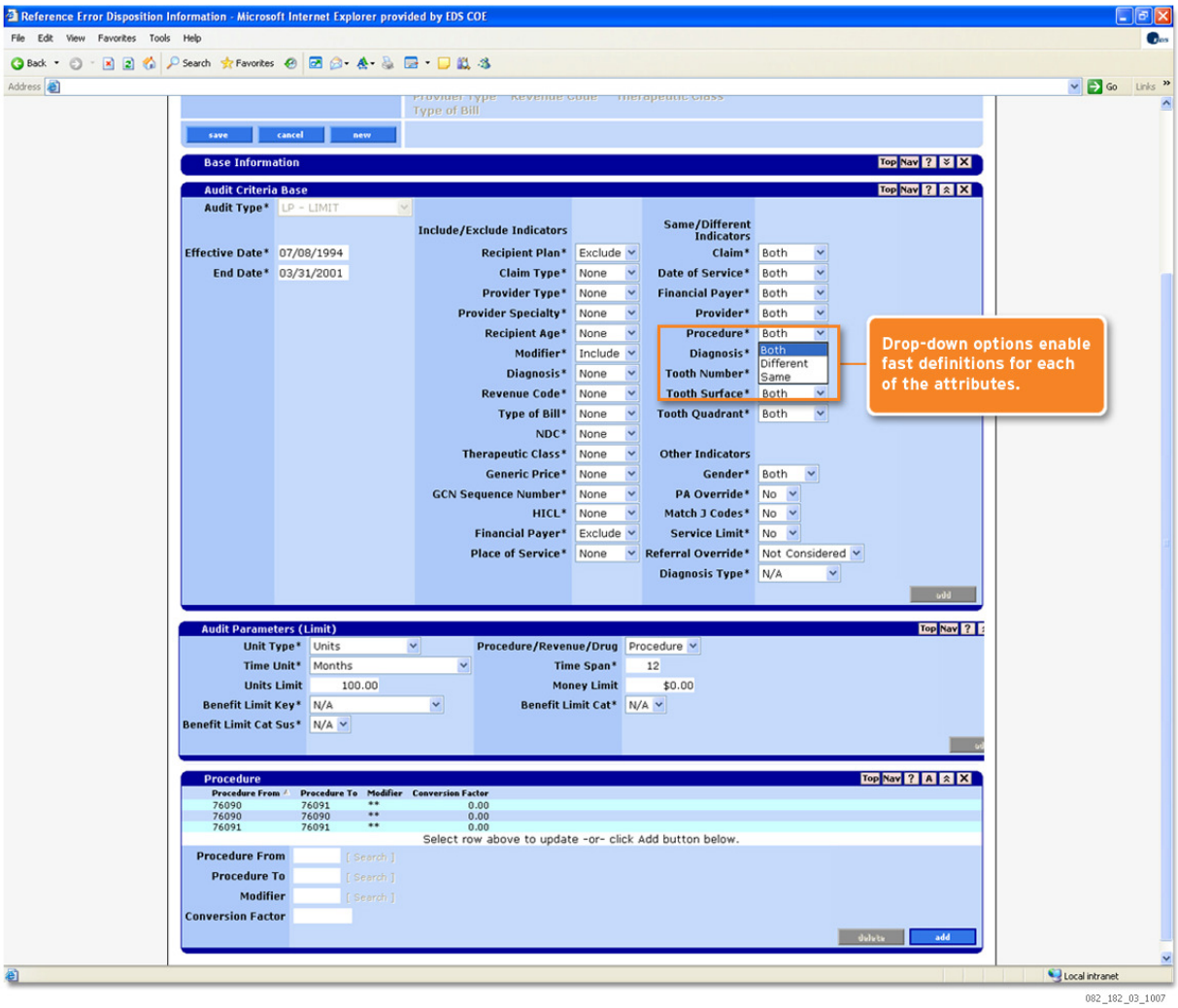
- **Duplicate checking—**This type of audit will compare current claim detail or header information, depending on the claim type, with claims information on history. A duplicate audit will post against the claim if the current claim information matches the history.

- **Limitation—**This type of audit is used to set dollar or unit limitations on services such as procedure code, revenue code, or National Drug Code (NDC) based on defined policy criteria.
- **Contra-indicated—**This type of audit is used to limit services based on relationships between the new claim and associated procedures already recorded on historical claims for the recipient
- **Negative contra-indicated—**This type of audit is used to limit services based on relationships between procedure codes on history and the one on the current detail of the claim. If a history procedure is indicated on the audit as a history type of procedure, and the procedure on the current detail is not indicated on the audit as a current procedure, then the relationship is not met and the audit will post against the claim.
- **Umbrella—**This type of audit is used to limit preoperative and postoperative care for surgical procedures. The surgical procedures that apply to a specific umbrella audit are identified by the number of days in the global surgery field on the Medicare fee schedule.
- **Bundling—**This type of audit is used to identify current claims being billed with procedure codes that are considered to be components of a global procedure when the global procedure has already been paid on history.
- **Unbundling—**This type of audit is used to identify current claims being billed with procedure codes that are global procedures when a component procedure of that global procedure has already been paid on history.
- **Cross-claim type—**These audits compare dates between services on different claims types to verify that there are no conflicting services for overlapping dates.
- **Step therapy—**This audit determines that the criteria are met for a drug listed as part of the step therapy program. Each drug in the program is assigned to one of five step therapy levels. Each level has criteria for the number of prescriptions, number of days, and continuous coverage. To step up to a higher-level drug, the recipient's drug history must have fulfilled the step therapy level's criteria requirements.

These interChange audit features provide the State the proper control of claims processing so that the benefit dollars are allocated only as defined by the State's associated policy.

The following exhibit, User-Configured Audit Criteria, indicates the various attributes that can be used to define audit criteria.

User-Configured Audit Criteria



interChange configures the criteria of numerous attributes to be included or excluded for audits.

Each limitation audit in interChange has two possible outcomes: full failure or cutback. Claims are subjected to full failure when the entire detail exceeds the limitation, and the cutback feature is invoked when only a portion of the detail exceeds the limitation. The dynamic disposition table of interChange allows the State to specify the outcome of the audit as suspend, deny, or paid. If the audit is dispositioned to paid, the system will automatically cut back to the units remaining on the limitation audit.

Dispositioning Edits

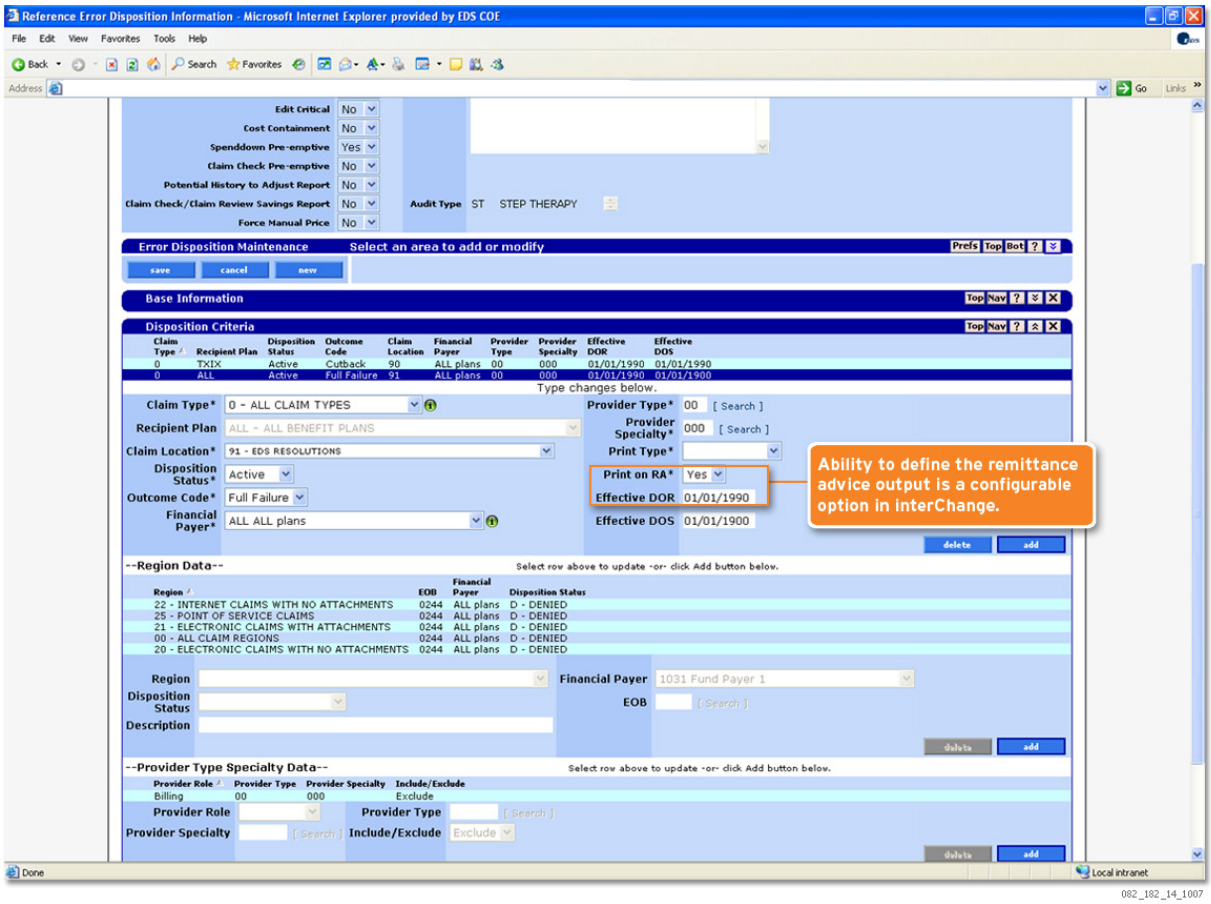
While the dispositioning of audits applies the State policy, the dispositioning of edits is used within interChange to identity claims with specific data field errors that will affect claims processing. During the initial setup, a user can specify whether he or she wants a claim error to process at both the header and detail lines. Header items that cause failure, such as an invalid provider ID, will cause

the entire claim to fail. Detail errors, such as a missing or invalid place of service, will cause that particular detail to suspend or deny while allowing other details to continue to process, allowing partial claims payment if appropriate. Denied details can be resubmitted on a subsequent claim.

To return the most complete information to the provider, detail editing continues even after the header edit failure occurs. The flexibility of interChange allows the State to disposition the same edit in completely different ways based on payer, benefit plan, or even claim submission media. This vastly reduces the number of claims that need to suspend for human review. For example, if a hysterectomy must have supporting documentation and there was no attachment with the claim (identified in the ICN region), that claim should automatically deny. A claim with an attachment may route for review for the same edit.

The following exhibit, User-Configured Disposition Criteria, shows the fields that can be updated by the user.

User-Configured Disposition Criteria



Users configure which edits will report on the provider's remittance advice.

In interChange, the error status code function generates daily and weekly reports that show which edits and audits are occurring the most among claim types,

providers, and provider types and region codes. This will indicate the origin of the claim (electronic or paper), and fee-for-service versus encounters.

Requesting Adjustments

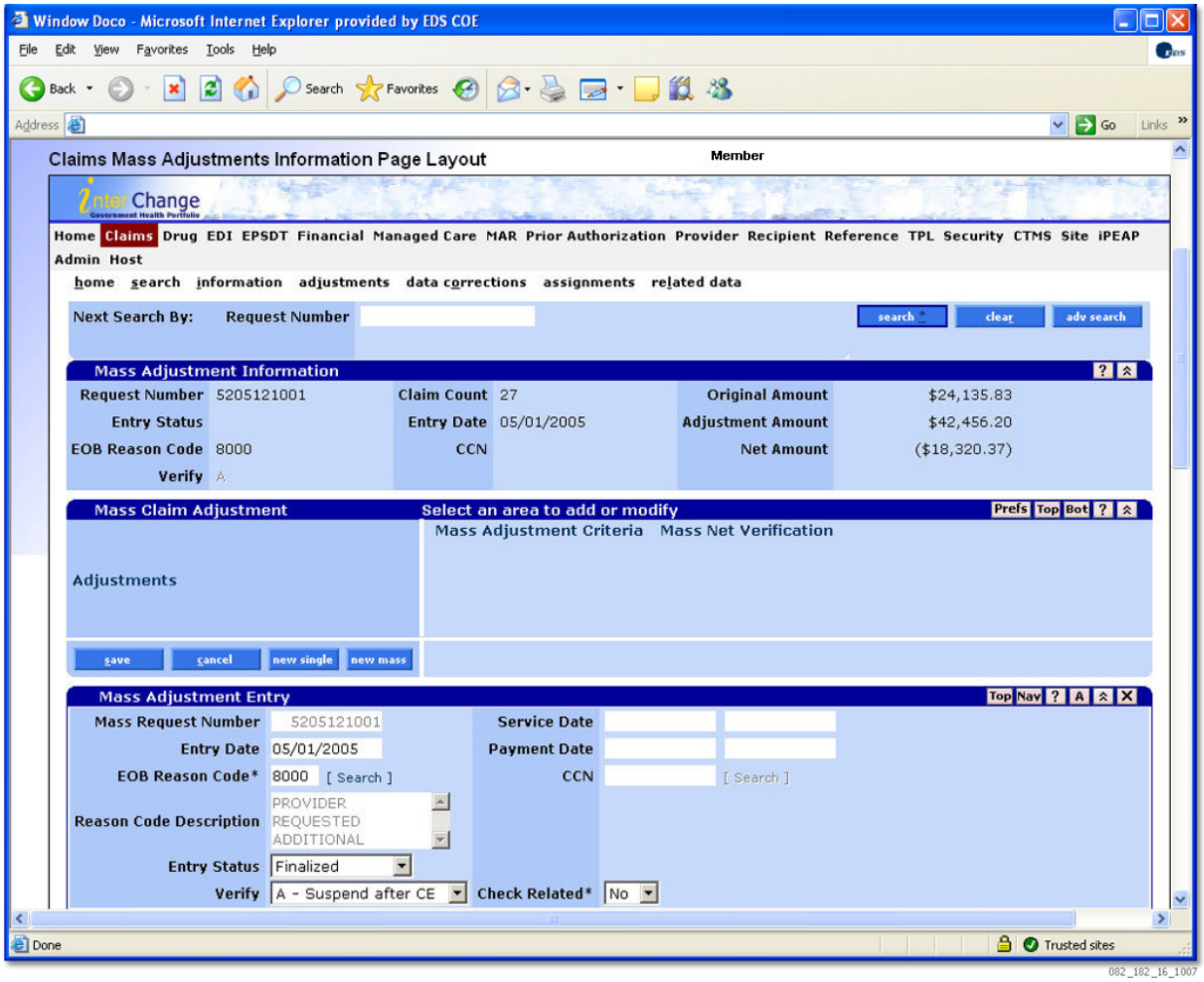
The adjustment business function can accept adjustment requests through a variety of media, such as Web submission, HIPAA-compliant electronic transactions, and manually entered requests. The original claim and the subsequent adjustment claim are linked using the ICN. Each adjustment claim is repriced and re-edited. From a business point of view, the original claim is deactivated and replaced with the adjustment claim. This claim activity is recorded on the provider's remittance advice (RA). The RA demonstrates what happened to the provider's claims, financial transactions, and adjustment activities.

We have found that providers greatly appreciate the ability to use the interChange Web portal to void a claim and then copy the original claim, make changes to it, and resubmit it. It gives them the ability to initiate adjustments on their own without waiting for the extended process of sending a paper adjustment request. This also reduces the workload on the claims adjustment unit. In Oklahoma and Kansas, nearly 85 percent of the claims adjustments are now submitted through the Web portal. This interChange feature has transformed how adjustments are initiated from just a few years ago.

One of the key capabilities that interChange offers is the ability to reprocess or adjust a targeted group of claims, either due to retroactive price changes, warrant voids, or changes in policy. The mass adjustment process lets authorized users define an adjustment request online. They can denote the reason for the adjustment, if the adjustment is due to a check from the provider, and if this is to be tied to a cash control number. A key feature of this method of entry is that this adjustment request is always available online, including a summary of the results and the related claims.

The following exhibit, Mass Adjustment Information and Entry Panel, shows the panel used to begin the mass adjustment process.

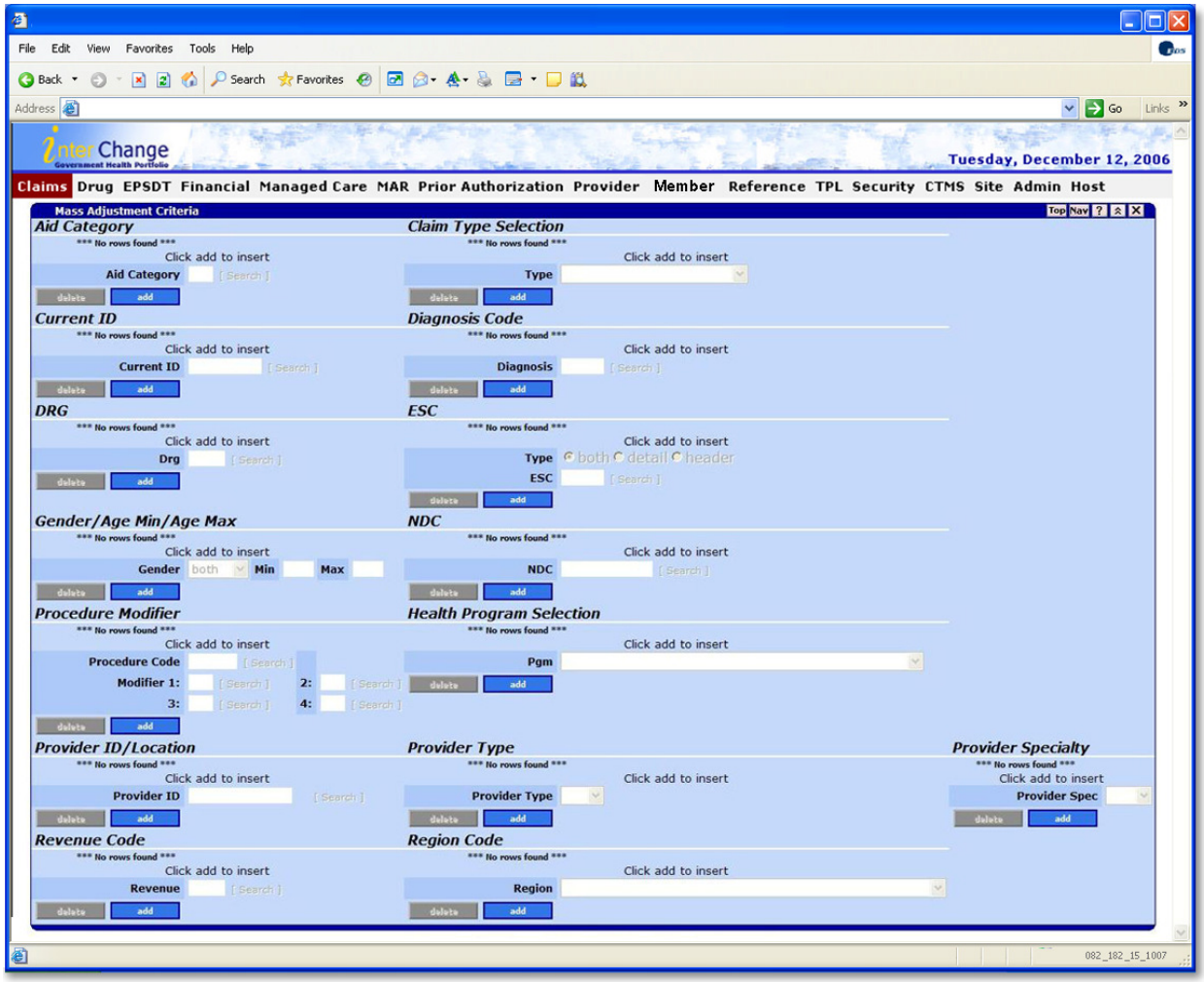
Mass Adjustment Information and Entry Panel



The Mass Adjustment Entry panel is used to initiate the setup of a mass adjustment request. When it is complete, a summary of the results is always available online.

After the adjustment clerk has initiated the adjustment header, they are presented with the Mass Adjustment Criteria page, which provides the online capability for authorized users to select criteria across a wide variety of parameters for mass adjustment processing. The available parameters are defined in the following exhibit, Sample Mass Adjustment Criteria Page.

Sample Mass Adjustment Criteria Page



The mass adjustment criteria function allows users to configure a mass adjustment request as needed.

Each adjustment request contains a tracking number tied to each adjusted claim. The tracking number serves as a means of identification and audit trail for adjustments. The mass adjustment selection criteria supported by interChange include the following:

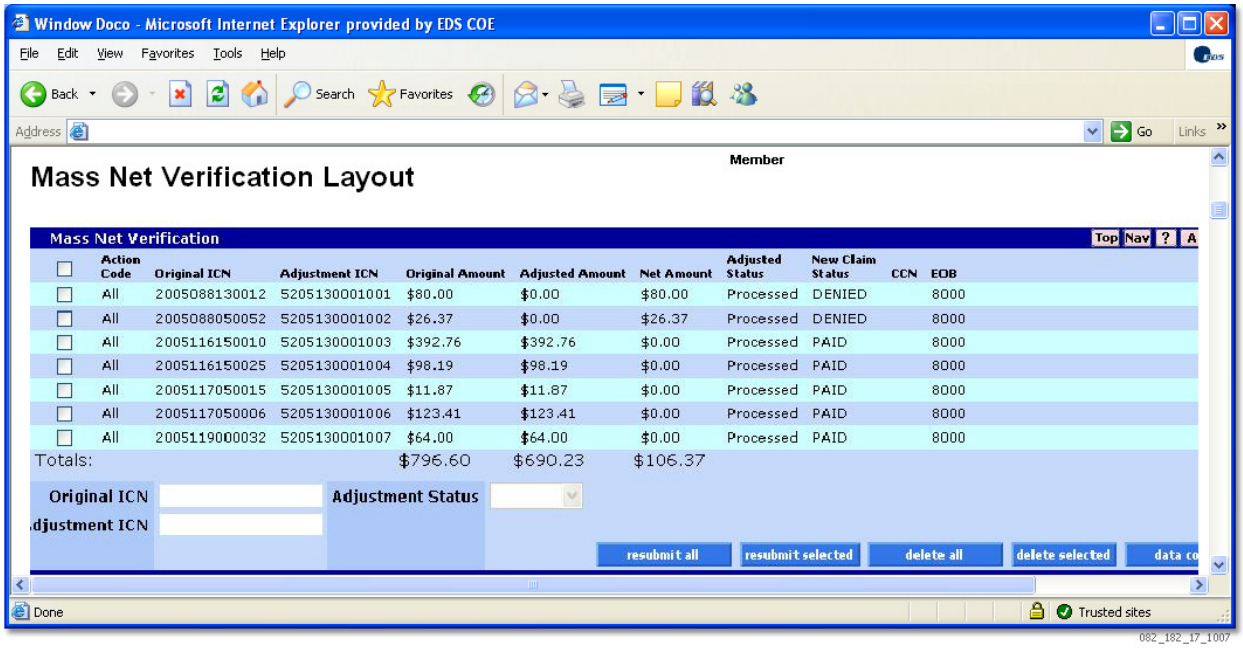
- Date of payment
- Date of service
- Provider type
- Provider specialty
- Recipient ID
- Recipient's age (calculated by the "from date of service" on the claim)
- Recipient aid category
- Recipient's gender
- Error codes (edits and audits)

- NDC code (pharmacy claims only)
- Program code (benefit plan)
- Procedure codes and modifiers
- Revenue codes
- Diagnosis code
- Claim type
- Service location

After the mass adjustment request criteria is defined, the claims meeting the criteria are presented to the clerk. They can then go through the list on a claim-by-claim basis and remove individual claims from the mass adjustment request before processing. When the right claims are identified, a supervisor can release the mass adjustment for processing. When the process is complete, the Mass Adjustment Net Verification panel shows the results. Even then, authorized users can delete or reprocess some or all of the adjustments until the result is right. Any adjustment request that is deleted keeps the original claim intact. Any adjustment that is finalized replaces the original claim with the finalized result.

The entire mass adjustment activity, including all affected claims, is accessible through the Mass Adjustment Inquiry panel indefinitely because this data is not purged. The following exhibit, Mass Net Verification Layout Panel, provides an example of this panel.

Mass Net Verification Layout Panel



The Mass Net Verification Layout Panel identifies the results for each claim in a mass adjustment. Authorized staff can choose to delete or reprocess individual claims from this list. After they are completely satisfied, they can finalize the mass adjustment, and no further changes can be made.

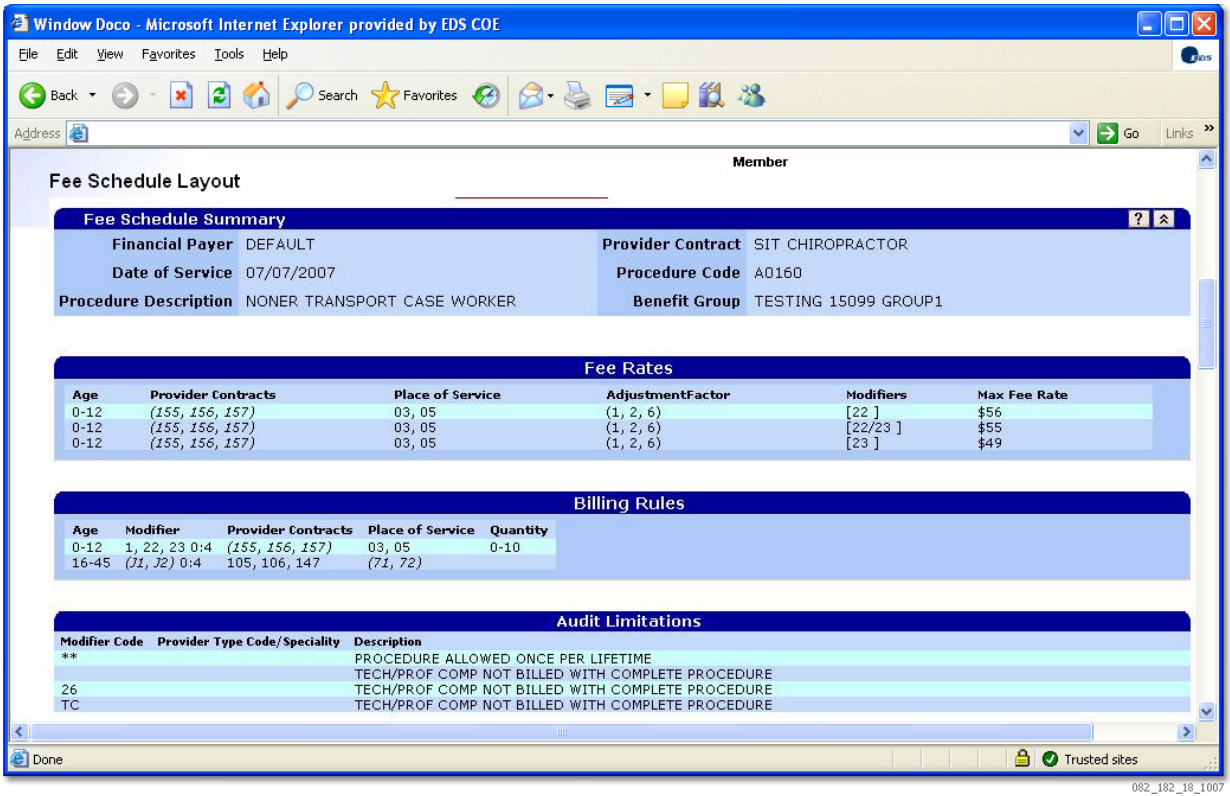
This type of functionality is available to meet several business needs, including recouping claims with dates of service after a retroactively posted date of death or reprocessing claims after a retroactive change in deductible or spend-down.

Giving Providers Access to Claims Information

Making it easy for providers to retrieve and use information regarding claim payments will encourage provider participation in the State's programs. Providers want to receive accurate and timely communication in ways that are meaningful to them. Our solution provides many methods to support this need.

Providers can use the interChange secure Web portal as their electronic window into the Replacement MMIS. The interChange Web portal allows billing providers to search for any of their claims that have been adjudicated in the system, regardless of how they were submitted. The portal allows them to download their past 10 RAs in a PDF format or their last 10 ASC X12 835 files. It also presents a searchable fee schedule for the provider's convenience, which presents the reimbursement rules including adjustment factors and differences for ages or modifiers. The following exhibit, Fee Schedule Panel, shows an example of the panel that will be available to providers through the Web portal.

Fee Schedule Panel



The searchable fee schedule shows providers the maximum reimbursement and the coverage restrictions for procedures, including the effect of recipient age, modifiers, provider contracts, and place of service.

Performing Financial Balancing

The claims payment business process of interChange maintains an accurate accounting of State division finances and timely payment to those who provide services for each of the State's payers. This is done through strict internal accounting controls, system audit trails, automatic cycle balancing, and precise accounting and reporting functions that support program management. The claims business process provides accurate and efficient updating of payment information, the generation of the RA and recipient explanation of medical benefits (EOMB) letters, and the generation of claims payment–related reports. The system tracks, monitors, and posts related transactions for a claim or encounter based on the ICN.

During every payment cycle, interChange checks the funding source assigned to each approved claim to see if funding is available. If the primary funding source does not have a remaining balance that is sufficient to pay the claim, the designated alternative funding sources are checked in the order specified by the State until possible sources of funding have been tried. Payments for services for which no funding remains can be pended or denied according to the business rules established by the State.

Additionally, the weekly updates from the MMIS transaction history database to the MMIS ad hoc supporting database are balanced during each and every update process. The update procedures include balancing the paid and allowed amounts by claim type for each financial update. Through this work, the users have confidence that the reporting results are accurate and representative of the care received by the recipient community.

Approach to Customization and Modifications

As indicated in the examples above, interChange is highly configurable. One of the larger efforts of the transition to the Replacement MMIS will be the definition and configuration of State pricing and payment policy. This is true regardless of the MMIS chosen; however, interChange is the most proven in its ability to take legacy-based policy and transform it into the configured MMIS for tomorrow. Our team will conduct requirements verification (RV) sessions to facilitate developing and delivering the Replacement MMIS with the features and functions required by the State. This will be a highly collaborative effort involving meetings, discussions, and bidirectional education. interChange has additional capabilities that allow reconsideration or refinement of many of the old policies and processes that were based on existing system constraints. Claims processing is the heart of the interChange system, and collaboration on transforming the MMIS functional requirements from their current "if-then-else" logic into the configured rules of adjudication is the heart of a successful implementation. We are ready to leverage our many decades of North Carolina healthcare policy experience to work with you in making this transition successful.

There will be some customization needed. For example, if State coverage policy depends on an attribute that is not part of the current rule configuration list, interChange is designed to enable additional elements. There may be some State-specific data elements that need to be added, processed, and displayed in the Replacement MMIS. Additional search criteria may be needed for certain data panels. These are common enhancements made with each implementation of interChange, and, by design, the interChange framework is flexible and adaptable to these needs.

During the implementation, the EDS team will perform detailed policy parallel testing on claims. The goal of the parallel testing is to minimize the impact of transitioning from the current systems to the new multi-payer Replacement MMIS. Through this testing effort, we can refine the configured business policy to match the policy translated from the base systems. This testing component is a key approach to our configuration of the policy.

Enhancements to Functional Requirements

interChange is designed to support claims processing for multiple claim types that are submitted through a variety of media across several different medical assistance programs. It spans the functional areas of claims processing and smoothly integrates with other functional areas of interChange.

Some enhancements to interChange are required to meet some of the requirements noted in the RFP. Specifically, we will make the following changes to the claims processing function:

- The edit/audit processing function validates claim records in accordance with the claim processing policy. EDS will enhance the edit/audit process to meet the current needs of the State. We will set new edits and audits or modify the existing ones to support the State's requirements.
- The rules engine will be configured to include every rule needed for claims processing for the State. The claims rules engine currently supports numerous rules for the functional areas of claims entry, receipt, control, adjudication, disposition, and more. We will add any new rules and/or modify the existing rules to meet the State's requirements. Coordination of recipient plans, provider contracts, and reimbursement rules determine how claims are processed and priced. EDS will enhance the rules engine in accordance with the State policy.
- The pricing methods additions and changes are configured in the rules engine. Because each State has its custom pricing rules, we will create new methods or modify existing pricing methods to facilitate the pricing of claims according to the State's requirements.

- Interfaces will be designed or modified as needed to support the appropriate data sharing with the North Carolina Accounting System, the Retro-DUR vendor, and the Division of Information Resource Management (DIRM).
- There are other changes to interChange that include creating new reports, and enhancing the search criteria interfaces.

Response to Claims Processing System Requirements

The following tables map the detailed solutions to the different requirements of the claims functional area, including mailroom, claim acquisition, pharmacy point of sale, financial payer and population group, suspended claims, general claims resolution, retrospective drug utilization review, adjustment processing, general payment processing, financial and related processing, and financial management and accounting business area requirements. Where appropriate, we have listed the existing interChange user interface panels, reports, and processes that meet the stated requirements. We also have identified when an integrated COTS piece of software is used to meet the requirements.

Mailroom Requirements

The following table, EDS Response to Mailroom Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Mailroom Requirements

RFP No.	RFP Requirement	EDS Response
40.8.1.1	Provides capability for mechanized date stamping of all mail	Met by operational processes and procedures. EDS will scan correspondence mailed from the recipient. Each of these items will be provided with an ICN that includes a Julian date.
40.8.1.2	Provides capability to access system for logging receipt of packages and envelopes received from couriers	Met by operational processes and procedures. This activity is typically handled by mailroom clerical staff.
40.8.1.3	Provides capability to access system log for entering checks received	Met by interChange. The financial subsystem allows the entry of checks received.
40.8.1.4	Provides capability for system-generated logging of regular mail costs	Met through integration of the COTS Pitney Bowes Mailing Equipment Accounting tool and operational procedures. Additional accounts can be added to include additional units, programs, and other data.
40.8.1.5	Provides capability for automated Return to Provider (RTP) letter	Met by operational processes and procedures and the integration of the COTS letter generation tool, DOC1.
40.8.1.6	Provides capability for automated system log/accounting for mailroom	Met through COTS integration and through operational processes and procedures. The Pitney Bowes Mailing Equipment Accounting tool meet this requirement.

Claim Acquisition Requirements

The following table, EDS Response to Claim Acquisition Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Claim Acquisition Requirements

RFP No.	RFP Requirement	EDS Response
40.8.1.7	Provides capability to assign a unique number for each claim, adjustment, and financial transaction that contains date of receipt, batch number, and sequence of document within the batch, upon receipt of each claim and adjustment	Met by interChange. interChange assigns unique claim identifiers in the form of ICNs for both claims and adjustments. This assignment is based on a region that defines the media and type of transaction, as well as the Julian date followed by a sequence number.
40.8.1.8	Provides capability for tracking of all claims, adjustments, and financial transactions from receipt to final disposition	Met by interChange. The claim location code tracks the phases of claims processing, starting with entry or initial input to the claims engine through financial payment. The second date and time stamps record each change in location and status.
40.8.1.9	Provides capability for mechanized images of all claims, attachments, adjustment requests, and other claims-related documents and ability to link these documents to the unique claim number they are associated with	Met by interChange. Claims-related documents are imaged and provided with document control numbers. These numbers are linked to the claim through a database table.
40.8.1.10	Provides capability to maintain batch and online entry controls for all claims, batch audit trails, and all other transactions entered into the system	Met by interChange. Maintenance of batch and online entry control for claims, as well as batch audit trail and other transactions entering the system, are done through SunGard reports.
40.8.1.11	Provides capability to identify any activated claim batches that fail to balance to control counts	Met by interChange. SunGard writes claims to a server location. The claims engine batch process then retrieves those files for processing. At both ends, balance is achieved through SunGard reports and the claim engine balancing reports, which display the status of the claims processed. The report includes a summary of claim counts sent to the claims engine by submission type.
40.8.1.12	Provides capability for editing to prevent duplicate entry of electronic media claims	Met by interChange. EDI processing meets this requirement. The claims engine has a check to prevent duplication of claims entry. It stores batches with duplicate file numbers in a nonprocessing directory so that they may be used for research purposes.
40.8.1.13	Provides capability to perform CLIA editing based on the provider CLIA number and the CLIA number for the service	Met by interChange. The generic edit/audit configuration meets this requirement. interChange maintains a monthly download process from the OSCAR system to retrieve Clinical Laboratory Improvement Amendment (CLIA)—related information. The CLIA editing is performed on the basis of the CLIA number of the provider and the CLIA number for the service. The editing consists of checks for required presence, format, consistency, reasonableness, and

RFP No.	RFP Requirement	EDS Response
		allowable values.
40.8.1.14	Provides capability to perform diagnosis editing by line item	Met by interChange. The interChange rules engine facilitates this requirement. The diagnosis editing is linked to the detail by the treatment indicator. The rules engine compares the rules with claim-related data, including necessary header or detail diagnosis code and type (emergency, admitting), makes decisions accordingly, and then posts edits as specified.
40.8.1.15	Provides capability to adjudicate a claim to the fullest extent possible in order to report all errors	Met by interChange. Edits that can be logically performed are completed before suspension or denial. The error table with the claims engine reports the errors for claims, current and historical, if the claim processed multiple times due to suspension.
40.8.1.16	Provides capability to adjudicate claims for Medicare Part D dual-eligible recipients according to State business rules and policies	Met through configuration of interChange parameters and features. The edit/audit processing function in interChange validates claim records in accordance with the State's business rules and claims processing policy.
40.8.1.17	Provides capability for key re-verification of critical fields, data entry software editing, and supervisor audit verification of keyed claims	Met by interChange. This requirement is met by using the SunGard data entry and the data corrections panels and recycle reprocess. The Claim Suspense panel lists the claims with a suspended or resubmit status. A user logged on to the application can verify critical fields and make data corrections to a claim by selecting it from this list.
40.8.1.18	Provides capability to maintain extract tables that contain key elements to verify the validity of entered claim information	Met through configuration of interChange parameters and features. Through the reference function of interChange, different stub files (dental, diagnosis, drug, hospital, procedure, and revenue code) are generated for use in the electronic claims pre-edit process. The process checks the validity of the claim information entered against the reference data.
40.8.1.19	Provides capability to perform presence and format editing on all entered claims	Met by interChange. When a claim is entered through the Web, paper, or electronic data interchange (EDI), the required fields are edited for presence and format.
40.8.1.20	Provides capability to perform validity editing on all entered claims using current information on Provider, Recipient, Claims History, Prior Approval, and Reference Files or business area/interfaces	Met by interChange. The claims engine uses the available reference data to accurately adjudicate the claims. The load recipient history function loads audit history information to memory with separate routines for each claim type.
40.8.1.21	Provides capability to support the Medicare Correct Coding Initiative (CCI)	Met through configuration of interChange parameters and features. These are standard general edit/audit configurations required for each State.
40.8.1.22	Provides capability for front-end claim, adjustment, or crossover denials when required attachments are not present	Met by interChange. The claims engine can suspend claims for a specified time period and wait for attachments. If the attachments are not processed by that time, the claims

RFP No.	RFP Requirement	EDS Response
		engine reprocesses the claims. Claims may be denied, if appropriate.
40.8.1.23	Provides capability to generate RTP letters with entry available to denote front-end claim error conditions	Met by operational processes and procedures. SunGard and the mail room staff can perform this function when it is determined that a paper claim cannot be entered into the system.
40.8.1.24	Provides capability for individual paper and electronic claim overrides on edits such as presumptive eligibility, Medicare A, B, and C, HMO coverage, TPL, and timely filing limit	Met by interChange. The claims engine can override edits for claims that are in suspended status.
40.8.1.25	Provides capability to override service limitations for Early Periodic Screening, Diagnosis, and Treatment (EPSDT) -eligible recipients	Met by interChange. The claims engine allows limited audit overrides for the claims with a suspended status.
40.8.1.26	Provides capability to identify and allow online correction to claims suspended as a result of data entry errors	Met by interChange. The interChange Claims Data Correction page allows online correction to claims suspended due to data entry errors. This page contains panels that allow access to suspended claim header and detail information. These panels are used to update and resubmit claims information.
40.8.1.27	Provides capability to return to submitters an acknowledgement of all electronic submissions and claim status within twenty-four (24) hours of original receipt	Met by interChange. The transmissions generated from the EDI subsystem, which runs throughout the day, meet this requirement. The EDI 997 Functional Acknowledgement Generation script returns a functional acknowledgement by dynamically updating a special 997 map and invoking the EDIFECS translator.
40.8.1.28	Provides capability to pre-screen batch electronic media claims to identify global error conditions and prevent entry of such claims into the system	Met through configuration of interChange parameters and features. EDIFECS is designed to enforce compliance to the EDI standard.
40.8.1.29	Provides capability to reject electronic claims at the claim level	Met through configuration of interChange parameters and features. An electronic claim that is not in compliance will cause the batch to reject it. The EDI translator reviews the electronic batch and rejects it at the claim level.
40.8.1.30	Provides capability to process claims and financial transaction adjustments	Met by interChange. The interChange Claims Adjustments Information page contains panels that allow the user to display and create adjustment requests. These panels allow both single and mass adjustments.
40.8.1.31	Provides capability to perform duplicate editing of drugs billed by physicians and pharmacy	Met through configuration of interChange parameters and features. Audits in the claims subsystem check for duplicate services and compare current claim detail or header information (depending on the claim type) with claims information on history. This includes comparing J-codes with their matching list of National Drug Codes (NDCs).

RFP No.	RFP Requirement	EDS Response
40.8.1.32	Provides capability to use transfer of assets data on the Medicaid recipient record in claims processing	Met through customization of interChange. The transfer of assets data is incorporated into the recipient files, and this is further used to correct the claims processing.
40.8.1.33	Provides capability to populate each claim detail with appropriate header level EOB	Met by interChange. The pricing and information explanations of benefits (EOBs) can be applied to populate each claim with the appropriate header or detail level. This also applies to EOBs associated with edits and audits.
40.8.1.34	Provides capability to use Medicaid/Medicare coverage data from EIS to adjudicate claims	Met through configuration of interChange parameters and features. Eligibility Information System (EIS) data will be incorporated to adjudicate claims.
40.8.1.35	Provides capability to update the Claims History tables with paid and denied claims from the previous audit run	Met by interChange. The claim is processed from initial input to adjudication in one step. Claims are written to a week-to-date history table before the financial cycle and to a master history table after the financial cycle.
40.8.1.36	Provides capability for inquiry on suspended claims, accessible for online inquiry	Met by interChange. The interChange Claims Search panel has various selection options that allow the user to view only the claims required. The primary selection items are ICN, billing and rendering provider, and current ID. The user may select claims by using one or all of the primary selection items. Additional search criteria include claim type, claim status (including suspended claims), from and to dates of service, and payment date. After the user enters the specific selection criteria and clicks the Search button, the system searches the database. Claims that meet the search criteria display on the Claims Search Results panel. Providers can also view suspended claims through the Web portal, although they cannot modify them.
40.8.1.37	Provides capability to accept the indicator denoting whether a third party was billed for TPL claims	Met by interChange. The interChange claims TPL processing module takes into account claims for which TPL amounts have been applied.
40.8.1.38	Provides capability to use EDB and BENDEX information to detect Medicare and Medicare HMO entitlement for use in claims processing	Met by interChange. Enrollment Database (EDB) and beneficiary data exchange (BENDEX) data exchanges with CMS are standard capabilities in interChange.
40.8.1.39**	Provides capability to define parameters and create a file for the negative and positive eligibility quality control sampling for DMH	Met through customization of interChange. A new mass adjustment function will be created to define negative and positive eligibility quality control DMH parameters.
40.8.1.40**	Provides capability to produce reports regarding the results of the DMH negative and positive sampling	Met through customization of interChange. EDS will work with the State to understand, define, and develop the processes needed to satisfy the MEQC-related requirements.
40.8.1.41	Provides capability to accept an MEQC positive sample file from DMA via DIRM	Met through customization of interChange. A new interface will be added.
40.8.1.42	Provides capability to produce claim history reports	Met through customization of interChange. We will build the

RFP No.	RFP Requirement	EDS Response
	using the MEQC positive sample file from DMA via DIRM	capability for producing claim history reports using the MEQC positive sample file.
40.8.1.43	Provides capability to reflect all premium payments and adjustments on the online paid Claims History files	Met by interChange. interChange captures premium payments and adjustments. They are not stored as claims, but rather as financial transactions.
40.8.1.44	Provides capability to maintain a complete history of all claims: paid, adjusted, and denied	Met by interChange. A complete history of claims (paid, adjusted, and denied) and multiple search options are available in interChange.
40.8.1.45	Provides capability to accrue all appropriate EOBs messages for relevant claim adjudication for each detail line and report on RA	Met by interChange. All EOBs are available for inquiry online as well as for reporting on the RA, the 835, and the Web portal. Through interChange claims disposition, a disposition is assigned to a line item or claim based on the errors found.
40.8.1.46	Provides capability to maintain a minimum five-year (5-year) history of previously paid or denied claims to support duplicate checking and utilization review	Met by interChange. The interChange claims audit process will use as much history as is configured in the audit, including the history stored or converted in the Replacement MMIS. At least 10 years will be available for processing.
40.8.1.47	Provides capability to assign the status of claims in the system to determine course of each action to be taken in the claims adjudication process and completion of appropriate financial processing tasks	Met by interChange. interChange uses the claim status and the code location to identify the status and processing history for each claim. Date and time stamps define to the second when each status was changed.
40.8.1.48	Provides capability to adjust paid claims history for State-specified TPL recoveries at the detail level to include duplicate check	Met through configuration of interChange parameters and features. interChange can bill other insurance companies electronically or on paper for pay-and-chase or retroactively discovered TPL. The recoveries are applied to the appropriate claim identified either at the header or detail level.
40.8.1.49	Provides capability to allow DME claims to span across calendar months in order to be consistent with Medicare and thus allow appropriate claims payment for Medicaid-covered items	Met through configuration of interChange parameters and features. interChange edits can be configured to meet this requirement.
40.8.1.50	Provides capability for providers to bill ambulance services using multiple claim types	Met through configuration of interChange parameters and features. This is handled as a billing contract rule.
40.8.1.51**	Provides capability for an extract of DMH claims denied due to insufficient budget	Met through customization of interChange. interChange can deny claims due to insufficient budget. The customized data exchange will need to be developed.

Pharmacy Point-of-Sale Requirements

The following table, EDS Response to Pharmacy Point-of-Sale Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Pharmacy Point-of-Sale Requirements

RFP No.	RFP Requirement	EDS Response
40.8.1.52	Provides capability for an interactive session that accepts submitted pharmacy claims and processes to identify and alert the provider of problems associated with inappropriate drug use prior to dispensing	Met through configuration of interChange parameters and features. The edit/audit processing function validates claim records in accordance with the State's claim processing policy. The electronic claims management (ECM) function provides for the interactive real-time submission and processing of pharmacy claims. interChange performs prospective drug utilization review (Pro-DUR) against drug claims, alerting the pharmacist of potentially inappropriate prescriptions.
40.8.1.53	Provides capability to allow for the submitting provider to respond to alerts by overriding alerts or reversing the claim submitted based on State-determined hierarchy	Met through configuration of interChange parameters and features. The DUR processing function provides the capability to establish rules to indicate if the Pro-DUR alert can be overridden. The system will allow overrides according to the State-determined hierarchy.
40.8.1.54	Provides capability to identify informational alerts for warning on claim denials	Met through customization of interChange. The system will need to be modified to call the Pro-DUR module for a denied claim.
40.8.1.55	Provides capability for an audit trail of all inquiries (event logging), including who made the inquiry, information input, and response provided	Met by interChange. The automated voice response system (AVRS) logs inquiries.
40.8.1.56	Provides capability for alerts for drugs requiring prior approval; provides capability to allow providers to immediately apply for prior approval; provides capability to receive approval if appropriate and complete claim adjudication online	Met through configuration of interChange parameters and features. The DUR+ feature allows automated PAs to be generated for pharmacy claims meeting approved conditions. Please refer to the proposal section 40.7.1 Prior Approval System Requirements for more detail. For PAs that must be manually entered, the interChange claims engine makes use of a PA the instant it is saved into the system. This way, a PA analyst can enter a PA while the pharmacist is on the telephone, and the pharmacist can submit the claim point-of-sale (POS) and have it adjudicate immediately.
40.8.1.57	Provides capability to price all pharmacy claims using lesser of logic incorporating all State-approved pricing methodologies	Met through configuration of interChange parameters and features. The pricing method additions or changes function of interChange determines the pricing methodology. Both compound and noncompound pharmacy claims are priced using the appropriate per-unit rate for the NDC and date of service billed. The rate is multiplied by the number of units billed to determine the allowed charge. A dispensing fee is added to the allowed price calculated for the claim. This allowed charge is then typically compared to the billed amount, and the lower of the two amounts is determined as the claim's allowed charge.
40.8.1.58	Provides capability for online prospective drug utilization review POS/PRO-DUR) for all pharmacy claims	Met through configuration of interChange parameters and features. The interChange pharmacy functional area accepts

RFP No.	RFP Requirement	EDS Response
	using 5.1 formats or newer, more recent NCPDP format updates	HIPAA-compliant pharmacy claim submissions and returns HIPAA-compliant responses in National Council for Prescription Drug Programs (NCPDP) 5.1 format (interactive) and NCPDP 1.1 format (batch). POS claims are subject to Pro-DUR auditing, whereas batch or paper claims bypass Pro-DUR.
40.8.1.59	Provides capability for submittal of decimal units on claims up to the maximum allowed by NCPDP standards and calculate payment based on the actual decimal versus rounding to a whole unit	Met by interChange. The claims pharmacy pricing module prices routines specific to pharmacy claims. The system allows for the submittal of three significant decimal places according to the NCPDP 5.1 format and calculates the payment based on the actual decimal received versus rounding to a whole unit.
40.8.1.60	Provides capability to interface with Comprehensive Neuroscience (CNS) Program-Behavioral Pharmacy Management System (BPMS); provides capability to interface with BPMS quality indicator algorithms developed by an outside vendor (CNS)	Met through customization of interChange. EDS will provide an interface from claims to meet this requirement.
40.8.1.61	Provides capability for PRO-DUR and Retroactive DUR	Met through configuration of interChange parameters and features. The edit/audit processing function validates claim records in accordance with the State's claim processing policy. The Drug Utilization Pro-DUR page meets this requirement. We will configure the Pro-DUR function of interChange in accordance with State-specific requirements. The retroactive DUR (Retro-DUR) process in interChange is a monthly, automatically scheduled batch process. We will provide and deliver the extracted data to the valid Retro-DUR contractor.
40.8.1.62	Provides capability to process all pharmacy claims in POS/PRO-DUR inclusive with edits/audits/overrides consistent with current State policy	Met through customization of interChange. The edit/audit processing function validates claim records in accordance with the State's claim processing policy. The system's Pro-DUR function processes pharmacy claims in POS inclusive with edits/audits and overrides. We will configure the Pro-DUR functions of interChange in accordance with State-specific requirements. We will design and develop specific customization required to meet this requirement.
40.8.1.63	Provides capability to allow for online pharmacy claim reversal/adjustment within one (1) year of date of service	Met by interChange. The adjustment module controls initialization and adjustment requests for the majority of the adjustment functions. interChange supports pharmacy adjustments to meet this requirement.
40.8.1.64	Provides capability to allow for duplicate editing across lines of business, claim types, including pharmacy against HCPCS (e.g., J codes) or NDC codes to ensure both are not billing for nursing home and inpatient stays or pharmacy claims against DME, physician, or Competitive Acquisition Program (CAP) B claims	Met through configuration of interChange parameters and features. The audit processing function validates claims records in accordance with the State's claim processing policy. The audit function performs the verification for duplicate services, service limitations, and service conflicts, including the comparison of Health Care Financing

RFP No.	RFP Requirement	EDS Response
		Administration (HCFA) Current Procedural Coding System (HCPCS) codes to related NDC codes. We will configure conflict audits to meet the State's needs for auditing across all claim types.
40.8.1.65	Provides capability for an online audit trail of all POS/PRO-DUR transactions	Met through configuration of interChange parameters and features. The interChange system logs the inbound and outbound POS transactions for future review.
40.8.1.66	Provides capability for submissions and responses for all Replacement MMIS POS/PRO DUR via the Web Portal	Met by interChange. The claim panels from the Web portal for dental (Claim Dental), pharmacy (Claim Pharmacy), professional (Claim Professional), and institutional (Claim Institutional) claims allows a provider to enter the required information to submit the claim, including multiple detail lines. In addition to submission of claims, the Web portal provides the capability for submitting adjustments and copying current claims for resubmission.
40.8.1.67	Provides capability to accept multiple NDCs and associated prices to calculate total allowed for compound drugs to price and pay compound drugs that include multiple NDCs, rebateable legend drugs, and selected covered over-the-counter products	Met through configuration of interChange parameters and features. The pricing method additions or changes function of interChange determines the pricing methodology. Both compound and noncompound pharmacy claims are priced using the appropriate per-unit rate for the NDC and date of service billed. The system processes each detail of compound drug claims. We will modify, if necessary, the pricing methods associated with compound drugs to meet the State's requirement.
40.8.1.68	Provides capability for flexible State-determined dispensing fees	Met through configuration of interChange parameters and features. The pricing method additions or changes function of interChange determines the pricing methodology. We will modify or add new pricing methods to meet this requirement.
40.8.1.69	Provides capability to set edits that cannot be overridden when the potential drug conflict reaches certain State-approved severity or significance levels	Met through configuration of interChange parameters and features. Pro-DUR alerts can be easily configured to not allow override and allow informational and overridable alerts. We will configure the alerts for drug conflicts so that they cannot be overridden when the conflict reaches a certain State-approved severity or significance level by alert type.
40.8.1.70	Provides capability to exempt a drug or a recipient from the State-specific prescription limit according to policy	Met through configuration of interChange parameters and features. There are several methods of meeting this requirement, including coverage rules and PA.
40.8.1.71	Provides capability to maintain an online audit trail of all updates to Reference and POS/PRO-DUR data, identifying the source of the change, before and after, and change dates	Met by interChange. The reference subsystem keeps audit trails of the changes made to reference and POS/Pro-DUR data for online viewing.
40.8.1.72	Provides capability to allow for the submitting provider	Met through configuration of interChange parameters and

RFP No.	RFP Requirement	EDS Response
	to respond to alerts by overriding alerts or reversing the claim submitted	features. The system allows overrides to alerts and the capability of reversing the submitted claim or the claim in history that is causing the alert. We will configure the system to meet the State's requirement.
40.8.1.73	Provides capability to edit for and deny FDA DESI -identified drugs	Met through configuration of interChange parameters and features. The edit/audit processing function validates claims records in accordance with the State's claim processing policy. The system can identify and deny claims based on criteria within the drug files, including either the Food and Drug Administration (FDA) or CMS Drug Efficacy Study Implementation (DESI) indicators.
40.8.1.74	Provides capability to pay or deny (but not suspend) all pharmacy claims entered through POS devices	Met by interChange. The system can disposition claims based on several criteria, including claim type and ICN region code. The rules of dispositioning determine that claims entered through POS devices can be paid or denied but not suspended.
40.8.1.75	Provides capability to edit against lock-in/lock-out recipient data for pharmacy, primary care provider, and/or prescriber	Met through configuration of interChange parameters and features. The system provides lock-in and lock-out editing for pharmacy, PCP, or prescriber. This can apply to just a specific class of drugs, if desired. We will configure the edits in accordance with the State's requirements.
40.8.1.76	Provides capability to process claims for pharmacist's professional services and to price according to the cognitive service provided	Met through configuration of interChange parameters and features. The pricing method additions or changes function of interChange determines the pricing methodology. We will build a new pricing method to meet the criteria for cognitive service.
40.8.1.77	Provides capability for State-specified customized updates from a contracted drug update service and provides the State all clinical and editorial highlights, newsletter, product information, and modules	Met by interChange. interChange will integrate the FDB drug file as part of the overall solution. EDS pharmacy professionals will stay current with clinical and editorial highlights, newsletters, product information, and modules.
40.8.1.78	Provides capability to edit all claims entered into the system to ensure claims for drugs mandated by Federal regulations, the Federal upper limit (FUL) drugs, and the SMAC drugs are processed correctly; provides capability to edit claims entered into the system to ensure claims are not paid for the drugs listed on the Federal DESI list	Met through configuration of interChange parameters and features. We will configure drug edits to meet the requirements for DESI and State Maximum Allowable Cost (SMAC) drugs.
40.8.1.79	Provides capability to edit against all State-determined DUR alerts	Met through configuration of interChange parameters and features. The system will process pharmacy claims against the State-required DUR alerts. interChange is designed to perform any or all of the following Pro-DUR alerts: Drug High/Low Dose, Drug/Disease, Drug/Pregnancy, Drug/Age-Pediatric & Geriatric, Drug/Drug, Drug/Allergy, Therapeutic Duplication, Ingredient Duplication, Duration of Therapy , Underutilization (late refill) , Overutilization (early refill),

RFP No.	RFP Requirement	EDS Response
		and Additive Toxicity.
40.8.1.80	Provides capability for e-prescribing services, e.g., Rx HUB , and access to formulary and benefit information to enrolled providers using NCPDP Version 1.0 (or more recent) Formulary and benefit standard	Met through customization of interChange. interChange will be customized to support the MMIS side of the e-prescribing services; specifically, the ability to interface through the NCPDPE1 eligibility inquiry files to the e-prescribing transaction vendor. interChange also will be customized to provide brand-to-generic drug cross-reference inquiry services. We can connect to an external e-prescribing vendor and interface with the State's e-prescribing vendor when that vendor is selected.
40.8.1.81	Provides capability to apply edits for coverage of non-legend drugs within compound drugs	Met through configuration of interChange parameters and features. The edit/audit processing function validates claims records in accordance with the State's claim processing policy. We will configure the interChange compound drug function to include edits for non-legend drugs.
40.8.1.82	Provides capability to ensure use of the appropriate package size in calculating the maximum allowable unit cost for reimbursement	Met by interChange. The general claims auditing module in interChange provides the capability to audit where claims in history use differing units or package sizes.
40.8.1.83	Provides capability to edit for Part D eligibility or suspect and deny appropriately	Met through configuration of interChange parameters and features. The edit/audit processing function validates claims records in accordance with the State's claim processing policy. interChange will configure Part D edits to meet the State's requirement.
40.8.1.84	Provides capability to ensure drugs have not been previously issued within the Physician Drug Program and Pharmacy POS	Met by interChange. interChange provides duplicate audit functionality for pharmacy claims.

Determination of Financial Payer and Population Group Requirements

The following table, EDS Response to Determination of Financial Payer and Population Group Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Determination of Financial Payer and Population Group Requirements

RFP No.	RFP Requirement	EDS Response
40.8.1.85	Provides capability to ensure that financial payer and population group determination is based on the recipient's program, enrollment, and related benefit packages, the enrollment of the provider, the inclusion of services in eligible benefit packages, and the dates	Met through configuration of interChange parameters and features. The claims rules engine stores the rules engine calls. The rules engine will determine the correct relationship between the recipient, payer, and reimbursement decisions. The Financial Payer Coordination

RFP No.	RFP Requirement	EDS Response
	services were rendered	of Benefit panel maintains relationships and the order of payers as related to coordination at the payer level. The Financial Payer panel is used to maintain the organizations responsible for the underwriting of the claims transactions to be paid. The Financial Payer Hierarchy panel maintains HIPAA payer hierarchy threads used to control payer relationships and the order of claim adjudication at the payer level. Payer hierarchy threads are ordered sets of payers that may cover recipients concurrently.
40.8.1.86	Provides capability to determine the most appropriate LOB and benefit plan for each claim (by line detail)	Met through configuration of interChange parameters and features. The claims rules engine stores the rules engine calls. The rules engine will determine the correct relationship between the recipient, payer, and reimbursement decisions. Benefit plan hierarchy is configurable within the reference subsystem. The Assignment Plan Hierarchy panel maintains assignment plan threads that are used to control assignment plan relationships and the order of claim adjudication at the assignment plan level. Fund code assignment is determined within the claims engine by examining the required criteria. The Fund Code Selection panel is used for selecting the fund codes that are to be included or excluded in the claim payment hold. The claims program module is responsible for editing, pricing, and auditing claims based on the hierarchy of the recipient's eligible benefit plan.
40.8.1.87	Provides capability to perform Payer Determination process daily after input conversion process to accurately route the claim according to financial payer	Met through configuration of interChange parameters and features. The claims rules engine stores the rules engine calls. The rules engine will determine the correct relationship between the recipient, payer, and reimbursement decisions. The Financial Payer Coordination of Benefit panel maintains relationships and the order of payers as related to coordination at the payer level. The Financial Payer Hierarchy panel maintains HIPAA payer hierarchy threads used to control payer relationships and the order of claim adjudication at the payer level. Fund code assignment is determined within the claims engine by examining the required criteria. The Fund Code Selection panel is used for selecting the fund codes to be included or excluded in the claim payment hold.
40.8.1.88	Provides capability to re-perform Payer Determination process before the claims processing cycle to incorporate any data corrections made subsequent to the initial Payer Determination process	Met by interChange. During claims processing, whether recycle or new-day, all edits and audits are performed.
40.8.1.89	Provides capability to determine financial payer hierarchy	Met through configuration of interChange parameters and features. The multi-payer module contains the functions to do the final pricing, spend-down, TPL, and coordination of

RFP No.	RFP Requirement	EDS Response
		benefits (COB) among payers and benefit plans. The Financial Payer Hierarchy panel maintains HIPAA payer hierarchy threads used to control payer relationships and the order of claim adjudication at the payer level.
40.8.1.90	Provides capability to determine population group hierarchy within a specified financial payer	Met through configuration of interChange parameters and features. The claims rules engine stores the rules engine calls. The rules engine will determine the population group (benefit plan) hierarchy within a specified financial payer.
40.8.1.91	Provides capability to maintain, report, and view the original claim and associated actions that changed the original makeup of claim details	Met through customization of interChange and through COTS integration. interChange will capture the original claim image for paper claims for review and reporting from the document management COTS software, EMC | Documentum, of the original data submitted. Additionally, electronically submitted claims data will be stored and presented to the users through the interChange user interface. For both paper and electronically submitted claims, the original data is stored and available to the users for research.
40.8.1.92	Provides capability to identify any claim details and track back to the original claim	Met by interChange. interChange does not split claims into multiple claims depending on certain criteria. The claims engine will handle the details submitted on a claim as an indivisible entity.
40.8.1.93	Provides capability to identify a claim detail line that has been processed independent of the original claim and tie it to the original claim	Met by interChange. interChange does not split claims into multiple claims depending on certain criteria. The claims engine will handle the details submitted on a claim as an indivisible entity.
40.8.1.94	Provides capability to apply appropriate Replacement MMIS edits to any claim detail that is processed independent of the original claim	Met by interChange. interChange does not split claims into multiple claims depending on certain criteria. The claims engine will handle the details submitted on a claim as an indivisible entity.
40.8.1.95	Provides capability to require prior approval for recipients covered in the Medicaid for Pregnant Women (MPW) program for services (other than postpartum care) that are provided after date of delivery	Met through configuration of interChange parameters and features. Through the rules engine, we can configure the rules to set up prior approval for varying criteria, including pregnancy services.
40.8.1.96	Provides capability to format key-entered POS, batch, and electronic claims submission/electronic data interChange (ECS/EDI) claims into common processing formats for each claim type	Met by interChange. interChange processes translate claims of the same form into a similar format and process them through the claims engine. No matter how they are received, they are formatted and processed the same.
40.8.1.97	Provides capability to perform claims processing based on recipient's enrollment and eligibility information	Met by interChange. interChange performs claims processing based on unique characteristics of each individual claim, including recipient enrollment and eligibility information.
40.8.1.98	Provides the capability to edit claim detail identifying all error codes for claims that fail daily edit processing at	Met by interChange. The interChange edit/audit function posts all possible errors for a claim during the initial

RFP No.	RFP Requirement	EDS Response
	initial processing of the claim to minimize the need for multiple re-submissions of claims	processing of the claim to minimize the need for multiple resubmission of claims.
40.8.1.99	Provides capability to identify the processing outcome of claims (suspend, deny, or pay and report) that fail edits, based on the edit disposition	Met by interChange. interChange provides a variety of criteria for edit disposition to determine the correct outcome for a claim. The claims disposition module is responsible for the disposition of a claim. It assigns a disposition to a line item or claim based on the errors found. The Disposition Criteria — Error Disposition panel contains detailed dispositioning information concerning a specific edit/audit. The correct disposition detail to use for a claim will be determined based on the claim type, level of care, outcome (full failure or cutback), provider specialty, date of receipt, and date of service of the claim.
40.8.1.100	Provides capability for online claims correction and resolution of suspended claims	Met by interChange. The Claim Data Correction panel meets this functional requirement.
40.8.1.101	Provides capability to receive paper/electronic claims for Medicare and Medicare HMO cost sharing	Met by interChange. The claims entry functional area provides the capability to receive both paper and electronic claim submissions through multiple media. Claims processing of crossover and encounter claims meets this functional requirement.
40.8.1.102	Provides capability for the identification of potential TPL (including Medicare) and suspend, deny, or pay and report the claim	Met by interChange. interChange considers TPL amounts for final pricing and allows for history-only TPL adjustments. The adjustment functions module supports history-only adjustments. An example of such an adjustment is the application of TPL collection results applied at the claim level. The receipts of payments from private insurance companies for medical assistance claims are applied to the claims for which payment is applicable. An RA is not produced as a result of an insurance collection, but the claims record is updated to reflect the private insurance payment.
40.8.1.103	Provides capability to distinguish between a Medicare denial versus private insurance denials	Met by interChange. interChange recognizes Medicare and private insurance denials (EOBs). For Medicare denials, Medicaid claim rules are applied. For appropriate private insurance denials, the TPL edit is bypassed.
40.8.1.104	Provides capability for editing to assure that TPL has been satisfied or that a TPL denial attachment is present if required	Met through configuration of interChange parameters and features. The interChange edit/audit processing function produces edits and audits of claims records in accordance with the State's claim processing policy. The disposition status is based on user-defined and table-driven instructions that can cause a claim to pay and list, suspend, or deny.
40.8.1.105	Provides capability for editing and suspending of claims for pre-payment review based on provider, recipient,	Met through configuration of interChange parameters and features. The interChange edit function verifies the

RFP No.	RFP Requirement	EDS Response
	procedure code, diagnosis code, third party insurance, and authorized services	accuracy, validity, and integrity of data submitted on claims by comparing claim data against reference data, provider data, valid value lists, and recipient data received. The audit function compares the in-process claim data with data in paid claims history to determine the appropriateness of the service reflected on the claim in relation to other services received by the recipient. The disposition status is based on user-defined and table-driven instructions that can cause a claim to pay and list, suspend, or deny.
40.8.1.106	Provides capability for editing to assure that the services for which payment is requested are covered by the appropriate State Medical Assistance program	Met by interChange. The benefit plan coverage rules will process each benefit plan in the hierarchy to determine coverage. Each available benefit plan (State Medical Assistance Program) is attempted in turn. The first plan that covers the service is used for that detail for further processing and funding. If none of the available benefit plans will cover a service, the detail is denied.
40.8.1.107	Provides capability for editing to ensure that all required attachments are present	Met by interChange. interChange performs edits to determine if the appropriate attachments are present.
40.8.1.108	Provides capability to edit for cost-sharing requirements on applicable claims	Met through configuration of interChange parameters and features. The claims pricing function determines the pricing methodology used to calculate the amount paid for services rendered to eligible recipients. This function includes the calculation of the allowed amount and application of payment deductions and cost-sharing requirements, based on recipient and claim criteria. interChange will configure a pricing method to correctly adjudicate a claim when cost-sharing applies, if necessary.
40.8.1.109	Provides capability to edit any suspended claims requiring provider or recipient prepayment review	Met through configuration of interChange parameters and features. The interChange edit function verifies the accuracy, validity, and integrity of data submitted on claims by comparing claim data against reference data, provider data, valid value lists, and recipient data received. interChange will configure edits to suspend appropriate claims for prepayment review. The claims resolution functions support the capture of data corrections to suspended claims so that they may be completely reprocessed through the system.
40.8.1.110	Provides capability to process all claims against the edit criteria	Met by interChange. The interChange edit function verifies the accuracy, validity, and integrity of data submitted on claims by comparing claim data against reference data, provider data, valid value lists, and recipient data received. interChange will configure edits to meet the State's needs. The claims resolution functions support the capture of data corrections to all claims so that they may be completely reprocessed through the system.

RFP No.	RFP Requirement	EDS Response
40.8.1.111	Provides capability for editing to assure that reported diagnosis, procedures, revenue codes, and denial codes are present on Medicare primary claims and all other appropriate claim types	Met through configuration of interChange parameters and features. The interChange edit function verifies the accuracy, validity, and integrity of data submitted on claims by comparing claim data against reference data, provider data, valid value lists, and recipient data received to validate that reported diagnosis, procedures, revenue codes, and denial codes are present on Medicare primary claims and all other appropriate claim types.
40.8.1.112	Provides capability to edit for recipient eligibility on date(s) of service	Met by interChange. Recipient eligibility edits capture the correct segment for the dates of service on the claim to meet this functional requirement.
40.8.1.113	Provides capability to edit for valid recipient identification, using DOB and a minimum of the first two (2) characters of last name and the first character of first name	Met by interChange. Name and date of birth (DOB) edits meet this functional requirement.
40.8.1.114	Provides capability to edit for special eligibility records, indicating recipient participation in special programs where program service limitations or restrictions may vary	Met through configuration of interChange parameters and features. The interChange edit function verifies the accuracy, validity, and integrity of data submitted on claims by comparing claim data against reference data, provider data, valid value lists, and recipient data received. interChange can configure limitation audits based on benefit plans, which include waiver programs.
40.8.1.115	Provides capability to edit for recipient living arrangement within the dates of service	Met through configuration of interChange parameters and features. The interChange edit function verifies the accuracy, validity, and integrity of data submitted on claims by comparing claim data against reference data, provider data, valid value lists, and recipient data received. interChange can configure edits based on benefit plans, including hospice or long-term care (LTC).
40.8.1.116	Provides capability to edit for Provider program eligibility to perform procedure rendered on date of service	Met by interChange. interChange will process rules and edits to determine provider eligibility for the service rendered.
40.8.1.117	Provides capability to edit for provider participation as a member of the billing group	Met by interChange. The provider subsystem provides the necessary information to determine if a provider is a recipient of a billing group; if not, an appropriate edit is set.
40.8.1.118	Provides capability to edit claims for recipients in nursing facilities against recipient approval data, level of care, patient liability, patient deductible, Medicare denial, reserve bed and leave days, and admit/discharge information	Met through customization of interChange. The claims rules engine compares the rules with claim data and makes decisions accordingly, posting edits as specified. The interChange edit function verifies the accuracy, validity, and integrity of data submitted on claims by comparing claim data against reference data, provider data, valid value lists, and recipient data received. interChange will configure edits and provide new functions to cross-reference these criteria if necessary to adjudicate the claim correctly.

RFP No.	RFP Requirement	EDS Response
40.8.1.119	Provides capability to edit for prior approval and ensure an active prior approval number is on file	Met by interChange. PA editing meets this functional requirement. interChange will edit against available PA combinations for a correct match with the claims criteria.
40.8.1.120	Provides capability to edit for prior approval claims and cut back billed units or dollars	Met through configuration of interChange parameters and features. PA editing meets this functional requirement. Limitation audits can be processed for cutback or full denial. PA can override these audits depending on how the claim elements match the PA criteria. When the claim and PA data does match, claims processing updates the PA record with the units or dollars from the claim. The claim ICN is inserted into the PA-to-ICN cross-reference table to facilitate tracking and online viewing of claims that have used the services authorized. The units and dollars remaining on the PA record are decremented to reflect what the claim has used.
40.8.1.121	Provides capability to edit for step therapy criteria and protocol for selected drugs	Met through configuration of interChange parameters and features. interChange has step therapy audits and will configure them to match the State's specific drug groups.
40.8.1.122	Provides capability to override the thirty-four-day (34-day) supply limit edit for drugs	Met through configuration of interChange parameters and features. Based on the State's criteria, interChange will allow for an override to the 34-day supply limit.
40.8.1.123	Provides capability to maintain edit disposition to deny claims for services that require prior approval if no prior approval is identified or active	Met by interChange. PA editing meets this functional requirement. According to policy, an indicator of services that require PA is established for each procedure code, revenue code, and NDC within the service program for which a valid PA must be obtained.
40.8.1.124	Provides capability to update the Prior Approval record(s) to reflect the services paid on the claim, including units, amount paid, and the number of services still remaining to be used	Met by interChange. PA editing meets this functional requirement. interChange processes a PA against the PA record and a detail tracking table that determine the remaining services allowed for that PA item. The PA Claim List panel displays claim-to-PA cross-reference information for claims that used a PA to pay. The PA Line Item panel allows authorized users to view, enter, and modify service detail information on a PA request.
40.8.1.125	Provides capability for automated cross-checks and relationship edits on all claims	Met by interChange. Cross-check and relationship edits meet this functional requirement.
40.8.1.126	Provides capability for automated audit processing against history, suspended, and same cycle claims	Met through customization of interChange. The edit/audit processing function in interChange processes against history and week-to-date claims. There is not a batch cycle, so each claim runs independently against the available paid history. However, interChange does not audit against suspended claims because their outcome is unclear. After a claim has adjudicated, it becomes visible to audit processing. interChange can be extended to include reviewing suspended claims during auditing.

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40.8.1.127	Provides capability to apply Medical Procedure Audit Policy (MPAP) to determine audits on a specific claim detail	Met through configuration of interChange parameters and features. The edit/audit processing function in interChange meets this requirement. interChange can configure audits to apply MPAP criteria.
40.8.1.128	Provides capability to ensure that auditing supports claim denials, automatic recoupments or cutbacks, suspended for review, or specific pricing	Met by interChange. The audit disposition meets this functional requirement.
40.8.1.129	Provides capability for automatic system recoupment and denial of hospital claim when prior approval for surgery was not granted	Met by interChange. PA editing meets this functional requirement. interChange will deny a claim if appropriate if a required PA is not found according to the claim's criteria. Claims that have been previously paid can be identified and recouped through the highly configurable mass-adjustment process.
40.8.1.130	Provides capability to apply clinical and pricing business rules in claims processing	Met through configuration of interChange parameters and features. The rules engine within claims can be set up to provide a flexible set of parameters for clinical and pricing rules.
40.8.1.131	Provides capability to identify paid and denied claims in Claims History	Met by interChange. The Claims Search and Information panels meet this functional requirement because they allow users to view paid and denied claims with multiple sorting options.
40.8.1.132	Provides capability for editing an unlimited number of claim lines	Met by interChange. interChange adheres to the HIPAA standard of 999 lines and therefore meets this functional requirement.
40.8.1.133	Provides capability to process multiple units of service for a span of dates of service	Met through configuration of interChange parameters and features. The pricing method additions or changes function determines the pricing methodology for claims. interChange can configure pricing methods to process units across spanned dates.
40.8.1.134	Provides capability to edit for potential duplicate claims based on a cross-reference of group and rendering provider, multiple provider locations, and across provider and claim types	Met through customization of interChange. The claims edit/audit process will be customized to meet this requirement. Currently, interChange checks for duplicates on provider groups. interChange includes a number of duplicate and suspect duplicate audits that can be enhanced to cover the State's requirements.
40.8.1.135	Provides capability to identify potential and/or exact duplicate claims in the MMIS and POS within and across financial payers	Met by interChange. The duplicate and suspect duplicate audit processing meets this functional requirement.
40.8.1.136	Provides capability to edit using duplicate audit and suspect-duplicate criteria to validate against history, suspended claims, and same-cycle claims	Met by interChange. The duplicate and suspect duplicate audit processing meets this functional requirement. However, interChange does not audit against suspended claims because their outcome is unclear. After a claim has adjudicated, it becomes visible to audit processing.

RFP No.	RFP Requirement	EDS Response
		interChange can be extended to include reviewing suspended claims during auditing.
40.8.1.137	Provides capability for audit trail of all claims that identify timing and suspense status, error codes, and occurrences per claim header and claim detail as processed to final adjudication status	Met by interChange. The Claims Location panel meets this functional requirement. The claims engine tracks the processing of the claim through its various locations from initiation, through suspense, if necessary, and finally to adjudication and final disposition.
40.8.1.138	Provides capability for an unlimited number of edits per claim	Met by interChange. The system provides the capability for 100 edits at the header level and 100 edits for each detail. interChange adheres to the HIPAA standard of 999 lines and therefore meets this functional requirement.
40.8.1.139	Provides capability to identify and track all edits and audits posted to the claim from suspense through adjudication	Met by interChange. The database within the claims engine keeps the edits posted to the claim in a historical status so the processing history of the claim is available to the user.
40.8.1.140	Provides capability for each error code to have a resolution code, an override, force or deny indicator, and the date that the error was resolved, forced, or denied	Met by interChange. The database within the claims engine keeps the edits posted to the claim in a historical status so the processing history of the claim is available to the user. Each edit stores the user, action, and time stamp that was applied to it.
40.8.1.141	Provides capability for the acceptance of overrides of claim edits and audits	Met by interChange. The Data Corrections Listing and Claim Edit Recycle panels meet this functional requirement. The claims engine allows edit and audit overrides through the online panels and through batch processing.
40.8.1.142	Provides capability to turn off and on edits/audits for program types as specified by State Memo	Met by interChange. The edits within interChange can be turned to inactive for claims meeting specific criteria.
40.8.1.143	Provides capability to identify the claim deposition, based on the edit status or force code with the highest severity specific to each LOB	Met by interChange. The specific benefit plan tied to a line of business (LOB) that authorizes coverage for a service is used to define the additional actions taken, including pricing methodology available and the disposition of edits and audits. Each edit disposition can have different severities based on line of business.
40.8.1.144	Provides capability to maintain a record of service codes required for audit processing where the audit criteria covers a period longer than five (5) years (such as once-in-a-lifetime procedures)	Met by interChange. interChange does not currently purge claims, so lifetime audits are handled in the normal process.
40.8.1.145	Provides capability to modify the disposition of edits by LOB to: • Suspend for special handling • Deny and print an explanatory message on the provider RA • Suspend to a specific location unit	Met through configuration of interChange parameters and features. interChange will configure the rules engine and edit dispositioning to meet this requirement.

RFP No.	RFP Requirement	EDS Response
	• Pay and report to a specific location/unit • Pay	
40.8.1.146	Provides capability to set claim edits to allow dispositions and exceptions to edits based on claim type submission media, provider type and specialty and subspecialty or taxonomy, recipient Medical Assistance program, or individual provider number	Met through configuration of interChange parameters and features. Configuration of the claims edit/audit function will meet this requirement.
40.8.1.147	Provides capability to perform edits against claims for limits on dollars, units, and percentages	Met through customization of interChange. interChange does not currently audit based on percentages but can be enhanced to do so by customizing the edit/audit function to meet this requirement.
40.8.1.148	Provides capability to override the Prior Approval edit to allow for emergency seventy-two-hour (72-hour) supply of a drug and does not count toward service limitations for prescriptions	Met through configuration of interChange parameters and features. interChange currently processes emergency PA requests. The claims edit/audit function will be configured to meet the State's requirements for overrides.
40.8.1.149	Provides capability for variable limitations of pharmacy prescription benefits, such as number of prescriptions, quantity of drugs, specific drugs, and upper limits	Met through customization of interChange. Most of the pharmacy requirements will be configurable. Some will require State-specific customization.
40.8.1.150	Provides capability to allow for exceptions to pharmacy lock-ins	Met by interChange. Pharmacy lock-in for an individual can be set for only classes of drugs, giving very precise control to when the lock-in is applied. The manual override process meets this functional requirement. interChange can suspend a claim for a particular reason and then manually override the suspension.
40.8.1.151	Provides capability to edit claims with billed amounts that vary by a specified degree above or below allowable amounts	Met through configuration of interChange parameters and features. Using the claims edit/audit function in interChange, we will work with the State to determine the criteria for price variance edits between the billed and allowed amounts.
40.8.1.152	Provides capability to validate provider IDs for billing, attending, referring, and prescribing providers	Met by interChange. The claims edit/audit function provides the capability to validate the provider data entered.
40.8.1.153	Provides capability to edit for valid CLIA certification for laboratory procedures	Met by interChange. The claims edit/audit function provides the capability to validate and edit the claims data entered. interChange supports an interface to the OSCAR system for monthly updates of CLIA information.
40.8.1.154	Provides capability to edit claim for tooth numbers for procedures requiring tooth number, surface, or quadrant	Met by interChange. The claims edit/audit function provides the capability to validate the claims data entered. Tooth number, surface, and quadrant support edits. Tooth number and quadrant support auditing.
40.8.1.155	Provides capability to edit for procedure to procedure on same date of service	Met by interChange. The contra and negative contra edits meet this functional requirement. The Audit Procedure Restriction - Contra panel is used to maintain procedure

RFP No.	RFP Requirement	EDS Response
		codes and their modifiers or revenue codes that should be included when performing contra-indicated audits.
40.8.1.156	Provides capability to edit for service limitations	Met by interChange. The claims edit/audit function in interChange has many parameters available for designing limitation audits, including procedure, diagnosis, and revenue codes as well as include/exclude and same/different indicators.
40.8.1.157	Provides capability to edit for the identification of the quadrant based on tooth number for editing	Met through configuration of interChange parameters and features. Detail edits will be configured for a cross-reference between tooth number and quadrant.
40.8.1.158	Provides capability to track service limitations online	Met by interChange. The Recipient Service Usage panel meets this functional requirement. interChange has benefit limit audits, which will store service usage by month, available for viewing online.
40.8.1.159	Provides capability to edit and suspend with procedure codes set to manually price unless there is a prior approval for the procedure code for the recipient with the servicing provider	Met by interChange. interChange can manually price claims when a PA is not present for a procedure code that requires it.
40.8.1.160	Provides capability to edit for program and allow for services to ICF-MR adults for procedures limited to those individuals under twenty-one (21) years of age	Met through configuration of interChange parameters and features. Rules for benefit programs and age limits limiting services can be applied in the rules engine.
40.8.1.161	Provides capability to edit for timely filing	Met by interChange. The configuration of the timely filing edits meets this functional requirement.
40.8.1.162	Provides capability to cut back units on claims, retaining the original units billed and units paid	Met by interChange. Billed units is a preserved field in the claim detail. A separate field reveals the allowed units. They can be different if a claim has been cut back due to auditing or PA requirements.
40.8.1.163	Provides capability to process Medicare cost-sharing charges using the full claim input information and system edit capability	Met by interChange. The pricing function determines the applicability of cost-sharing charges. The edit/audit function applies cost-sharing using the full claim input information. Crossover claims processing meets this functional requirement.
40.8.1.164	Provides capability to edit across claim types, including the ability to process with a minimum of four (4) modifiers and edit for modifier appropriateness	Met by interChange. interChange can audit across claim types and can edit using the four modifiers.
40.8.1.165	Provides capability to edit for disproportionate share hospitals	Met through configuration of interChange parameters and features. Provider contract rules can be set up to handle pricing methods for disproportionate share hospitals. The disproportionate share allocation is stored as a separate field in the UB04 detail tables.
40.8.1.166	Provides capability for all edits as listed by the State	Met by interChange. interChange executes all possible edits in each run. Recycled claims also re-execute all edits.

RFP No.	RFP Requirement	EDS Response
40.8.1.167	Provides capability for encounter-specific editing and auditing	Met through configuration of interChange parameters and features. The editing and auditing dispositions can be different for encounters.
40.8.1.168	Provides capability to edit billed charges for high and low variances	Met through configuration of interChange parameters and features. interChange can configure the percentages for variance edits to meet the State's needs.

Suspended Claims Requirements

The following table, EDS Response to Suspended Claims Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Suspended Claims Requirements

RFP No.	RFP Requirement	EDS Response
40.8.1.169	Provides capability to suspend claims for review, as required by the State	Met by interChange. The claims operations management functions provide the overall rules to support the interChange claims system parameters that govern tracking, processing, finalization processes, and reporting of claims. The edit/audit processing function validates claims records in accordance with the State's claim processing policy. interChange can disposition edits to suspend claims for review.
40.8.1.170	Provides capability for manual review of claims for specific services, such as hysterectomies, abortions, sterilizations, DME claims for external insulin pumps, equipment repairs, miscellaneous pediatric items, miscellaneous drugs, off-labeled drugs, and all PAC "1" codes	Met through configuration of interChange parameters and features. The claims rules engine compares the rules with claim data and makes decisions accordingly, posting edits as specified. The data corrections panels and recycle reprocess functions meet this requirement.
40.8.1.171	Provides capability to process Medicare cost-sharing charges	Met through configuration of interChange parameters and features. The pricing method additions or changes function of interChange determines the pricing methodology. The pricing function determines the applicability of payment reductions, such as copayment, other insurance amounts, Medicare payment amounts, and recipient payment and liability amounts, and applies these reductions to the calculated claim allowed amount to determine the claim payment amount, in accordance with policy.
40.8.1.172	Provides capability to electronically store and report comparable codes used to price unlisted procedure codes	Met through customization of interChange. interChange must have the procedure codes on file to perform pricing. We will work with the various agencies to determine how to proceed with the business scenarios and associated codes that fall under this function.

RFP No.	RFP Requirement	EDS Response
40.8.1.173	Provides capability to subject all pharmacy claims to the automated POS PRO-DUR consistently	Met by interChange. The pharmacy Pro-DUR program contains routines to store and retrieve drug utilization review information like drug therapeutic class and dispense date. The pharmacy drug program contains the details related to pharmacy drugs. Thus, interChange executes all relevant pharmacy edits and Pro-DUR functionality for each pharmacy claim. Pro-DUR is only performed on POS-processed claims.
40.8.1.174	Provides capability to provide adjudication of the pharmacy POS claim as paid or denied when it passed all edits and audits, sending a response back to the provider via a VAN	Met by interChange. The response configuration file contains the supported transaction responses, segments, and elements. The NCPDP server program serves as the interactive server for NCPDP 5.1 requests, thereby providing interChange with the capability to send a response back to a value-added network (VAN) containing the status of the pharmacy claim.

General Claims Resolution Requirements

The following table, EDS Response to General Claims Resolution Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to General Claims Resolution Requirements

RFP No.	RFP Requirement	EDS Response
40.8.1.175	Provides capability for online claims resolution, edit override capabilities for all claim types, and online adjudication	Met by interChange. The Claim Suspense panel lists the claims that are in a suspended or resubmit status. A user can make data corrections to a claim by selecting it from this listing. The data correction panels allow for reprocessing of claims, overriding edit or audits, and forcing the payment or denial of edits and audits for claims adjudication.
40.8.1.176	Provides capability to ensure that all corrected claims are completely re-edited	Met by interChange. The Claim Suspense panel lists the claims that are in a suspended or resubmit status. A user can make data corrections to a claim by selecting it from this listing. The data correction panels allow for reprocessing of claims, overriding edit or audits, and forcing the payment or denial of edits and audits for claims adjudication.
40.8.1.177	Provides capability for claims correction process that allows inquiry and update by transaction control number, provider ID, recipient ID, location code, adjustment initiator ID, clerk ID, claim type, date of service, ranges of dates, and prior approval number	Met through customization of interChange. The Replacement MMIS we propose to develop will have an interface to meet this requirement. Not all criteria are currently part of the search criteria, but they can be added if necessary.
40.8.1.178	Provides capability to sort suspended claims into applicable work queues	Met by interChange. The Claims Assignments page contains panels used to assign claims to data correction analysts. Supervisors can modify the queues in real time to

RFP No.	RFP Requirement	EDS Response
		redistribute work as appropriate.
40.8.1.179	Provides capability to forward suspended claims to multiple locations	Met by interChange. The Claims Assignments page contains panels used to assign claims to data correction analysts. Through claim assignment and claim notes, interChange can send a claim to a different location for assignment with notes to the next clerk. After one clerk has completed his or her tasks, the clerk can forward the suspended claim to another clerk, such as a medical necessity clerk, or resubmit the claim for processing.
40.8.1.180	Provides capability to accept mass adjustments to suspended claims	Met by interChange. The claims adjustment process calls the adjustment process to select claims for mass adjustments. Because the outcome of suspended claims is unknown and interChange will adjust paid claims, suspended claims are not considered for mass adjustments. The reference changes that made the mass adjustments necessary will be used when the suspended claims are reprocessed through the claims engine. interChange does not adjust suspended claims. However, the suspended claims can be forced to reprocess to an adjudicated status, where they can be available for a mass adjustment.
40.8.1.181	Provides capability to link free-form notes from all review outcomes and directions to the imaged claim	Met by interChange. Clerks can store notes in the Claim Notes panel. These notes can be seen by clerks working the claim at any time throughout the processing cycle.
40.8.1.182	Provides capability to maintain error codes and messages that clearly identify the reason(s) for the suspension	Met by interChange. The Claims Error and Detail Error panels display error header and detail information including error codes and messages that clearly define the reason for suspension of claims. The error messages and descriptions are stored on database tables and can be easily modified.
40.8.1.183	Provides capability for the methodology to process the adjustment offset in the same payment cycle as the adjusting claim	Met by interChange. The financial function of interChange supports this requirement. The mother and daughter claim can be processed in the same cycle, creating the correct financial transactions.
40.8.1.184	Provides capability to adjust Claims History only	Met by interChange. The adjustment functions module supports history-only adjustments. An example of such an adjustment is the application of TPL collection results applied at the claim level. The receipt of payments from private insurance companies for medical assistance claims are applied to the claims for which payment is applicable. An RA is not produced as a result of an insurance collection, but the claim record is updated to reflect the private insurance payment.
40.8.1.185	Provides capability to re-edit, re-price, and re-audit each adjustment, including checking for duplication against other regular and adjustment claims, in history, and in	Met by interChange. interChange processes the edits and audits and reprices the claim in each run of the claim through the claim engine. Every claim is processed in its

RFP No.	RFP Requirement	EDS Response
	process	entirety at one time, not in a multiple-step batch process, as some legacy systems do.
40.8.1.186	Provides capability to allow online changes to the adjustment claim record to reflect corrections or changes to information during the claim correction (suspense resolution) process	Met by interChange. The Claim Suspense panel lists the claims that are in a suspended or resubmit status. A user can make data corrections to a claim by selecting it from this listing. The data correction panels allow for reprocessing of claims, overriding edit or audits, and forcing the payment or denial of edits and audits for claims adjudication. interChange processes adjustments through the suspense process. When a regular adjustment is created, the daughter claim is written to suspense. If there is a need for data correction, the clerk makes the changes and changes the status of the claim to resubmit. It is then extracted and run through the claims engine. The claims resolution function allows online resolution of suspended claims.
40.8.1.187	Provides capability to maintain primary and secondary adjustment reason codes that indicate who initiated the adjustment, the reason for the adjustment, and the disposition of the claim for use in reporting the adjustment	Met by interChange. The Case Inquiry panel supplies adjustment reason codes and amounts as needed for an entire claim or for a particular service with the claim being paid. It also identifies the general category of payment adjustment. interChange can store multiple reason codes through the claim case element. The EOB related to the adjustment itself and its originator also are stored in an adjustment cross-reference record. Through the miscellaneous general claims program, adjustments use the check/cash receipt function to create financial disposition records.
40.8.1.188	Provides capability for the methodology to allow online changes to the adjustment claim record to reflect corrections or changes to information during the claim correction (suspense resolution) process	Met by interChange. The Claim Suspense panel lists the claims that are in a suspended or resubmit status. A user can make data corrections to a claim by selecting it from this listing. The data correction panels allow for reprocessing of claims, overriding edit or audits, and forcing the payment or denial of edits and audits for claims adjudication. interChange processes adjustments through the suspense process. When a regular adjustment is created, the daughter claim is written to suspense. If there is a need for data correction, the clerk makes the changes and changes the status of the claim to resubmit. It is then extracted and run through the claims engine. Because the adjustment goes through the suspense process, it can be data-corrected and recycled.
40.8.1.189	~~Provides capability to generate exception sheets online~~	Cancelled. This requirement was deleted by RFP 30-DHHS-1228-08-R.
40.8.1.190	Provides capability to capture and maintain the medical reviewer ID and claims resolution worker ID by date and by error/edit for each suspended claim	Met by interChange. The Location panel stores the location information for the claims. Each location through which the claim passes can be stored with a clerk ID. The claim is

RFP No.	RFP Requirement	EDS Response
		stamped with a date and time stamp, indicating the second it entered each location.
40.8.1.191	Provides capability to identify and access the status of any related limitations for which the recipient has had services	Met by interChange. The Recipient Service Usage Search, Recipient Service Usage Search Results, and Recipient Service Usage ICN Search Results panels allow users to search for and display the service usage and show claim information for a chosen service limit. Benefit limit audits store usage information for claims that meet the criteria of the audits.
40.8.1.192	Provides capability to enter multiple error codes for a claim to appear on the RA	Met by interChange. The claims engine stores the relevant errors for the claim. Each edit can be configured to appear on the RA or not. The print limit is five at the header and five at each detail. They are printed in order of priority by a ranking assigned by the State so the most important edits are shown.
40.8.1.193	Provides capability to assign a unique status to corrected claims	Met by interChange. The claims resolution function allows complete reprocessing of suspended claims, therefore correcting the claims and assigning a new status. When data corrections for a claim have been applied, the resolutions user can change the status to resubmit to mark the claim for reprocessing within the system. Other statuses include suspend, pay and list, and deny. interChange can display derived statuses based on other criteria.
40.8.1.194	Provides capability of entering multiple error codes for a claim to appear on the RA	Met by interChange. If a forced edit is configured to display on the RA, it will print. The same applies to forced denials.
40.8.1.195	Provides capability to maintain all claims on the suspense file until corrected, automatically recycled, or automatically denied	Met by interChange. Suspended claims remain on the suspense tables until adjudicated. If a claim is suspended multiple times, each error from each reprocessing is available. The errors indicate if they are current (most recent pass) or historical (a prior pass) so the trail of everything that has happened to a claim is available.
40.8.1.196	Provides capability to adjudicate special batches of claims	Met by interChange. Sometimes claims need special processing. These claims are assigned a special batch range (99) and can process differently than other claims. Timely filing is an example of an edit that can be bypassed by a special batch claim.
40.8.1.197	Provides capability to force release of claims	Met by interChange. interChange supports auto-release of certain edits after a specific number of days; for example, waiting for an attachment. Clerks can auto-recycle edits through an online panel. There also is the ability to manually force release a claim.
40.8.1.198	Provides capability to adjudicate and track non-covered service claims for EPSDT recipients	Met through configuration of interChange parameters and features. The claims rules engine stores the rules engine calls. Rules can be set up for benefit plans to adjudicate

RFP No.	RFP Requirement	EDS Response
		claims for non-covered services. Tracking can be accomplished through the interChange Business Intelligence and Analytical Reporting (BIAR) component.
40.8.1.199	Provides capability to capture rebateable NDCs for all administered drugs in the Physician Drug Program, including drugs administered with HCPCS codes	Met by interChange. interChange is currently being enhanced to handle the processing of physician claims to capture NDCs and determine whether the drugs are rebateable.

Retrospective Drug Utilization Review Requirements

The following table, EDS Response to Retrospective Drug Utilization Review Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Retrospective Drug Utilization Review Requirements

RFP No.	RFP Requirement	EDS Response
40.8.1.200	Provides capability to generate a file of paid drug claims to the Retrospective DUR Vendor	Met through customization of interChange. interChange has a standard extract process to support Retro-DUR processing. It will be customized to meet the needs of the Retro-DUR vendor.
40.8.1.201	Provides capability to generate a file of physician, clinic, hospital, and pharmacy Provider data to the Retrospective DUR Vendor	Met through customization of interChange. interChange has a standard extract process to support Retro-DUR processing. It will be customized to meet the needs of the Retro-DUR vendor. Every month, there is an automatic batch extract for the required claims history and related provider and recipient data. We will provide the extracted data and deliver it to the valid Retro-DUR vendor.
40.8.1.202	Provides capability to generate a file of the recipient data to the Retrospective DUR Vendor	Met through customization of interChange. interChange will create a recipient report to extract data for the Retro-DUR vendor.
40.8.1.203	Provides capability to produce the CMS Annual Drug Utilization Review Report	Met through customization of interChange. interChange will create and produce the CMS Annual Drug Utilization Review Report.

Adjustment Processing Requirements

The following table, EDS Response to Adjustment Processing Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Adjustment Processing Requirements

RFP No.	RFP Requirement	EDS Response
40.1.1.204	Provides capability for online search inquiry for pharmacy claims via any available FDB data element/module, including, but not limited to: • Recipient identifier • Provider identifier • Pharmacy number • Internal control number (ICN) • Prescription number • Therapeutic class • Drug codes • GCN • GCN-Sequence • NDC	Met through customization of interChange. The Claim Search panel and data warehouse panels will be enhanced to meet this functional requirement.
40.8.1.205	Provides capability to update provider payment history and recipient claims history with all appropriate financial records and reflect adjustments in subsequent reporting, including claim-specific and non-claim-specific recoveries	Met by interChange. The Financial Payment Information panels meet this functional requirement. interChange updates provider payment history in the financial cycle and the recipient history during claims processing.
40.8.1.206	Provides capability to link an original claim with all adjustment transactions	Met by interChange. interChange provides cross-reference records that link the mother claim to the daughter claim. There is one for each claim form and an additional one for daughter in suspense. The Adjustment Information — Mother/Daughter panel displays the mother and daughter claims.
40.8.1.207	Provides capability for an online mass-adjustment function to re-price claims, within the same adjudication cycle, for retroactive pricing changes	Met by interChange. The Claims Mass Adjustment Criteria panel meets this functional requirement.
40.8.1.208	Provides capability to correct the tooth surface on dental claims and process as an adjustment	Met by interChange. The claims adjustment process meets this functional requirement.
40.8.1.209	Provides capability to process unit dose credits	Met through customization of interChange. EDS will work to fully understand and implement this requirement.
40.8.1.210	Provides capability to input transactions to Drug Rebate and TPL of all collected dollars	Met by interChange. interChange can input transaction to drug rebate and TPL of all collected dollars.
40.8.1.211	Provides capability to capture pharmacy/drug rebates on professional and institutional claims	Met by interChange. interChange can capture drug rebates on professional and institutional claims by passing the NDC received on physician or institutional claims through to the drug rebate. HCPCS codes that convert to exactly one NDC also are translated and used in the drug rebate process.

RFP No.	RFP Requirement	EDS Response
40.8.1.212	Provides capability to capture and electronically store the clerk ID of the individual who initially entered the adjustment and the clerk ID who worked the suspended adjustment	Met by interChange. The Claim Adjustment Base Information panel meets this functional requirement.

General Payment Processing Requirements

The following table, EDS Response to General Payment Processing Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to General Payment Processing Requirements

RFP No.	RFP Requirement	EDS Response
40.8.1.213	Provides capability to process all claims and adjustments in accordance with Replacement MM IS policy and procedure	Met through configuration of interChange parameters and features. The benefit administration edit and audit capabilities of the interChange claims engine meet this functional requirement.
40.8.1.214	Provides capability to assign the status of claims in the system to determine the course of each action to be taken in the claims adjudication process and completion of appropriate financial processing tasks	Met by interChange. The claims edit/audit function validates the claims data and determines the course of action to be taken in the claims adjudication process and completion of appropriate financial processing tasks.
40.8.1.215	Provides capability to apply payments to open accounts receivables when the provider has a positive balance, apply third party collections, create Adjudication Claims File for checkwrite period, and update Provider Earnings file	Met by interChange and operational processes and procedures. The financial system, in conjunction with the claims system, allows the capability to apply payments to open accounts receivables when the provider has a positive balance, apply third-party collections, create the adjudication claims file for the checkwrite period, and update the provider earnings file.
40.8.1.216	Provides capability to generate Health Insurance Premium Payments (HIPP)	Met by interChange. interChange has a full-featured HIPP processing capability. Existing reports include HIPP Automated Billing Statements, HIPP Billing Statement Exceptions, HIPP Premium Payment RA Register, and HIPP Monthly Clerk Cost Effective Activity.
40.8.1.217	Provides capability for claims exceptions to process automatically when prior authorized by the lock-in primary care provider or prescriber in accordance with State policy	Met through customization of interChange. EDS will customize the PA function to meet the State's requirement.

Financial and Related Processing Requirements

The following table, EDS Response to Financial and Related Processing Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Financial and Related Processing Requirements

RFP No.	RFP Requirement	EDS Response
40.8.1.218	Provides capability to maintain complete audit trails of adjustment processing activities	Met by interChange. The error status code function generates reports daily and weekly to make sure the audit trails are maintained by the system.
40.8.1.219	Provides capability to assign the status of claims in the system to determine course of each action to be taken in the claims adjudication process and completion of appropriate financial processing tasks	Met by interChange. The edit/audit function validates the input claims data and determines the course of each action to be taken in the claims adjudication process and completion of appropriate financial processing tasks.
40.8.1.220	Provides capability to calculate claims payments by payer source, balancing payments due from adjudicated claims with any increase/decrease for adjustments or other financial transactions	Met by interChange. Benefit plans are assigned to each payable detail or header depending on claim type. These are tied to payers through budgets and funding codes. The financial system maintains these relationships and is able to calculate the payments by payer source and provide accurate balancing reports.
40.8.1.221	Provides capability to apply payments to open accounts receivables when the provider has a positive balance, apply third party collections, create Adjudication Claims File for checkwrite period, and update Provider Earnings file	Met by interChange. The interChange financial business function accumulates paid claims and outstanding receivables and nonclaim expenditures to determine final payments. The initiation of accounts payables or receivables is automated. For more details, please refer to proposal section 40.14.1 Financial Management and Accounting System Requirements.
40.8.1.222	Provides capability to produce system-generated check registers, provider checks, and RAs and update control totals by LOB	Met through customization of interChange. Multi-payer processing enhancements will meet this requirement.
40.8.1.223	Provides capability to print provider voucher Statements and checks by LOB	Met by interChange. The interChange financial business function writes the checks and RAs for providers.
40.8.1.224	Provides capability to validate a provider's status prior to issuing payments or processing refund checks and voided checks	Met by interChange and operational processes and procedures. The standard claims processing edits validate a provider's status for claims. Financial analysts verify the provider status when processing refund checks or voided checks.
40.8.1.225	Provides capability to produce a monthly file of all adjudicated claims and other financial transactions by LOB	Met through customization of interChange. The addition of a new extract file will meet this functional requirement.
40.8.1.226	Provides capability to track the status of all financial transactions by payer source	Met by interChange. The interChange financial business function maintains all financial transactions, which assumes fund codes and reflects the appropriate payer.
40.8.1.227	Provides capability to run separate payment cycles by each LOB	Met by interChange. The FSM Financial Schedule Hold and FSM Financial Schedule Maintenance panels meet this requirement.
40.8.1.228	Provides capability to override the system date used for	Met by interChange. The FSM Financial Schedule Hold, FSM Financial Schedule Maintenance, and FSM Financial

RFP No.	RFP Requirement	EDS Response
	the payment cycle through a system parameter	Schedule Override panels meet this requirement.
40.8.1.229	Provide the capability to use the same system date for all outputs of a claims payment cycle	Met by interChange. The interChange financial business function maintains all financial transactions. All reports from a cycle use that date as part of standard processing.
40.8.1.230	Provides capability to create a single check or EFT per payment cycle for each provider by LOB	Met by interChange. The multi-payer functional enhancement to the system will meet this requirement.
40.8.1.231	Provides capability to generate beneficiary Recipient Explanation of Medicaid Benefits (REOMBs)	Met by interChange. The REOMBs report meets this functional requirement.
40.8.1.232**	Provides capability to generate beneficiary Recipient Explanation of Benefits (REOBs) by LOB	Met through customization of interChange. The addition of several batch jobs to separate the data by LOB will meet this functional requirement.
40.8.1.233	Provides capability to produce and distribute paper RAs formatted separately for individual provider types	Met by interChange. The RA is produced by claim type for each provider.
40.8.1.234	Provides capability to produce ANSI 835 and 820 transactions	Met by interChange. interChange produces standard HIPAA transactions.
40.8.1.235	Provides capability for EFT by LOB	Met by interChange. The multi-payer functional enhancement to the system will meet this requirement.
40.8.1.236	Provides capability to update historical files with information from RAs/835s and checks	Met through customization of interChange. EDS will work with the State to understand this requirement and implement the required functionality.
40.8.1.237	Provides capability to ensure RAs contain State-approved EOB messages by LOB	Met by interChange. The error disposition and region data meet this functional requirement.
40.8.1.238	Provides capability for producing statistically valid sampling reports for use in provider audits by LOB	Met by interChange. The Business Intelligence and Analytical Reporting (BIAR) component of interChange meets this requirement.
40.8.1.239	Provides capability to rerun a payment cycle by LOB before the next regularly scheduled cycle and within eight (8) clock hours of State notification, when the original cycle is considered unacceptable	Met by interChange and operational processes and procedures.
40.8.1.240	Provides capability to produce EFT register and ANSI 835	Met by interChange. The interChange financial business function meets this requirement. The system can produce an electronic funds transfer (EFT) register, and the EDI function supports HIPAA 835 generation.
40.8.1.241	Provides capability for balancing process associated with financial month-end reporting	Met by interChange. The interChange financial business function meets this requirement. Monthly reports are tied to four weekly reports and are validated during testing.
40.8.1.242	Provides capability to modify payment cycle schedule	Met by interChange. The payment cycle is determined by a table-driven process to meet this functional requirement.
40.8.1.243	Provides capabilities to provide independent and separate banking	Met by interChange. The bank account panels meet this functional requirement. The system can have separate

RFP No.	RFP Requirement	EDS Response
		bank accounts based on funding of a transaction. Funded transactions will be associated to the same payment, and as a result the same bank account information will be used when generating a payment. Our system provides bookkeeping capabilities for cash. Because we are not a depository, the information provided on a cash receipt is at the discretion of the user or clerk who enters the information. interChange can do receipt money through external interfaces for purposes such as lockbox, but this is not part of the base system. The system can record whatever information is provided by manual or automatic inputs, and that information can be related to a bank account with some minor modifications.
40.8.1.244	Provides capability to combine claims from MMIS and POS for payment processing	Met by interChange. All transactions processed by the MMIS combine before the financial cycle.
40.8.1.245	Provides capability to withhold adjudicated claims from the payment cycle by payer source	Met by interChange. The payment hold information process meets this functional requirement.
40.8.1.246	Provides capability to retrieve budget and available balance data from North Carolina Accounting System (NCAS)	Met through customization of interChange. The development of a new interface and process for retrieving the data will meet this functional requirement.
40.8.1.247**	Provides capability to accept and process budget data from a DMH file	Met through customization of interChange. The development of a new interface and process for retrieving the data will meet this functional requirement.
40.8.1.248	Provides capability to use approved budget data for expenditure allotment and control	Met by interChange. The Financial Budget Information panel meets this functional requirement.
40.8.1.249**	Provides capability to process and pay claims, based on the applicable budget hierarchy, from the first eligible benefit plan where money is available and the service is covered, within the same payment cycle	Met by interChange. interChange allows authorized users to indicate if there are one or more alternative budgets for a given budget if the primary budget is depleted. For more details on the capability and user control of this feature, please see the proposal section 40.14.1 Financial Management and Accounting System Requirements.
40.8.1.250**	Provides capability to deny claims for services for lack of available funds	Met by interChange. interChange allows users to control the actions of a budget when depleted. Choices include rolling to a secondary budget, suspending the claim from payment, or denying the claim.
40.8.1.251	Provides capability to hold payment of a claim for a specified period of time	Met by interChange. The payment hold process meets this functional requirement.
40.8.1.252	Provides capability to exclude “to be paid” claims for payment processing when the provider is in hold status	Met by interChange. The payment hold process meets this functional requirement.
40.8.1.253	Provides capability to accumulate by LOB the reimbursement amounts of all original claims, voids, adjustments, and financial transactions in a “to-be-paid” status to determine an initial net payment amount	Met by interChange. The payment estimation reporting feature of interChange meets this requirement.

RFP No.	RFP Requirement	EDS Response
	for a provider	
40.8.1.254	Provides capability to create a receipt for individual claims that were overpaid or paid in error and produce a void or adjustment claim showing the transaction	Met by interChange. The claims adjustment process meets this functional requirement.
40.8.1.255	Provides capability to create a financial transaction to correct overpayments, link to original transaction, and apply to offset future payments	Met by interChange. The claims adjustment process meets this functional requirement.
40.8.1.256	Provides capability to apply all or a portion of the provider's initial payment amount, if it is positive, to recoup monies against any outstanding accounts receivable balances present for the provider	Met by interChange. The accounts receivable process meets this functional requirement.
40.8.1.257	Provides capability to use the Thursday following the processing date as the last payment cycle of the month	Met through configuration of interChange parameters and features. interChange will establish the month end dates based on State policy and adjust financial reports accordingly.
40.8.1.258	Provides capability to process adjustment claims and credit the appropriate budgets before processing any new day claims	Met by interChange and operational processes and procedures. The interChange claims engine is a transaction system that runs throughout the day. As adjustments and new day claims are received, they edit, audit, and price right then. The system can be configured to deny or suspend due to lack of funds and send those claims to specific regions with associated reason codes. Using these specific codes, the claims can be recycled as required to maximize the claim payment coverage to the provider community.
40.8.1.259	Provides capability to apply Patient Monthly Liability (PML) to specific types of claims and post liability amounts used	Met by interChange. Patient liability is only assigned to LTC claims. Each claim that is used to meet a patient liability obligation can be directly accessed from the recipient's Patient Liability panel.
40.8.1.260	Provides capability to apply recipient deductible balance to specified types of claims	Met through customization of interChange. The Recipient Deductible or Spend-Down process may require enhancements to meet this functional requirement.
40.8.1.261	Provides the capability for positive pay processing	Met by operational processes and procedures.
40.8.1.262	Provides the capability for provider payment data	Met by interChange. The Provider Financial Summary and Provider 1099 panels meet this functional requirement.
40.8.1.263	Provides capability to apply withholds to capitation payments	Met through customization of interChange. A change to the claims processing component is necessary to meet this functional requirement.
40.8.1.264	Provides capability to release withholds to capitation payments	Met through customization of interChange. A change to the claims processing component is necessary to meet this functional requirement.

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40.8.1.265	Provides capability to apply provider sanctions by rate or percentage	Met through configuration of interChange parameters and features. interChange will establish a specific provider contract and apply the rate or percentage of the sanction by configuring the appropriate reimbursement rules.
40.8.1.266	Provides capability to apply provider incentives to management fee claims	Met by interChange. The Benefit Factor Adjustment Rate panel and the Capitation Override panel meet this functional requirement.
40.8.1.267	Provides all payments, adjustments, and other financial transactions to enrolled providers for approved services	Met by interChange. The entry of claims and financial data, the ability to process claims according to business rules (such as provider contracts and pricing), and the ability of the financial subsystem to issues checks, accounts receivables, and other financial transactions meet this requirement.
40.8.1.268	Provides the capability to associate all drug rebates to the claim detail	Met by interChange. The drug rebate process meets this functional requirement. The claim can be viewed on the Invoice Detail Related Claim panel.

Financial Management and Accounting Business Area Requirements

The following table, EDS Response to Financial Management and Accounting Business Area Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Financial Management and Accounting Business Area Requirements

RFP No.	RFP Requirement	EDS Response
40.8.1.269	Provides capability to establish accounts receivable in the format of withholds, liens, levy data, and advance payment/recovery of advance payment	Met by interChange and operational processes and procedures. interChange creates appropriate financial transactions for each of these reasons automatically or by financial analysts through online panels. EOBs associated with the accounts receivables indicate why they were set up.
40.8.1.270	Provides capability for claims that have passed all edit and pricing processing or that have been denied to be documented on the RA by LOB	Met by interChange. The RA process meets this functional requirement. We will indicate the payer at the detail level.
40.8.1.271	Provides capability to create financial transactions	Met by interChange. interChange creates appropriate financial transactions based on the claims cycle and other appropriate tables.
40.8.1.272	Provides capability to create receivables generated from other MMIS functions	Met by interChange. Receivables are created by the appropriate business function within interChange. TPL and

RFP No.	RFP Requirement	EDS Response
		surveillance utilization review (SUR) produce most receivables.
40.8.1.273	Provides capability to create provider, recipient, reference, and account receivable/payout data	Met by interChange. Within interChange, based on security rules, payouts and receivables can be created for recipients and providers.
40.8.1.274	Provides capability to make retroactive changes to deductibles	Met by interChange. The mass adjustment process meets this functional requirement. Recipient information can be retroactively updated and then mass adjustments created.
40.8.1.275	Provides capability to create transactions for corrections to receivables entered into the Replacement MMIS	Met by interChange. The accounts receivables maintenance panels meet this functional requirement.
40.8.1.276	Provides capability to create transactions for manual checks	Met by interChange. The Financial Expenditure Base Information panel meets this functional requirement.
40.8.1.277	Provides capability to create transactions for paper checks	Met by interChange. The financial cycle meets this functional requirement.
40.8.1.278	Provides capability to validate new and updated EFT provider information	Met by operational processes and procedures. The EFT validation process meets this functional requirement.
40.8.1.279	Provides capability to requests an override EFT and create paper checks for a date range and check pulls for void and replacement	Met through customization of interChange. EDS will work with the State to fully understand this requirement and develop a solution.
40.8.1.280	Provides capability to create transactions of check voucher status from the State Controller's Office	Met through customization of interChange. The addition of a new process and a new interface will meet this functional requirement.
40.8.1.281	Provides capability for notes tracking to accommodate tracking of calls	Met by interChange. The Contact Tracking Management System (CTMS) meets this requirement.
40.8.1.282	Provides capability for online access to all recipient, provider, encounter (shadow claims), and reference data related to Financial Management and Accounting by LOB	Met by interChange. The online recipient, provider, claims, reference, and financial panels meet this functional requirement.
40.8.1.283	Provides capability for Financial Management and Accounting functions with system update capability	Met by interChange. The online financial panels meet this functional requirement.
40.8.1.284	Provides capability to maintain a consolidated accounting function, by program, type, and provider	Met by interChange. The online financial panels and the BIAR component of interChange meet this requirement.
40.8.1.285	Provides capability to process capitation payments	Met by interChange. interChange processes capitation or gatekeeper fees based on the capitation rates and recipient demographics on file.
40.8.1.286	Provides capability to withhold a percentage of capitation payments	Met through customization of interChange. A change to the claims processing component is necessary to meet this functional requirement.
40.8.1.287	Provides capability to process Managed Care management fees	Met by interChange. The capitation claims process meets this functional requirement.

RFP No.	RFP Requirement	EDS Response
40.8.1.288	Provides capability to process management fees for Health Check	Met through customization of interChange. Changes made to accommodate the Health Check requirements 40.10.1.11, 40.10.1.13, and 40.10.1.15 will meet this requirement.
40.8.1.289	Provides capability to process capitation and/or management fee adjustments	Met by interChange. The mass adjustment process meets this functional requirement.
40.8.1.290	Provides capability to process management fees for APs/LMEs	Met through configuration of interChange parameters and features. The interChange application will meet this requirement by configuration as either a capitation rate or standard code used in claims and subject to benefit plan rules.
40.8.1.291	Provides capability to process encounter claims through the payment cycle, updating the final status of the claims to "paid" or "denied" but not producing an associated payment	Met by interChange. The claims adjudication process meets this functional requirement. The allowed amount for encounter claims is determined by interChange to allow cost comparisons, but no paid amounts are defined.
40.8.1.292	Provides capability to produce an output extract of encounters (an Encounter RA)	Met through configuration of interChange parameters and features. To meet this requirement, a standard, ad hoc report will be created to produce this extract using the BIAR subsystem because encounter claims are stored in BIAR. This will be done during the Operations Phase of the project.
40.8.1.293	Provides capability to produce an output extract of enhanced Pharmacist Professional fee (on a Pharmacy RA)	Met through customization of interChange. An additional process and associated reports will be developed to meet this requirement.
40.8.1.294	Provides capability for system-generated log and tracking of receipt date of request for changes	Met through customization of interChange. Additional processes and components will be developed to meet this requirement.
40.8.1.295	Provides capability to ensure that provider payments are generated by the processing of claims for eligible recipients and provides capability for adjustments	Met by interChange. The claims and financial processes meet this functional requirement.
40.8.1.296	Provides capability to carry the provider's selection of receiving checks or EFT form of payment	Met by interChange. The Provider Information and EFT panels meet this functional requirement.
40.8.1.297	Provides capability to carry the provider's selection of receiving hard copy, electronic RAs, or both	Met by interChange. The Provider Information panel meets this functional requirement.
40.8.1.298	Provides capability to accept pended and adjudicated claims against Provider Earnings file	Met by interChange. The financial process meets this functional requirement.
40.8.1.299	Provides capability to generate or reproduce provider RAs, to include: • An itemization of submitted claims that were paid, denied, or adjusted, and any financial transactions that were processed for that provider, including subtotals and totals by LOB • An itemization of suspended claims, including dates of	Met by interChange. interChange can generate and reproduce provider RAs with the items listed in this requirement.

RFP No.	RFP Requirement	EDS Response
	receipt and suspense and dollar amount billed by LOB • Adjusted claim information showing the original claim information and the adjusted information, with an explanation of the adjustment reason code and credits pending by LOB • Reason for recoupment or adjustment by LOB • Indication that a claim has been rejected due to TPL coverage on file for the recipient; include available relevant TPL data on the RA by LOB • Tooth number and surface • Explanatory messages relating to the claim payment cutback, denial, or suspension • Summary section containing earnings information, by program, regarding the number of claims paid, denied, suspended, adjusted, in process, and financial transactions for the current payment period, month-to-date, and year-to-date • Listing of all relevant error messages per claim header and claim detail that would cause a claim to be denied by LOB	
40.8.1.300	Provides capability to print global informational messages on RAs by LOB; provides capability to make multiple messages available on an online, updateable, user-maintainable message text table; provides capability for unlimited free-form text messages; provides capability for parameters such as provider category of service, provider type, provider specialty, program enrollment, claim type, individual provider number, or pay cycle to control the printing of RA messages	Met by interChange. The Check Banner Information panel meets this functional requirement.
40.8.1.301	Provides capability to suppress the generation of (both zero-pay and pay) check requests for any provider or provider type but generates associated RAs	Met through customization of interChange. Customization in the warrant interface and check printing functions will meet this requirement. The warrant number will still be generated and all claims and transactions will be tied to it through interChange, but the processing of the check or EFT will be suppressed.
40.8.1.302	Provides capability to update provider payment data	Met by interChange. The financial process meets this requirement.
40.8.1.303	Provides capability to maintain a process of fiscal pends	Met by interChange. The financial budget process and the payment hold process meet this functional requirement.
40.8.1.304	Provides capability to not accumulate claims in a “to be paid” status that have been excluded from payment	Met by interChange. The payment hold process meets this functional requirement.

RFP No.	RFP Requirement	EDS Response
40.8.1.305	Provides capability to suppress the print of a RA when the only thing that is being printed is related to a credit balance	Met through customization of interChange. An alteration to the RA process to suppress the printing of credit balance RAs will meet this functional requirement.
40.8.1.306	Provides capability to maintain all data items received on all incoming claims, including the tooth number and tooth surface(s)	Met by interChange. The standard claim processing function meets this requirement.
40.8.1.307	Provides capability to update Claims History and online financial files with the date of payment and amount paid	Met by interChange. The financial process meets this functional requirement.
40.8.1.308	Provides capability for summary-level provider accounts receivable and payable data and pending recoupment amounts that are automatically updated after each claims processing payment cycle	Met by interChange. The financial process meets this functional requirement.
40.8.1.309	Provides capability to adjust claim money fields to net out	Met by interChange. The adjustment process meets this functional requirement.
40.8.1.310	Provides capability to automatically establish new accounts receivables	Met by interChange. The accounts receivable information panels meet this functional requirement. Establishing accounts receivables automatically if recoupments exceed payment is a function of the financial process.
40.8.1.311	Provides identification of providers with credit balances and no claim activity, by program, during a State-specified number of months	Met by interChange. The BIAR component of interChange meets this functional requirement. State users will have direct access to the data to research this scenario.
40.8.1.312	Provides capability for the issuance of provider checks and/or EFTs for all claims in the current checkwrite cycle	Met by interChange. The checkwrite process meets this functional requirement.
40.8.1.313	Provides capability to ensure accurate balances for each checkwrite in accordance with State-approved policy and procedures	Met by interChange and operational processes and procedures. The financial panels and numerous balancing reports will be used to meet this functional requirement.
40.8.1.314	Provides capability to process transactions for manually written checks generating a Claims History record	Met by interChange. The financial process meets this functional requirement. However, it is a financial transaction, not a claims history record, that is generated.
40.8.1.315	Provides capability to process EFT provider information, updating provider records to reflect their status with EFT	Met by interChange. The provider EFT panels and the EFT process meet this functional requirement.
40.8.1.316	Provides capability to accept requests to override EFT payment to a provider	Met by interChange. The provider EFT status panel can be set prior to the financial cycle to meet this requirement.
40.8.1.317	Provides capability to process check voucher information from the State Controller's Office	Met through customization of interChange. The addition of a new interface to receive data from the State Controller's Office will meet this functional requirement.
40.8.1.318	Provides capability to update Claims History with RA number and RA issued date from the State Controller's Register file	Met through customization of interChange. The addition of a new interface to receive data from the State Controller's Office will meet this functional requirement.
40.8.1.319	Provides capability to ensure that the weekly budget	Met by interChange and operational processes and

RFP No.	RFP Requirement	EDS Response
	reporting is consistent with the costs allocated during the checkwrite by LOB	procedures. The financial panels and balancing reports will be used to meet this functional requirement.
40.8.1.320	Provides capability to produce reports and RAs within the financial processing function of the checkwrite cycle by LOB	Met through customization of interChange. interChange reports will be customized to meet this requirement.
40.8.1.321	Provides capability to process and/or set up a recoupment against a provider without specifying a credit balance by LOB	Met through customization of interChange. The interChange financial function will be customized to meet this requirement.
40.8.1.322	Provides capability to use a hierarchy table when a provider has multiple recoupment accounts	Met through customization of interChange. The interChange financial function will be customized to meet this requirement.
40.8.1.323	Provides capability to identify and recoup payments from the provider made for services after a recipient's date of death	Met by interChange. The mass adjustment panels and mass adjustment process meet this functional requirement.
40.8.1.324	Provides capability to apply claims payments recoupments to more than one (1) account receivable at a time	Met by interChange. The accounts receivable and financial processes meet this functional requirement.
40.8.1.325	Provides capability to support a methodology that allows the portion of payments made against each account receivable to be controlled by State staff	Met by interChange. The Accounts Receivable Base Information panel meets this functional requirement.
40.8.1.326	Provides capability to validate provider tax identification numbers and associated tax names	Met by interChange. The IRS W9 Tax ID panel meets this functional requirement.
40.8.1.327	Provides capability to process any change transactions received for corrections to checks by LOB	Met by interChange. The FPI Stop – Reissue – Void Request panel and the expenditure panels meet this functional requirement.
40.8.1.328	Provides capability to ensure that all financial reports can be tied into the basic financial activity recorded in Provider histories by LOB	Met through configuration of interChange parameters and features. The provider profile reporting will be a standard report in BIAR.
40.8.1.329	Provides capability to generate weekly, monthly, quarterly, and annual financial reports after checkwrites	Met through configuration of interChange parameters and features. interChange will configure dates for weekly, monthly, and quarterly in individual job scripts.
40.8.1.330	Provides capability for Advance Provider payments by LOB	Met by interChange. The FEI expenditure information is maintained by payer, providing the capability for advance provider payments by LOB.
40.8.1.331	Provides capability to receive online requests from authorized users to retrieve paid claims data to produce Recipient Profiles by LOB and return the data in a printable electronic format	Met through configuration of interChange parameters and features. The recipient profile reporting will be a standard report in BIAR.
40.8.1.332	Provides capability to include all buy-in premium payments and adjustments in the online paid Claims History files and in Recipient Profile Reports	Met through configuration of interChange parameters and features. Buy-in payments are kept separately under the Medicare Buy-in A and B tables, by recipient. These are not

RFP No.	RFP Requirement	EDS Response
		in claims history (adjustments are); they can be exported to BIAR and included in any recipient-specific reporting.
40.8.1.333	Provides the capability to obtain approval from NC DHHS for the amount to be applied for payment prior to each checkwrite	Met by operational processes and procedures.
40.8.1.334	Provides the capability to check remaining balance as each payment amount is calculated to verify that the budgeted amount is not exceeded	Met by interChange. In the budget process, a cap can be set to hold claims until funds are available.
40.8.1.335	Provides capability to identify and calculate pricing amounts according to the fee schedules, per diems, rates, and business rules	Met by interChange. The pricing process and user configured business rules meet this functional requirement.
40.8.1.336	Provides capability to apply pricing and reimbursement methodologies to appropriately price claims according to NC DHHS pricing standards	Met through configuration of interChange parameters and features. Pricing methods and reimbursement rules will be added to adjudicate claims according to State standards.
40.8.1.337	Provides capability to price using any combination of procedure code, population group, billing provider, attending provider, and client	Met by interChange. The rules engine combines the rules for recipient, provider, and pricing for the specified service.
40.8.1.338	Provides capability to establish fee schedules based on procedures, procedure/modifier, or procedure/type of service, including provider specific rates, DRGs, anesthesia base units, and global surgery days	Met through configuration of interChange parameters and features. Rule variables will be added to allow for configuring the rules for each of the criteria listed when needed for the correct adjudication of the claim.
40.8.1.339	Provides capability to apply percentages for dual-eligible recipients	Met through configuration of interChange parameters and features. interChange will add a pricing method to cover the criteria the State provides for dual-eligible recipients.
40.8.1.340	Provides capability for pricing of pharmacy claims and reimbursement methodologies to appropriately price claims according to the appropriate financial payer or population group in accordance with State policy, including a dispensing fee and pricing actions	Met by interChange. The pricing methods meet this functional requirement.
40.8.1.341	Provides capability to determine calculations for the PAL tiers	Met through customization of interChange. Pricing method additions or changes will be customized to meet this requirement.
40.8.1.342	Provides capability to process and reimburse pharmacy-enhanced professional service fees as defined by State policy and business rules	Met through configuration of interChange parameters and features. The interChange claims rules engine will be customized to meet this requirement.
40.8.1.343	Provides capability to price pharmacy claims using lesser of logic incorporating all State-approved pricing methodologies	Met through configuration of interChange parameters and features.
40.8.1.344	Provides capability to price using State-specific services from the Prior Approval File	Met through customization of interChange. Pricing method additions or changes will be customized to meet this requirement.

RFP No.	RFP Requirement	EDS Response
40.8.1.345	Provides capability to apply recipient liability and co-pay rules, including varying co-pay amounts	Met by interChange. The pricing methods meet this functional requirement.
40.8.1.346	Provides capability to identify and calculate payment amounts for Health Check procedures when higher rate applies	Met through configuration of interChange parameters and features. An adjustment factor can be applied to standard pricing for Health Check procedures.
40.8.1.347	Provides capability to deduct either the provider reported or recipient database deductible amount	Met through configuration of interChange parameters and features. The State will provide the criteria for choosing which amount to use in this pricing method.
40.8.1.348	Provides capability to use non-Medicaid charges first and apply the remainder to allowed charges based on first bill received for processing for the deductible for recipients classed as medically needy	Met through customization of interChange. The claims engine will be customized to meet this functional requirement.
40.8.1.349	Provides capability to allow the deductible amount to be assigned to specific providers for recipients classed as medically needy	Met through configuration of interChange parameters and features. The claims engine will be customized and then configured to meet this functional requirement.
40.8.1.350	Provides capability to invoke State-approved "Medicare Suspect" procedures	Met through customization of interChange. The claims edit/audit function will be modified to meet this requirement. The State will specify the "Medicare Suspect" procedures so that new edits can be applied.
40.8.1.351	Provides capability to deduct or otherwise apply TPL amounts when pricing claims	Met by interChange. In the claims pricing process, TPL amounts are applied to the claim.
40.8.1.352	Provides capability to price procedure codes, allowing for multiple modifiers that enable reimbursement by program at varying percentages of allowable amounts	Met through customization of interChange. The pricing method will be customized to meet this functional requirement.
40.8.1.353	Provides capability to price units for procedures based on the cutback units	Met by interChange. The audit process and final pricing meet this functional requirement.
40.8.1.354	Provides capability to price encounter claims at equivalent fee for service payment less deductions, such as TPL or co-payments	Met through configuration of interChange. The pricing method will be configured to meet this functional requirement. Separate pricing methods can be set up for encounters. interChange calculates and stores the allowed amount for encounters for comparison with FFS claims. The actual price is informational, as the encounter's paid amount is stored in the reimbursement amount.
40.8.1.355	Provides capability to maintain multiple date-specific prices for each applicable provider, procedure code, revenue code, and DRG	Met by interChange. The Reference DRG Information panel, Reference Procedure panel, and the Revenue Information panel meet this functional requirement.
40.8.1.356	Provides capability to maintain multiple date-specific rates for each procedure code, population group, billing provider, attending provider, and/or client specific combination	Met through configuration of interChange parameters and features. The reference files contain date-specific segments for procedure codes. The provider and recipient data also is divided into date-specific eligibility segments. interChange will configure this function to meet this requirement.

RFP No.	RFP Requirement	EDS Response
40.8.1.357	Provides capability to ensure that NC DHHS programs are payers of last resort with respect to private insurance	Met by interChange. interChange can make sure Medicaid is the payer of last resort when compared to private insurance. The State will determine the hierarchy of benefit plans that relate to payers for internal processing.
40.8.1.358	Provides capability to ensure that claims with known TPL are reduced by the liability in accordance with NC DHHS standards	Met by interChange. interChange will comply with State standards for deducting TPL.
40.8.1.359	Provides capability to support application of State-specific services for claims processing	Met through customization of interChange. The additional edits to meet this requirement will be developed during DDI.
40.8.1.360	Provides capability to pay only out-of-plan services for capitated program enrollees as fee-for-service and deny in-plan services	Met by interChange. By properly setting up the coverage through the benefit plans, interChange provides the capability to pay only out-of-plan services for capitated program enrollees as FFS and deny in-plan services.
40.8.1.361	Provides capability to automate the calculation for Ambulatory Surgical Centers	Met through customization of interChange. The pricing method will be customized to meet this functional requirement.
40.8.1.362	Provides capability to apply Graduate Medical Education (GME), both direct and indirect, to inpatient claims	Met through customization of interChange. The pricing method will be customized to meet this requirement.
40.8.1.363	Provides capability to price NDC codes	Met by interChange. The claims pricing process meets this functional requirement. NDCs are priced within the claims engine's pricing modules for pharmacy claims.
40.8.1.364	Provides capability to price or deny claims with Medicare participation, including Medicare HMOs Part C, according to program pricing rules	Met through configuration of interChange parameters and features. Additional rules will be added to meet this pricing rule for crossover claims.
40.8.1.365	Provides capability to calculate a DRG per diem for undocumented alien's claims	Met through configuration of interChange parameters and features. Additional rules will be added to meet this pricing rule for undocumented alien benefit plans.
40.8.1.366	Provides capability to apply a percentage of an existing fee schedule rate for a different provider specialty	Met through configuration of interChange parameters and features. The pricing additions or changes function will be enhanced to meet this requirement.
40.8.1.367	Provides capability to apply variable recipient co-pay percentages to a claim from a prior approval	Met through customization of interChange. The claims processing rules will be customized to meet this functional requirement.
40.8.1.368	Provides capability to prorate monthly rate for days billed according to State business rules	Met through customization of interChange. The claims processing rules will be customized to meet this functional requirement.
40.8.1.369	Provides capability to calculate provider reimbursement according to business rules	Met by interChange. The rules allow multiple variables and rule intersections, providing accurate calculation of reimbursement amounts.
40.8.1.370	Provides capability to price pharmacy claims up to a maximum level allowed by current NCPDP and FDB	Met through configuration of interChange parameters and features. interChange supports standard pharmacy pricing

RFP No.	RFP Requirement	EDS Response
		methodologies, including maximum allowable cost (MAC), state maximum allowable cost (SMAC), federal upper limit (FUL), average wholesale price (AWP), and estimated acquisition cost (EAC). Additional pricing methods will be developed if needed.
40.8.1.371	Provides capability to price a claim at the lower of the maximum applicable rate, the provider's billed amount, applicable manual pricing, or invoice pricing	Met through customization of interChange. The pricing method will be customized to meet this functional requirement.
40.8.1.372	Provides capability to accommodate and provide for claims sampling specific to Payment Error Rate Measurement (PERM) Program requirements mandated by CMS and/or their Federal contract agent within designated timeframes Refer to *2007 PERM Data Submission Instructions-Jan 2007[1].pdf for* current PERM data submission requirements.	Met by interChange. The BIAR component of interChange meets this functional requirement.
40.8.1.373	Provides capability to process HIPP payments	Met by interChange. The HIPP process meets this functional requirement.
40.8.1.374	Provides capability to produce and send correspondence related to recipient premiums in the recipient's preferred language, including invoices, notices of non-payment, cancellation notices, receipts, and refunds	Met by interChange. The premium payment process meets this functional requirement.
40.8.1.375	Provides capability to collect recipient premium payments	Met by interChange. The premium payment process meets this functional requirement.
40.8.1.376	Provides capability to produce refunds of recipient premiums	Met by interChange. The premium payment process meets this functional requirement.
40.8.1.377	Provides capability to process financial accounting records for premium payments and refunds	Met by interChange. The premium payment process meets this functional requirement.
40.8.1.378	Provides capability to produce reports for recipient premium payment and cost-sharing (e.g., recipient co-insurance, deductibles, co-payments, etc.) processes	Met through customization of interChange. The addition of premium payment reports and cost-sharing reports will meet this functional requirement.
40.8.1.379	Provides capability to apply cost-sharing, e.g., recipient co-insurance, deductibles, co-payments	Met by interChange. The pricing function includes coinsurance, copayments, and deductibles in the pricing calculation.
40.8.1.380	Provides capability to ensure cost-sharing does not exceed threshold for the family group	Met through customization of interChange. A new check for threshold amounts and family group cost-sharing will be added to the pricing methods to meet this requirement.
40.8.1.381	Provides capability to produce and send recipient letters/notices and Explanations of Benefits (EOB) in the recipient's preferred language	Met through customization of interChange. interChange will enhance the reporting capability for recipient letters to be written in the recipient's preferred language.

40.9.1 Managed Care System Requirements

Our solution will provide a single repository for managed care information and processing based on the most current information. It will relate the various processes and data into a unified and consistent whole, supporting managed care from front-end enrollment through benefit management and claims and encounter processing to back-end reporting and program administration.

State of North Carolina

The base interChange managed care subsystem integrates provider, claims, reference, and recipient information to provide a single repository for managed care information and processing based on the most current information. The Replacement MMIS will allow the State to work with the managed care plan networks, offering flexible, targeted rate determination capability and convenient auto-assignments and encouraging participation in the plans.

interChange supports both capitated programs such as the Pre-Paid Inpatient Mental Health Plan (PIHP) and Primary Care Case Management (PCCM) models, as well as several others. These multiple managed care business functions in interChange give the State long-term policy flexibility. The system supports both styles of managed care, from front-end enrollment through benefit management and claims or encounter processing to back-end reporting and program administration.

When a recipient qualifies for managed care, a caseworker in the county office will provide the recipient with the appropriate choices for his or her primary care physician (PCP). This choice will be honored in the Replacement MMIS if it meets predefined conditions, such as the provider being in the same county and accepting additional patients. For recipients who are unwilling or unable to make a choice, the Replacement MMIS auto-enrollment process will be used.

The auto-enrollment process will compare the demographics of the recipient with the available, qualifying PCPs to determine the best fit. Specific individuals who do not qualify due to State-specified exemptions such as Medicare, level of care, or nursing facility participation will be excluded from the process. An ordered list of matching criteria will be attempted, with the assignment made as soon as a fit is found. A portion of that match criteria is as follows:

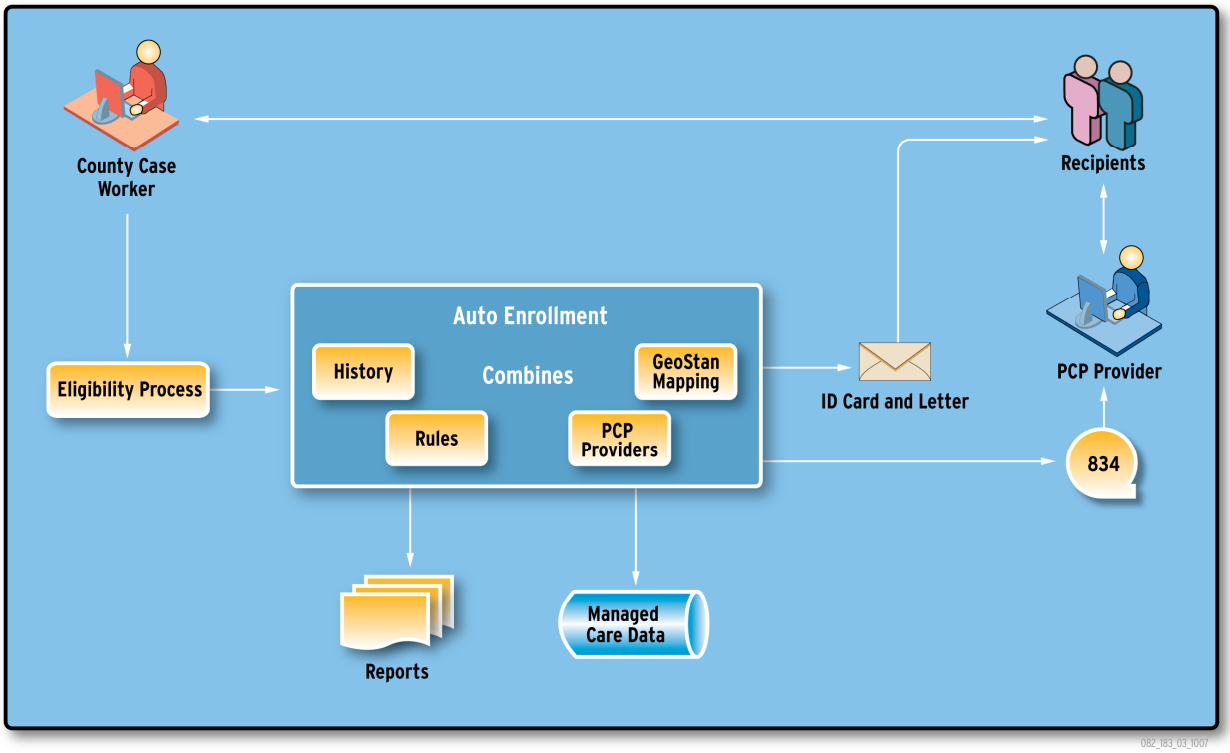
- Has the recipient been assigned to an available provider before?
- Has the recipient been provided medical service by an available provider in the past six months (compare claims)?
- Is the provider the appropriate type and specialty for the recipient (age, gender, or special needs considerations)?
- Is the provider within the specified distance of the recipient?

- Is the provider available for new patients?

If multiple providers meet the criteria, the auto-assignment will be given to the provider who was least recently given an auto-assignment. In short, the providers will be assigned new recipients in a revolving order.

The following exhibit, Provider Auto-Assignment Process Flow, shows the basic flow for a provider auto assignment. The process is similar for both the PIHP and PCCM models.

Provider Auto-Assignment Process Flow



If a recipient's choice is unavailable, the auto-enrollment system will combine available providers, history, and rules to make the best choice. The recipient will be notified of his or her PCP, and the provider will be notified of his or her new patient.

The Replacement MMIS managed care system will allow authorized users to completely manage the program. The system will have the following features:

- Ability to maintain detailed information about the PCP, such as available slots and any special recipients they are able to serve, including age-specific, OB/GYN, or family
- Ability for the provider networks to be updated manually through online panels or through batch file processing from MCOs
- Ability to maintain and use an infinite number of rate cells, both capitated and PCCM management fees, which reflect such items as age, gender,

benefit plan, or provider association and are date-specific and readily changeable to reflect new reimbursement requirements, including a percentage increase or decrease from prior rates

- Ability to generate automatic adjustments due to retroactive eligibility changes, where business rules determine when and how these adjustments are made
- Ability to fully support HIPAA-compliant ASC X12 834 roster and 820 payment transactions, as well as paper rosters and payment notification
- Ability to support mass disenrollments and panel transfers to effectively move recipients from one available PCP to another or back into the auto-enrollment process, if needed, for the capitated and PCCM models
- Automatic disenrollment when changes in eligibility or address require it, as well as automatic re-entry into the auto-enrollment process if appropriate

As shown in the following table, Managed Care Key Features and Benefits, the Replacement MMIS managed care system will offer many features and benefits designed to effectively and efficiently facilitate the present and future requirements of the State's Managed Care Program.

Managed Care Key Features and Benefits

Feature	Benefit
Standard reports that present auto-assignment details and capitated and administrative fee reporting by program, provider, fund code, and capitation category	Effective program management reporting
Generation of the same reporting for encounters and fee-for-service (FFS) claims	Administrative reporting that allows detailed comparisons of services, utilization rates, and populations.
FFS and encounter claims that are subject to a common set of edits and audits	Consistent claim and encounter adjudication, providing accurate and complete reporting
Out of network services that are strictly controlled through referral and prior approval override, with program and cross-program reporting	Close monitoring of service utilization and cost-effectiveness
Online panels that enable users to close a recipient's current PMP segment and transfer to a new PMP	Reduced transaction processing time
Automated nightly processes to determine who should be enrolled and who should be disenrolled	Prevention of concurrent program assignments in programs that are mutually exclusive
Online, on-demand letter and notice templates for system-generated or staff-initiated notification of changes to managed care program status or enrollment, the unavailability of a chosen plan, or changes to the managed care program, with the option to customize standard formats with free-form text	Consistent, efficient communication to recipients and providers

Feature	Benefit
Real-time updates to the browser pages that allow for immediate application to the claims processing and eligibility inquiries for the provider and recipient communities	Ability for authorized users to make immediate changes and assist recipients and providers without delay
Ability for providers and recipients to request an assignment to be terminated, with a system that tracks these requests and their reasons to prevent future auto-assignments from being made	Strong relationship management
Online audit trails that reveal when table-related changes were made and who made them	Strong audit capability and the ability to openly track changes

Approach to Customization and Modifications

The details of every state's managed care program differ. The interChange managed care system is designed to be flexible and highly configurable to enable EDS and State staff to work together to define criteria needed to support this system. Details such as which benefit plans need to be included in which program, what exclusion factors exempt an individual from managed care, what criteria are required for each rate cell, and hundreds of other questions will be discussed and documented. The vast majority of those constraints will be configurable through available attributes and parameters through online panels. Some requirements will require changes to existing code in interChange. Specific reporting requirements may need extensions to current code or additional queries added to the interChange BIAR module of the MMIS.

Enhancements to Functional Requirements

The interChange managed care system is a feature-rich reporting solution that provides online, parameter-driven reports for fast and accurate analysis of the State's healthcare programs. Specifically, we will make the following changes to the interChange managed care system:

- The specific North Carolina rules surrounding auto-assignment will need to be customized for the State.
- Additional State-specific letters and triggers and modification of existing letter templates will be required.
- Primary care sanction recoupment is supported by interChange, but State-specific criteria and notification will be added to the existing capability.
- Including the supervisor name into the online maintenance and file processing logging capability of interChange will require configuration.
- File exchanges with entities such as DIRM and the North Carolina State Health Plan are supported but will need to be customized to meet the specific requirements.

- Managed care recipient PMP assignment history information can be accessed by a number of methods, but it will be necessary to add procedure code and description search capabilities.
- Support for the PAL scorecard will need to be developed.
- A new quarterly utilization report will be created to support claim comparisons of all Community Care of North Carolina (CCNC) providers according to specified criteria.

Response to Managed Care System Requirements

The following table, EDS Response to Managed Care System Requirements, describes how we will meet the requirements set forth in the RFP. Where appropriate, we have listed the existing interChange user interface panels, reports, and processes that meet the stated requirements. We also have identified when an integrated COTS piece of software is used to meet the requirements.

EDS Response to Managed Care System Requirements

RFP No.	RFP Requirement	EDS Response
40.9.1.1	Provides capability for notes tracking for managed care provider complaints	Met by interChange. There are two areas in interChange where users can enter notes and comments. The Recipient Comments panel in the recipient data maintenance system allows the user to write information concerning the case, such as telephone calls and updates. The Notes panel in the Contact Tracking Management System (CTMS) allows users to enter and modify notes for a particular contact question within the contact tracking system.
40.9.1.2	Provides capability for online access to all recipient, provider, claims, and reference data related to Managed Care	Met by interChange. Managed care–related information will be accessible online through several different panels. The Recipient PMP Assignment History panel contains the managed care information. The Claims and Reference panels contain the claims and reference data.
40.9.1.3	Provides capability to support multiple Managed Care programs, including those currently in existence: • Primary Care Case Management (PCCM) • Pre-Paid Inpatient Mental Health Plan (PIHP)	Met by interChange. Multiple managed care programs such as PCCM and PIHP can be supported simultaneously through assignment of benefit plans and provider numbers.
40.9.1.4	Provides capability to maintain Managed Care capitation rates for specific groups of recipients	Met by interChange. The Standard Capitation Rates panel allows the user to maintain the default capitation rates. Managed care capitation rates for specific groups of recipients can be maintained as long as groups of recipients can be segregated into capitation rate cells.
40.9.1.5	Provides capability to apply edits/audits that prevent claims from being paid when Managed Care program recipients receive program-covered services from	Met through configuration of interChange parameters and features. The claims engine and the reference data maintenance system rules will prevent claims from being

RFP No.	RFP Requirement	EDS Response
	sources other than the capitated plans in which they are enrolled	paid when managed care program recipients receive program-covered services from sources other than the capitated plans in which they are enrolled.
40.9.1.6	Provides capability to apply edits/audits that prevent claims from being paid when a recipient has not received a referral or override approval when required by the Managed Care program or primary care provider with whom they are enrolled	Met through configuration of interChange parameters and features. Preventing payment when a recipient has not received a referral or override approval required by the managed care program or the PCP can be accomplished either by the claims engine and the reference data maintenance system rules or by edits.
40.9.1.7	Provides capability to track the utilization rates and costs for program enrollees and to compare such utilization rates and costs to comparable groups of non-Managed Care recipients and across different Managed Care plans to assure sufficient savings are achieved	Met through configuration of interChange parameters and features. Utilization rates and cost comparisons for enrollees to non—managed care recipients will be provided through the data warehouse subsystem, DSS, or through MAR claim utilization reports.
40.9.1.8	Provides capability to auto-assign recipients into a Managed Care program(s) See Auto Assignment Business Rules in the Managed Care DSD Exhibits in the Procurement Library.	Met through configuration of interChange parameters and features. This requirement will be satisfied through designing State-specific auto-assignment rules and the hierarchy for these rules.
40.9.1.9	Provides capability to automatically and on demand produce notices and letters to recipients about their eligibility, enrollment/disenrollment, unavailability of chosen plan, and Managed Care program changes	Met by interChange. The integrated COTS letter generator tool, DOC1, meets this requirement. The system can produce notices to recipients automatically and on demand, but the situations that create the generation of the letter must be determined and programmed.
40.9.1.10	Provides capability to calculate member months per Managed Care program by age groups and/or by aid categories	Met through customization of interChange. A new report will be created in the managed care system to calculate the member months per managed care program and provide the details regarding the age and/or aid category.
40.9.1.11	Provides capability to maintain an online audit trail of all updates to Managed Care data	Met by interChange. Audit reports of table data changes are available through online panels.
40.9.1.12	Provides capability for online, updateable letter templates for Managed Care recipient and provider letters with the ability to add free-form text and allow for online template changes	Met through COTS integration. With the COTS letter generator tool, DOC1, modifications to the letter generator templates for managed care will provide online, updateable letter templates with free-form text entry.
40.9.1.13	Provides capability to apply primary care provider sanctions by entering a provider-specific dollar amount or percentage that results in withholding, or repaying, suppressing, and releasing of all or part of the provider's monthly management/coordination fee up to one hundred (100) percent and notify the State of completed transaction	Met through configuration of interChange parameters and features. The financial system will be able to apply provider sanctions by provider-specific dollar amount or percentages that result in withholding, repaying, suppressing, and releasing management or coordination fees. The State notification process will need to be developed.
40.9.1.14	Provides capability for online logging and tracking of changes to capitation fees or administrative entity provider numbers, file maintenance initiation date,	Met through configuration of interChange parameters and features. The Managed Care panels, audit trails, and automated file processing logs provide details on who

RFP No.	RFP Requirement	EDS Response
	receipt date, file maintenance completion date, operator completing respective changes, name of supervisor, validation, and date	performed an update, and when. This process will be enhanced to allow for the name of the supervisor and validation.
40.9.1.15	Provides capability to support encounter processing data and costing for the following functions for generation of reports: • State History File • Finalized Claim Activity File • Storage of encounter fee for service equivalent cost	Met by interChange. Encounter data in the form of the State History file and Finalized Claim Activity file and the storage of encounter FFS equivalent cost data is maintained in the Claims History file, making it available for any history file searches.
40.9.1.16	Provides capability to produce monthly Managed Care enrollment reports	Met by interChange. The monthly PMP Enrollment Roster Report lists PMP enrollment information by recipient.
40.9.1.17	Provides capability to produce a file to DIRM/EIS on a weekly basis to report auto-assignment results	Met through configuration of interChange parameters and features. The system tracks auto-assignment results. The appropriate method of data exchange with DIRM/EIS will be developed.
40.9.1.18	Provides capability to produce county-specific Managed Care Provider Directory and transmit electronically to DIRM nightly	Met through customization of interChange. The managed care system can produce a county-specific managed care provider directory with the data that is present in the system. The method of transmission will be defined and developed.
40.9.1.19	Provides capability to produce a county-specific Provider Availability Report and transmit electronically to DIRM nightly	Met through customization of interChange. A county-specific Provider Availability Report will display current and future provider caseloads against maximum caseload and some other managed care provider data. The method of transmission will be defined and developed.
40.9.1.20	Provides capability to create an extract file containing North Carolina Health Choice recipients linked with a provider/administrative entity and send to the North Carolina State Health Plan by the third business day of each month	Met through customization of interChange. This requirement can be accomplished by an 834 transaction. It may also be an electronic file containing the recipients and their assignments, along with demographic data determined by the State.
40.9.1.21	Provides capability to generate management fees monthly	Met by interChange. The current configuration runs managed care jobs twice monthly: once for future months and once for reconciliation of previous months.
40.9.1.22	Provides capability to generate capitation payments monthly and retroactively for one (1) year	Met through configuration of interChange parameters and features. The Capitation Payment Reconciliation Report will be enhanced to support the generation of information retroactively for one year.
40.9.1.23	Provides capability to generate prorated capitation payments for a partial month of eligibility	Met by interChange. The Capitation Payment Reconciliation Report generates prorated capitation payments for a partial month of eligibility.
40.9.1.24	Provides capability to access Managed Care data by recipient identification number, recipient name, provider	Met by interChange, with a portion of the requirement requiring customization code. The Recipient PMP Assignment

RFP No.	RFP Requirement	EDS Response
	identification number, provider name, procedure code, procedure description, prior approval number, clerk identification, and any combinations thereof	History panel will be enhanced to provide access to data by procedure code. This panel currently provides access to data by recipient identification number, recipient name, provider identification number, provider name, prior approval number, and clerk identification.
40.9.1.25	Provides capability to generate a monthly Federal report of auto-assigned Medicaid recipients	Met through customization of interChange. A new report in the managed care system will be created to generate a monthly federal report of auto-assigned Medicaid recipients. The report layout and format will have to be determined.
40.9.1.26	Provides capability to produce PAL scorecard for Managed Care providers	Met through customization of interChange. A new report in the managed care system will be created to produce the PAL scorecard. The report layout and format will have to be determined.
40.9.1.27	Provides capability to adjust base management fees by percentage resulting in enhanced/reduced fees for all individual providers or administrative entities	Met through configuration of interChange parameters and features. The percentage function will need to be added to the Capitation Rate Override panel in the managed care system to adjust (either enhance or reduce) base management fees by percentage.
40.9.1.28	Provides capability to create notification letters to the provider/administrative entity regarding the adjustment to management fee rates and the reason for the adjustment	Met through COTS integration. With the COTS letter generator tool, DOC1, generation of notification letters to providers regarding management fee adjustments can be handled.
40.9.1.29	Provides capability to produce a monthly report of all adjusted management fees	Met by interChange. The managed care system provides the Capitation Payment Reconciliation Report that lists the adjustments created as a result of the automated adjustment process.
40.9.1.30	Provides capability to produce quarterly utilization reports based on paid claims for all Community Care of North Carolina (CCNC) providers, comparing each provider's service rates and per member per month (PMPM) costs to other primary care provider types within their peer group(s) This will include the ability to automate these reports and to produce the report(s) with varying parameters, including, but not limited to, date spans, provider, provider specialties, provider network, service categories, diagnosis codes, CPT codes, and DRG diagnostic-related groupings. This report shall also include the average total enrollment, adult enrollment, and child enrollment for each CCNC provider.	Met through customization of interChange. A new report will be created to use the data collected by the interChange systems to produce quarterly utilization reports for paid claims for CCNC providers. The report will be automated, and the user can select from the following parameters: date ranges, provider, provider specialties, provider network, service categories, diagnosis codes, CPT codes, and diagnostic-related groupings (DRG). The report will also include the average total enrollment, adult enrollment, and child enrollment for each CCNC provider.
40.9.1.31	Provides capability to calculate utilization outlier data for the purpose of provider education, utilization management, and quality improvement This data shall be produced in conjunction with the	Met by interChange. The interChange BIAR module allows for calculation of utilization outlier data for provider education, utilization management, and quality improvement. The user can query or report the detail data

RFP No.	RFP Requirement	EDS Response
	Utilization Review Report.	and evaluate the outliers for a specific report.
40.9.1.32	Provides capability to revise the Quarterly Utilization Report format to allow for more flexibility to revise the report parameters and data and to include, but not be limited to, disease management and system of care groupings, drug utilization, and other group comparisons, as well as the current peer group comparisons	Met through configuration of interChange parameters and features. The capability to revise the Quarterly Utilization Report format to allow for more flexibility to revise report parameters and data could potentially be handled through the decision support system (DSS).
40.9.1.33	Provides capability to produce recipient letters based on age, sex, and/or clinical data/medical services based on claim data	Met through COTS integration. The capability to produce recipient letters based on age, sex, and/or clinical data/medical services based on claim data can be done through DSS mail merges and/or the COTS letter generator tool, DOC1.
40.9.1.34	Provides capability to generate a report of mailed letters	Met through COTS integration. With the COTS letter generator tool, DOC1, system output reports from jobs can display the letters generated for the purpose outlined in the job.

40.10.1 Health Check System Requirements

We offer the technology and the experienced team support necessary for Health Check to function well in a dynamic regulatory environment now and in the future. Our solution incorporates flexibility with a comprehensive list of possible options for reporting and direct data access, permitting rapid adaptation to changing policy requirements and reporting needs.

State of North Carolina

North Carolina's Health Check program is a gateway to routine, preventive medical services for the State's underserved youth. While providing immunizations and regular checkups, Health Check identifies potentially chronic and disabling health conditions early and targets them for treatment, preventing more serious and costly future medical problems. North Carolina's battle for the long-term health of its youngest residents will be won or lost on this front.

Health Check has steadily improved its promotion of preventive healthcare since it began. According to the most recent CMS-416 report figures (2005), 74 percent of North Carolina's Medicaid population participates in Health Check, with 92 percent participation for infants less than 1 year old and 100 percent participation for children ages 6 to 9 years. This makes North Carolina the leading Southeastern state in recipient participation.

The EDS Provider and Recipient Services team, led by Chris Ferrell, will continue to support the State in reaching the eligible population for participation in the Health Check program. Although improving Health Check compliance in North Carolina depends on many factors, our solution addresses the significant technical aspects quickly and directly.

The following table, Health Check Features and Benefits, highlights the key features and benefits of the interChange Health Check Subsystem.

Health Check Features and Benefits

Feature	Benefit
Ability to process screening and immunization billings on one claim	• Faster, more accurate Health Check claims processing and adjudication • Less maintenance
Automatic and centralized updating of Automated Information Notification System (AINS) data for each county	• Increased efficiencies for county coordinators who will no longer have to mutually update their AINS data every month • Improved data security through security profiles that allow coordinators to view data for their counties while permitting providers to view their own provider-specific data • Improved follow-up with recipients who change county of residence

Feature	Benefit
	• Increased access to data through a secure Web portal for Health Check Coordinators (HCCs) and providers, allowing for improved recipient tracking
Online letter generator templates in Spanish and English	• Quick, easy means of modifying Health Check notices in English and Spanish without programmer involvement • Ability to change flash forms holding existing production notices and the rapid creation of custom notices for limited distribution • Online audit trail function • Timely responses to policy changes • Increased recipient understanding and compliance
Interactive Web pages, including online audit trail features	• Quick, easy viewing and modification of Health Check Periodicity schedules without programmer involvement • Decreased reimbursement and suspense errors that can negatively impact cycle time compliance
Web-based process for maintaining, updating, generating, and distributing the Monthly Accounting of Activities Report (MAAR)	• Easier, faster time entry for HCCs • Increased accuracy of time data entered through built-in Web page edits • Increased time efficiencies for Health Check staff, allowing for greater focus on claims adjudication • Decreased errors caused by built-in processing edits that display error messages for any calculations that do not meet preset criteria

In the following sections, we describe the capabilities inherent in the Health Check Subsystem:

- Features and Functional Ability of the Health Check Subsystem
- Contact Management

Features and Functional Ability of the Health Check Subsystem

The State will reap immediate benefits from the experience of the EDS North Carolina team and the features of interChange. This combination offers the technology and the experienced team support necessary for Health Check to function well in a dynamic regulatory environment now and in the future. The system incorporates flexibility in its design with a comprehensive list of possible options for reporting and direct data access, which permits rapid adaptation to changing policy requirements and reporting needs.

In the following sections, we offer a detailed description of North Carolina interChange features as applied to Health Check's core business processes:

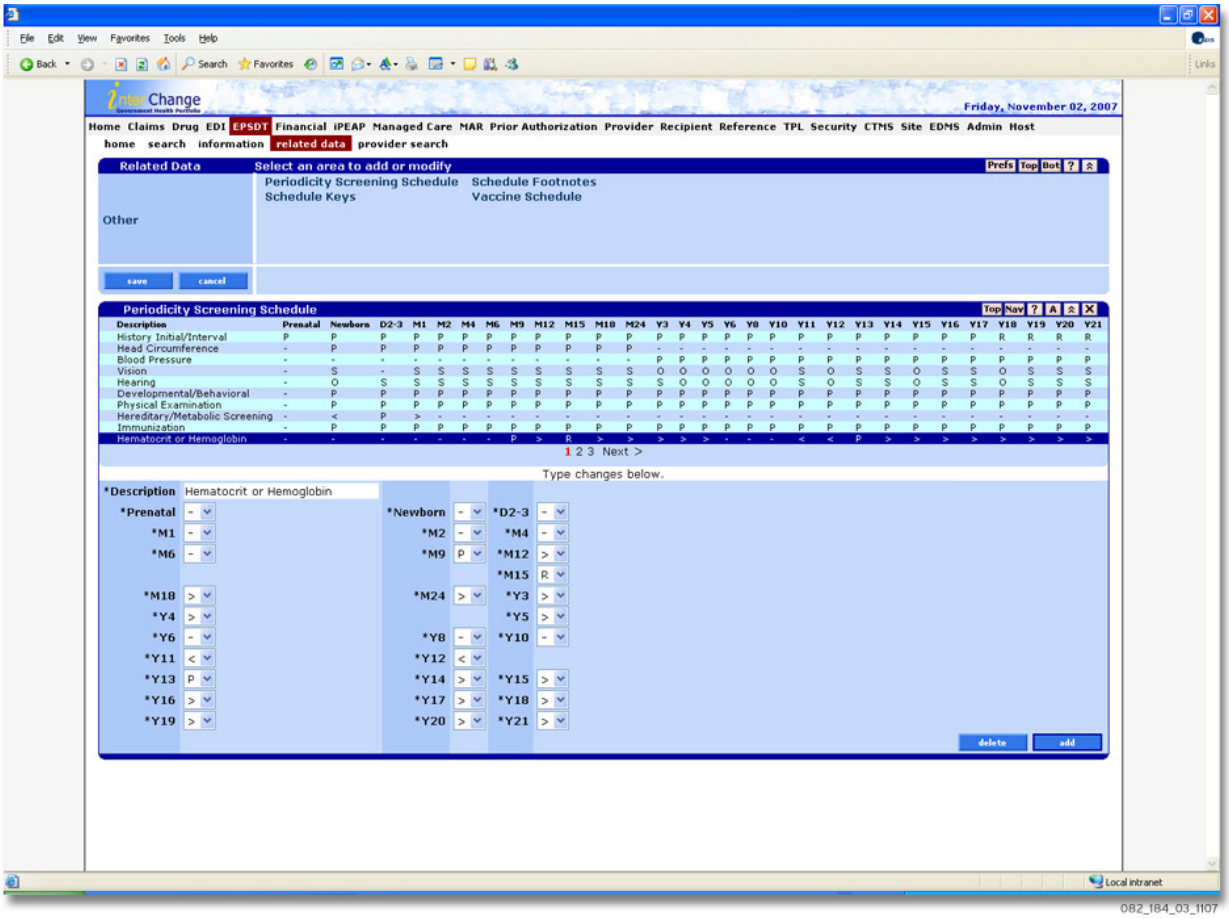
- Maintain Periodicity Schedule

- Provide Health Check Logic to Claims Processing
- Maintain Health Check Data

Maintain Periodicity Schedule

The American Academy of Pediatrics (AAP) Periodicity Schedule and its supplement will be available online, where authorized users can view them and easily change them in response to future CMS changes. The periodicity schedule details the types of screenings and the age at which each screening should be performed. The supplement is used to determine when a child is due for immunizations and additional test screenings. The periodicity schedule is accessed through the Periodicity and Screening Schedule Web page, while the supplement is accessed from the recipient Web page. As displayed in the following exhibit, Periodicity and Screening Schedule, interChange maintains the periodicity schedule and associated keys to document screening expectations.

Periodicity and Screening Schedule



The ability to maintain the periodicity and screening schedule through a Web page allows for quick file updates when changes occur.

Besides the standard periodicity and screening schedule, interChange also maintains accelerated schedules for those recipients who must "catch up" on recommended screenings. Accelerated screening schedules are available for the following participants:

- Ages 2-6
- Ages 7-17
- Ages 18 and older

Provide Health Check Logic to Claims Processing

Logic in the interChange Claims Processing Subsystem includes various Current Procedural Terminology (CPT) codes used by physicians who provide health screenings for Health Check-eligible recipients. Using these codes with the periodicity schedule, the system can accomplish the following:

- Identify Health Check claims that conform to or violate periodicity criteria
- Identify Health Check claims that show serious medical findings (abnormalities) needing further medical attention
- Track medical referrals for abnormal conditions and smoothly update the status of treatment received

Using the recipient file with the periodicity schedule, the system determines which recipients are due for routine screenings and which have not had screenings.

The claims processing subsystem allows claims with Health Check procedure codes to bypass third-party liability (TPL) edits. When new procedure codes are established for Health Check, they can be added to the edit logic through a Web page, eliminating programmer intervention and decreasing erroneous denials.

Maintain Health Check Data

interChange updates Health Check recipient data daily, automatically identifying recipients as eligible based on their age. This data is maintained in the recipient data maintenance functional area. The system receives the daily eligibility file and applies established data integrity edits to the information received. Edits verify that there are no overlapping dates, the date of birth and death are consistent with the eligibility record, and the fields are in the proper format. The system accepts online updates of abnormality referral status, notification responses, and screening information.

Although screening activities are crucial to preventive maintenance, after an abnormality has been identified, it must be tracked to verify that the recipient receives the medical care required to address the concern. interChange identifies and tracks resolution of abnormalities through claims processing and feeds that information to Health Check tables so that it can be viewed by authorized staff. Health Check abnormalities are tracked from date of detection to date of closure.

Besides identifying screening information by recipient, interChange also provides users access to screening information by provider. This information can be used to monitor provider activity regarding Health Check screenings and follow-up. Online access to provider specific Health Check data assists in the tracking of screening and follow-up activity for participating providers.

Online Update and Inquiry Features

- Users can access pertinent information through online browser pages. Additionally, county HCCs will have access to additional Web pages through which AINS data and MAAR information will be available. The following table, Web Page Features, summarizes the Web page functional ability available in interChange. Authorized users can update information such as the periodicity schedule.

Web Page Features

Web Page	Features
Health Check Provider Inquiry	The Health Check Provider Inquiry Web page is used by the State to view Health Check screening claims history performed for eligible recipients by Provider Number.
Periodicity and Screening Footnotes	The Periodicity and Screening Footnotes Web page is used as a reference for the footnotes noted on the periodicity and screening schedule and the supplement to the AAP Periodicity Schedule.
Periodicity and Screening Key	The Periodicity and Screening Key Web page is used as a reference for the valid values noted on the periodicity and screening schedule, supplement to the AAP Periodicity Schedule, and Accelerated Periodicity Web pages.
Periodicity and Screening Schedule	The AAP Periodicity Schedule and its supplement are used to determine when a recipient is due for immunizations and additional test screenings.
Recipient Health Check Abnormalities	This Web page is used by the State to view the abnormality history for a recipient. It also allows the user to update the status of an abnormality when it has been closed.
Recipient Health Check Screenings	The Recipient Health Check Screenings Web page is used by the State to view screening claims history and immunization claims history performed for Health Check–eligible recipients.

Contact Management

To keep recipients informed about the program and help them track screenings due or missed, Health Check uses the following three notices:

- **Introductory letters**—Sent to recipients when they are first added to the Health Check program to explain the benefits of the Health Check program

- **Standard reminder letters**—Sent to recipients to prompt them to receive Health Check screenings within the next three months
- **Urgent reminder letters**—Sent to recipients to prompt them to receive Health Check screenings within the next two weeks
- Using interChange's automated letter generation capability, any of these letters can be produced in Spanish or English with numerous formatting options. Additionally, new production and limited distribution letters can be created promptly to target certain groups.

To keep providers informed, our plans include the following elements:

- Periodic workshops in centralized locations with advance notice that facilitates travel planning
- Introductory training on program policies, processes, and billing practices
- Ongoing training at intermediate and advanced levels
- Access to our provider relations consultants, newsletters, and seminars
- Periodic meetings with provider associations, community workers, and hospitals

New providers and providers with high denial rates are targeted for training, including instruction in Health Check-related topics. Additionally, our provider representatives will use interChange and MAAR reports to target areas with few Health Check providers for Health Check program recruitment. We understand that primary care providers are the most important link in the provision of preventive services. We will work with providers and the State's Carolina Access program providers to identify areas where access is limited and actively encourage more providers and primary care givers to consider enrollment in Health Check to make sure that adequate and ample services can be provided to the eligible recipient population.

Approach to Customization and Modifications

interChange will be configured and customized to meet the RFP requirements. Often, the changes are to the Web portal, providing data directly to the providers and recipients and authorized users, such as county HCCs.

The configuration work includes making the correspondence letters generated through the DOC1 letter correspondence tool State-specific. This is standard configuration work performed during the DDI Phase of the project.

Enhancements to Functional Requirements

Enhancements that support these requirements include Web and panel interfaces that deliver program information to sources for support in this program. Often, we are adding data elements to existing Web portal panels, or creating new

reports. In other instances, we are adding additional features that will aid the State in better serving the recipients of Health Check services. Some of the notable enhancements to the application include the following:

- We will enable recipients to inquire about Health Check data through the AVRS and public Web portal.
- We will create Web portal Health Check pages for the entry of county staff information.
- We will create Web portal pages for a Health Check application for the creation and maintenance of Health Check information notifications, MAAR information, County Options Change Request (COCR) information, Full-Time Equivalency (FTE) information, and Health Check recipient data.

Response to Health Check System Requirements

The following table, EDS Response to Health Check System Requirements, describes how we will meet the requirements set forth in the RFP. Where appropriate, we have listed the existing interChange user interface panels, reports, and processes that meet the stated requirements. We also have identified when an integrated COTS piece of software is used to meet the requirements.

EDS Response to Health Check System Requirements

RFP No.	RFP Requirement	EDS Response
40.10.1.1	Provides capability to maintain the Health Check periodicity schedule	Met by interChange. The interChange application, through the Periodic Screening panel, meets the requirement to have the capability to maintain the Health Check periodicity schedule.
40.10.1.2	Provides capability for online inquiry to all Health Check data with access by recipient ID and provider number	Met through customization of interChange. Screening results are captured as part of a claim; therefore, a change will be made to capture this screening information from the associated claims as required.
40.10.1.3	Provides capability to maintain each Health Check-eligible recipient, the current and historical screening results, referral, diagnosis and treatment, and immunizations, including the provider numbers and dates	Met through customization of interChange. HCC management fees are a new feature to the interChange base. This feature will calculate HCC fees as required.
40.10.1.4	Provides capability to identify paid and denied screening claims	Met through customization of interChange. Changes will be made to the batch process that selects screening claims for the panel to include the denied claims. interChange displays the paid screening claims on the EPSDT Screening Search Results panel.

RFP No.	RFP Requirement	EDS Response
40.10.1.5	Provides capability to identify abnormal conditions by screening date and whether the condition was treated or referred for treatment	Met through customization of interChange. The Abnormalities panel includes only basic information about the abnormality and not the treatment. This requirement would require changes to the batch abnormality extract process and the Abnormalities panel to include the treatment.
40.10.1.6	Provides capability to update recipient Health Check data with screening results and dates and referral information	Met through customization of interChange. This requirement will necessitate the implementation of a new panel because this information cannot be entered online.
40.10.1.7	Provides capability for online, updateable letter templates for Health Check monthly notifications, standardized letters, and inserts	Met through COTS integration. The COTS DOC1 letter generation tool is used to meet this requirement.
40.10.1.8	Provides capability for automatic generation of monthly notifications to case heads for next screenings, screenings missed, and abnormal conditions not treated based on State criteria	Met through customization of interChange. Although interChange supports the generation of monthly notifications for screenings and missed screenings, it does not address abnormal screenings that are not treated. The existing screening letters will need to be updated to meet State specifics. We will work with the State to define "abnormal" conditions that should be monitored and reported.
40.10.1.9	Provides capability to maintain all notices sent, identifying case and recipient and date the notice was sent	Met through customization of interChange. The Notices History panel will be modified to display the identifying case, recipient, and date the notice was sent.
40.10.1.10	Provides capability to maintain an online audit trail of all updates to Health Check data	Met by interChange. Online panels and system data are properly tracked, and an audit trail is maintained and retained within interChange.
40.10.1.11	Provides capability for Web-based Health Check functionality that allows for the creation, update, and management of: • Health Check Information Notifications • Monthly Accounting of Activities Report (MAAR) Information • County Options Change Request (COCR) Information • Full-Time Equivalency (FTE) Information • Health Check Recipient Data	Met through customization of interChange. Changes will be made to the Web portal and the processes and panels that display this information, including accounting for security to only allow users to see data they are authorized to see.
40.10.1.12	Provides capability for the following Web-based functionality: • Search recipient data • Enter comments • Update notification suppression	Met through customization of interChange. Customization will be made to the interChange Web portal to allow for recipient data search, comments to be entered, notification suppression, and notifications to be sent.

RFP No.	RFP Requirement	EDS Response
	• Send standardized notifications	
40.10.1.13	Provides capability to calculate and system-generate Health Check Coordinator management fees	Met through customization of interChange. A new feature will be added to interChange to calculate the HCC management fees as required.
40.10.1.14	Provides capability to generate a monthly FTE report based on information received on the MAAR and COCR	Met through customization of interChange. A new monthly FTE report will be added to interChange to meet this requirement and provided online for viewing by authorized users.
40.10.1.15	Provides capability to capture and electronically store all Health Check county staff information	Met through customization of interChange. A new table and panel will be created to add, change, and delete county Health Check staff information. We have estimated that no more than 10 data elements will be required.
40.10.1.16	Provides Web-based access to current Health Check data to include new eligibles, new health check screenings, referral, etc.; provides access to each Health Check Coordinator (HCC) to their specific county information and provides ad hoc query capability for extraction of data to the desktop	Met through customization of interChange. A new extract file will be created to facilitate the downloading of information to the HCC database from the interChange Web portal. Authorized HCC users can access this secure Web portal to readily and easily download this information for their use as needed. The other requirements listed are either met by interChange today or covered by other enhancements noted in this section.
40.10.1.17	Provides capability to produce the Health Check Activity Report	Met by interChange. interChange has two reports that meet this requirement: EPSDT Summary of Notices Sent and EPSDT Provider Summary of Notices Sent.
40.10.1.18	Provides capability to convert HCC comments from legacy FoxPro Data Shell application into the Replacement MMIS	Met through customization of interChange. The HCC comments that are in the FoxPro Data Shell application will be converted.
40.10.1.19	Provides capability to generate EPSDT report for primary care providers and administrative entities monthly no later than the fifth day of the month for the preceding month's data This information should be available on the Web for providers to download for their practice only.	Met through customization of interChange. A new Web portal report will be created to meet this requirement.
40.10.1.20	Provides capability to produce monthly MAAR Summary reports	Met through customization of interChange. MAAR summary reports will be created in accordance with State requirements.
40.10.1.21	Provides capability to generate reports of recipients who have been in a particular practice for defined time periods, which includes the county and Statewide participation rates	Met through customization of interChange. A new, complex report will be created to meet this requirement.

40.11.1 TPL System Requirements

Our flexible TPL solution can configure and optimize third-party coverage data through easy-to-use browser pages, real-time access to information, and the automation of policy, accounts receivable, and rebilling and recovery tasks. These and other similar processing efficiencies will reduce manual work requirements and empower users without requiring the assistance of technical resources or system modifications.

State of North Carolina

The third-party liability (TPL) subsystem provides a critical mechanism for the State to recoup payments from insurance carriers for which the insurers are liable. The TPL subsystem and procedures make sure the State and other health assistance programs are the payers of last resort, thereby reducing program costs.

The main functions of the TPL subsystem are as follows:

- Make sure reasonable measures are taken to identify liable third parties
- Use these liable resources to minimize the State's healthcare program expenditures and the taxpayers' financial obligations
- Provide TPL information to providers of medical services to facilitate their direct billing of liable third parties
- Provide the third party Medicaid TPL services firm timely and accurate data for recovery services

The TPL function provides capabilities to manage the private health, Medicare, and other third-party resources of Medicaid recipients.

EDS understands that the State's TPL system requirements in this RFP are in support of DMA, DMH, DPH, and ORHCC, and we will meet these technical requirements, as demonstrated in this section. We also acknowledge that TPL operational support is limited to tasks in support of non-Medicaid entities, such as DPH, while DMA will continue to use other vendors for TPL operational recovery activities. Therefore, EDS will provide the necessary data to the State-approved entities, as required by the RFP.

The interChange TPL subsystem includes the flexibility to configure and optimize third-party coverage data through easy-to-use browser pages, real-time access to information, and the automation of tasks, including the following:

- Policy maintenance
- Accounts receivable (A/R) posting
- Rebilling and recovery notices, as well as other TPL notices
- Non-covered services bypass logic

These and other similar processing efficiencies reduce manual work requirements and empower authorized users without requiring the assistance of technical resources or system modifications. The claims and TPL systems are integrated for efficient processing and presentation of TPL and claims information for the coordination of benefits. Additionally, the TPL subsystem function supports the Health Insurance Premium Payment (HIPP) process that purchases health insurance for selected recipients, and EDS will support this RFP requirement.

We understand that the State's need for this cost recovery effort will be EDS' responsibility in support of the following:

- Suspension and/or denial of claims with TPL on file
- Entry and verification of TPL information taken from incoming claims and from the contact center for DPH enrollees
- Disposition of TPL receipts received through the EDS lockbox against claims history

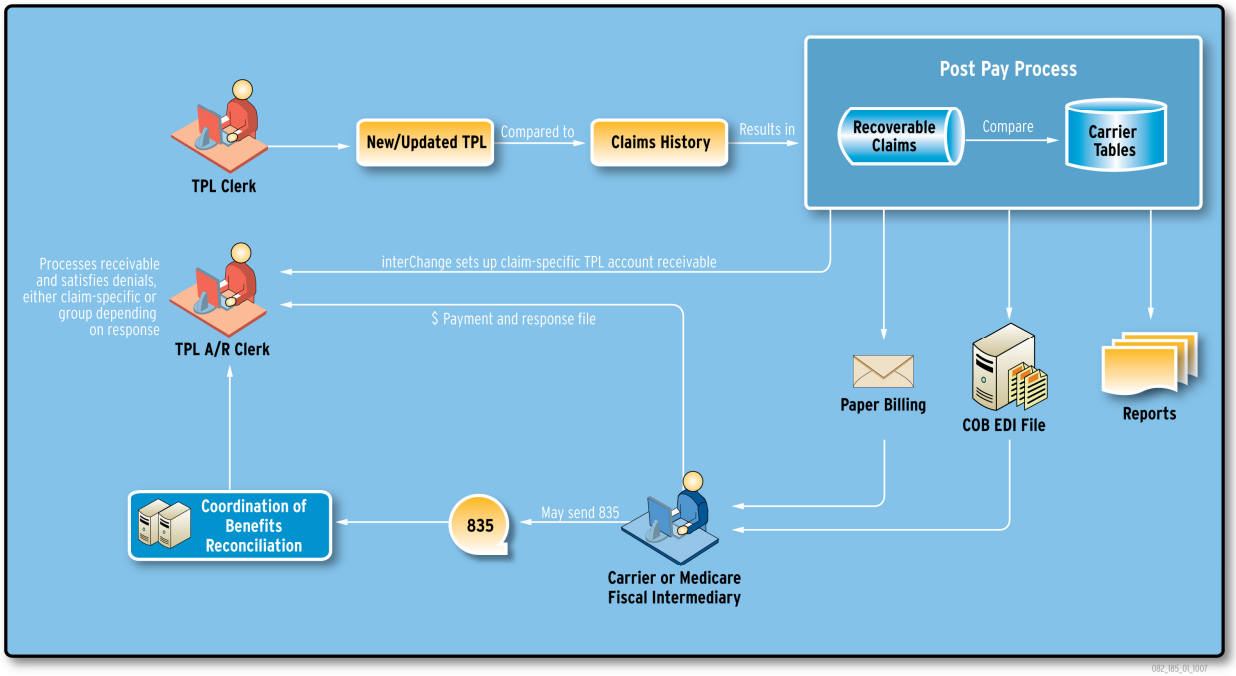
The TPL subsystem is designed to support flexibility in the benefit plans for Medicaid or non-Medicaid recipient groups in administering TPL rules for a subset of the population. For example, if a group of individuals was assigned to a discreet benefit plan associated with a developmental disability program, the TPL configuration could be tailored specifically for that benefit plan.

The TPL function works using cost avoidance (claim denial) and cost recovery (post-payment billing to insurers). interChange uses automated processes as much as possible for cost avoidance. Cost recovery will be used as a backup to the avoidance process.

Input and output transmissions and formats are HIPAA-compliant. The information maintained by the interChange TPL function includes recipient TPL resource data, insurance company data, and post-payment recovery-tracking data. TPL coverage type and threshold information are used by the Claims Processing function during claims adjudication.

The following exhibit, interChange TPL Process Overview, gives an overview of the interChange TPL process.

interChange TPL Process Overview

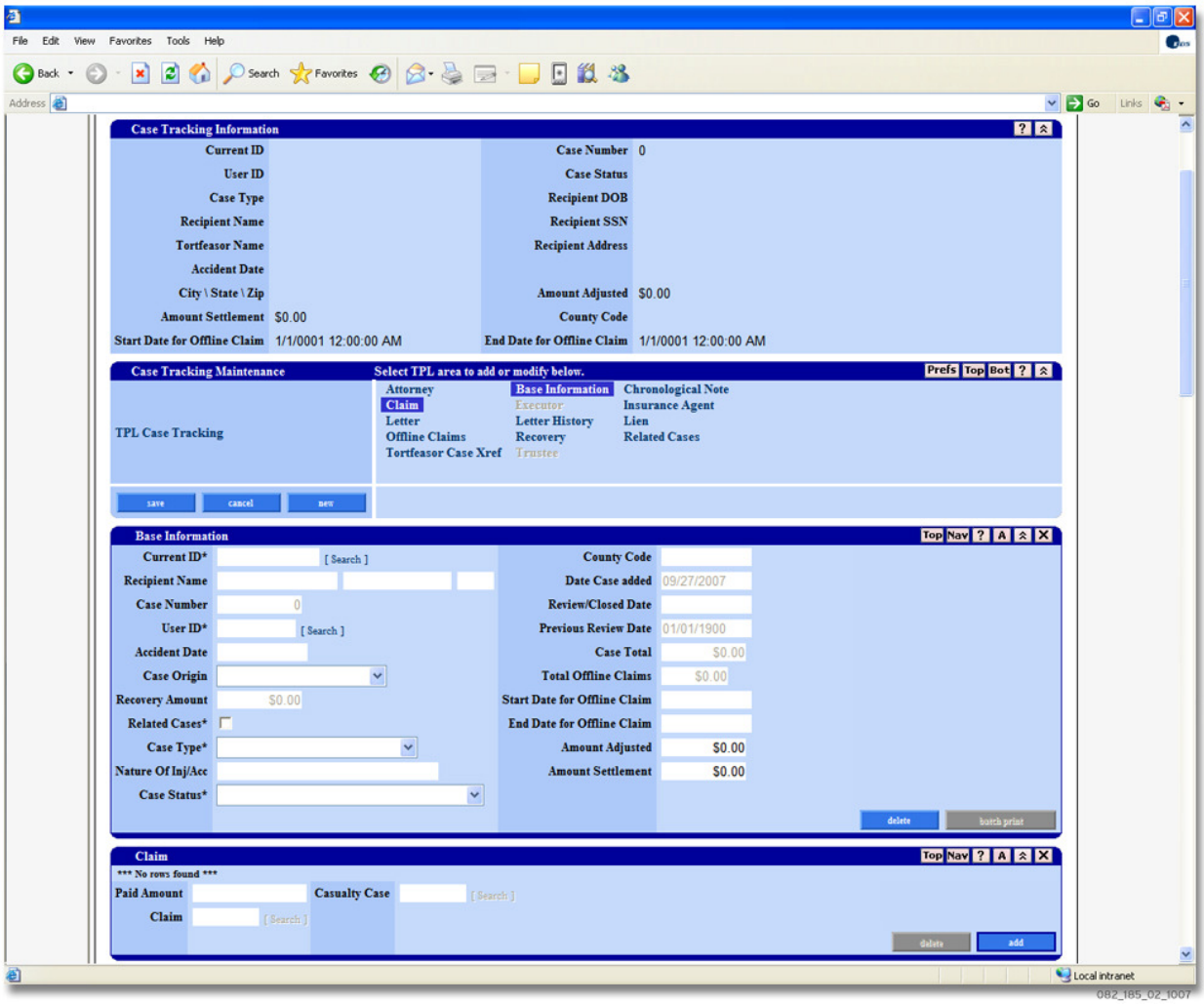


The TPL subsystem provides capabilities to manage the private health, Medicare, and other third-party resources of recipients and allows EDS and State TPL vendors to maximize TPL recoveries.

Estate Recovery

EDS will continue to provide estate recovery system processes in support of this State program. We will establish an interface to facilitate the timely and accurate flow of information related to estate recovery. The case-tracking tool in the interChange system contains the information related to the case such as amount identified to be recovered, the amount recovered to date, and the outstanding recovery balance. The case-tracking base Web page, shown in the following exhibit, Sample Case-Tracking Base Page, is used to monitor recovery data.

Sample Case-Tracking Base Page



The Case Tracking page provides current information on a case. The Case Tracking Maintenance panel lists the groupings of data to which the user has access, including claims, letter history, liens, and related cases. Each is organized into its own panel for easy navigation to the specific case information needed.

TPL Recovery

During the recovery process, claims paid by interChange may be billed to third parties in the expectation of receiving a recovery payment. interChange provides and maintains a robust case-tracking capability for tracking recoveries from identification to receipt. Access to accurate carrier information is critical to an efficient recovery process. interChange provides and maintains a carrier database that is easily searchable and free from duplicate and outdated information.

Standard TPL Business Functions

interChange accommodates TPL, Medicare Part A and Part B, and Medicare Advantage coverage for recipients. The flexible design of interChange also

allows the State to establish discreet benefit plans for QMB, Qualified Disabled Working Individual, and Specified Low-Income Medicare Beneficiary (SLMB).

interChange handles third-party coverage as an Other Insurance (OI) plan. The OI plan is date-specific and allows for "pay and chase" and cost avoidance with the following indicators:

- Insurance coverage type
- Invoice type
- Claim or encounter type
- Provider type
- Category of service
- Specific procedure codes
- Combinations of procedure and diagnosis codes
- Eligibility code
- Other program indicators

EDS will establish interfaces with the State's TPL contractor to exchange relevant program data, providing the most efficient, accurate TPL processing possible.

interChange provides the capability to apply, track, and report recovery amounts for claims and encounters. This does not affect claims and encounters payment or provider financial information. Reporting will be managed through an interface or performed by the operations team using interChange Web pages in the TPL subsystem.

interChange tracks claim and nonclaim-specific TPL recoveries. A check-related mass adjustment can be created based on user-specified criteria, such as procedure, date of service, or benefit plan to apply nonclaim-specific recoveries to multiple claims and encounters.

The interChange system provides claim-level posting of recoveries. EDS will enhance the system to accommodate line-level posting to accounts receivable. interChange provides the capability to maintain recipient data, and track changes and updates. Authorized users can enter the recipient's copayment and insurance requirements for each TPL policy using the interChange online browser Web pages.

The interChange TPL solution identifies potential coverage and recovery based on claim, accident, or injury-related data. The third-party accident trauma process identifies accident-related claims and encounters based on the diagnosis codes, procedure codes, or indicators on the claim. Claims and encounters processed totals are compiled for comparison against thresholds. interChange automatically reports recipients who meet the State defined criteria and/or the established thresholds and automatically generates questionnaires for recipients to determine the necessity to create a new case. The system generates a standard report to identify new potential cases. Additionally, the system automatically can load trauma cases into the TPL case-tracking system.

interChange can generate accident and trauma case reports. EDS will generate a weekly report identifying when recipient TPL information is added or modified retroactively, and historical claims and encounters exist for the recipient meeting the conditions of the TPL edit rules.

We assume recoveries against carriers, providers, and Medicare are by the TPL vendor, and interChange stores the information provided by these vendors. interChange provides the capability to identify claims and encounters that are associated with TPL information that has been added retroactively.

Claims adjustments are made through the interChange claims panels, and are governed by the appropriate TPL edit rules. EDS understands that recovery letters, facsimiles, and electronic transactions for recovery against carriers, providers, and Medicare are handled by the TPL vendor for Medicaid activities.

EDS understands this is an opt-out feature, where the recipient can choose to be covered completely by his or her employer's insurance. Based on this understanding, interChange will be modified to avoid payment for Medicaid claims and encounters if the recipient has been flagged as an opt-out.

We will work with the State to define the specific business processes necessary to support and maintain TPL and recovery business processes for non-Medicaid activities.

The case-tracking tool in interChange contains the information related to the case such as amount identified to be recovered, amount recovered to date, and outstanding recovery balance. interChange allows the inclusion of multiple payment sources, such as claims, HIPP, and managed care payments.

The integrated case-tracking tool allows the monitoring of liens related to the case and letters associated with the case. EDS understands the commercial, provider, and Medicare recoveries are managed by the TPL vendor for Medicaid activities. EDS understands the estate recovery cases are managed by the State's third-party department.

The interChange case-tracking tool tracks paid claims and encounters identified for recovery as part of a case through the recovery process. The claims and dollars recovered are tied to the case.

The interChange case-tracking tool searches the claims and encounters database along with financial transactions such as managed care capitation payments, buy-in premiums, and HIPPs premiums for records that meet the criteria for the case. Authorized users can indicate which records are to be included in the case. The tool allows the user to format the data into a printable, online report. We will update interChange to allow data exporting.

EDS will produce State-approved case-tracking reporting, including detailed and summary reports of case-tracking activity, and separate reports by type of case and type of action taken. We anticipate four new or customized reports that will

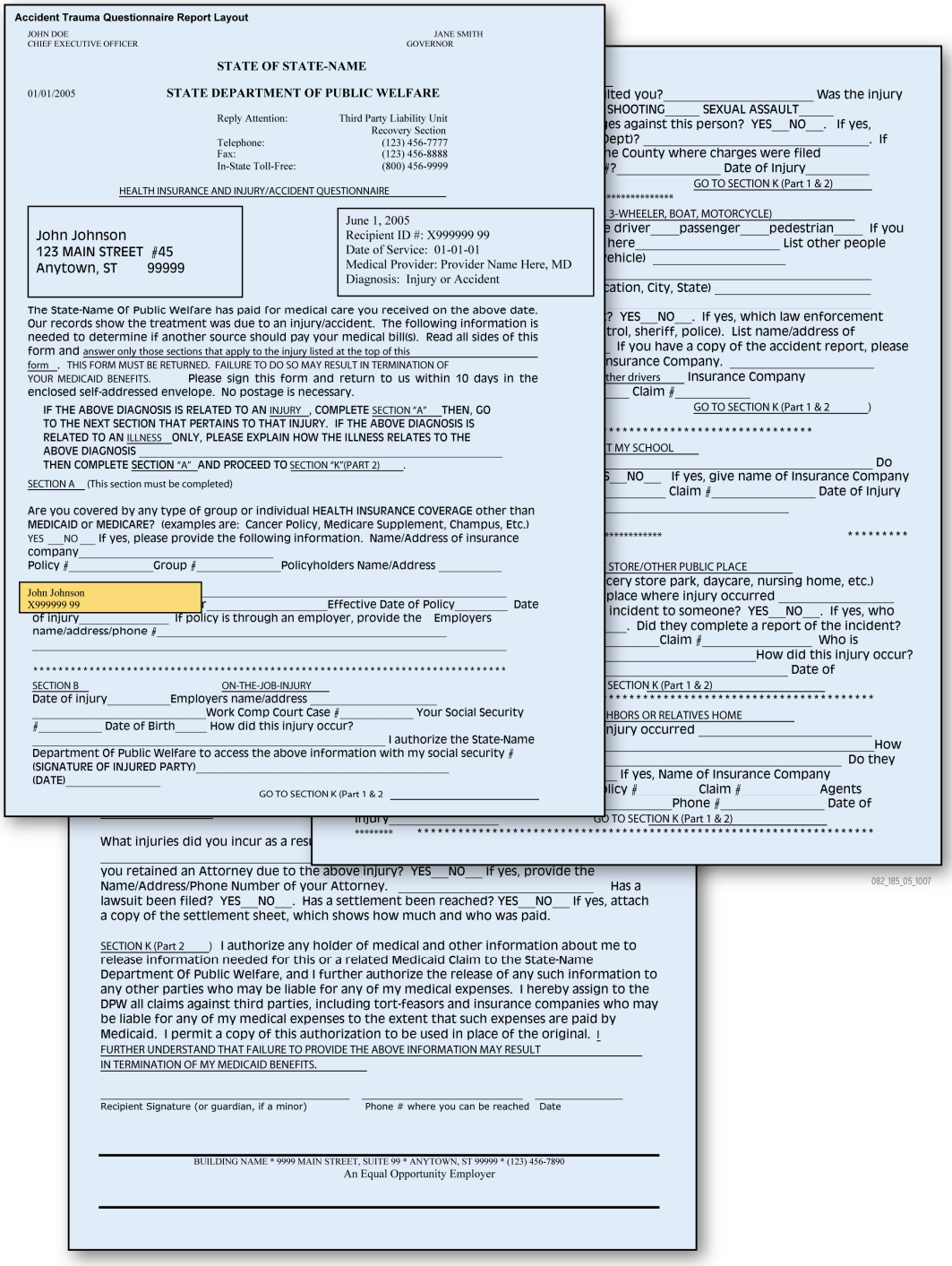
be configured to State requirements. The interChange case-tracking tool provides the capability for authorized users to enter case notes into a free-form text field.

The tool will have links to those relevant TPL document images in the electronic document system. The case-tracking tool also will contain links to letters produced. Authorized users can create customizable aging reports using the Business Intelligence and Analytical Reporting (BIAR) tools. Reports are generated indicating case aging and relative alert information. Using the clerk ID, cases can be assigned and reassigned to individual people, areas, or units. The case-tracking tool will be enhanced to add a priority field so cases can be prioritized within case type. The case-tracking tool contains review dates and case status that can be used to see when the next review is due.

Entries in the case-tracking tool are automatically date and time stamped along with capturing the ID of the person making the change. The audit trail function provides the capability to search for modifications made during a specific time and for each or only specific fields. The audit trail is specific to each panel.

Multiple addresses are maintained on the carrier file in interChange. This provides the capability to link carrier locations under one carrier ID. The interChange system produces an accident questionnaire based on diagnosis codes received on claims and encounters. The following exhibit, Sample Accident Questionnaire Based on Diagnosis Codes, is an example of a questionnaire from interChange.

Sample Accident Questionnaire Based on Diagnosis Codes



Accident Trauma Questionnaire Report Layout

JOHN DOE
CHIEF EXECUTIVE OFFICER

JANE SMITH
GOVERNOR

STATE OF STATE-NAME

01/01/2005

STATE DEPARTMENT OF PUBLIC WELFARE

Reply Attention: Third Party Liability Unit
Recovery Section
Telephone: (123) 456-7777
Fax: (123) 456-8888
In-State Toll-Free: (800) 456-9999

HEALTH INSURANCE AND INJURY/ACCIDENT QUESTIONNAIRE

John Johnson
123 MAIN STREET #45
Anytown, ST 99999

June 1, 2005
Recipient ID #: X999999 99
Date of Service: 01-01-01
Medical Provider: Provider Name Here, MD
Diagnosis: Injury or Accident

The State-Name Of Public Welfare has paid for medical care you received on the above date. Our records show the treatment was due to an injury/accident. The following information is needed to determine if another source should pay your medical bills(). Read all sides of this form and answer only those sections that apply to the injury listed at the top of this form. THIS FORM MUST BE RETURNED. FAILURE TO DO SO MAY RESULT IN TERMINATION OF YOUR MEDICAID BENEFITS. Please sign this form and return to us within 10 days in the enclosed self-addressed envelope. No postage is necessary.

IF THE ABOVE DIAGNOSIS IS RELATED TO AN INJURY, COMPLETE SECTION "A" THEN, GO TO THE NEXT SECTION THAT PERTAINS TO THAT INJURY. IF THE ABOVE DIAGNOSIS IS RELATED TO AN ILLNESS ONLY, PLEASE EXPLAIN HOW THE ILLNESS RELATES TO THE ABOVE DIAGNOSIS
THEN COMPLETE SECTION "A" AND PROCEED TO SECTION "K"(PART 2).

SECTION A (This section must be completed)

Are you covered by any type of group or individual HEALTH INSURANCE COVERAGE other than MEDICAID or MEDICARE? (examples are: Cancer Policy, Medicare Supplement, Champus, Etc.)
YES NO If yes, please provide the following information. Name/Address of insurance company
Policy # Group # Policyholders Name/Address

John Johnson
X999999 99

Effective Date of Policy Date of Injury If policy is through an employer, provide the Employers name/address/phone #

****

SECTION B ON-THE-JOB-INJURY
Date of injury Employers name/address
Work Comp Court Case # Your Social Security # Date of Birth How did this injury occur?
I authorize the State-Name Department Of Public Welfare to access the above information with my social security #
(SIGNATURE OF INJURED PARTY)
(DATE)

GO TO SECTION K (Part 1 & 2

What injuries did you incur as a res

you retained an Attorney due to the above injury? YES NO If yes, provide the Name/Address/Phone Number of your Attorney. Has a lawsuit been filed? YES NO. Has a settlement been reached? YES NO If yes, attach a copy of the settlement sheet, which shows how much and who was paid.

SECTION K (Part 2) I authorize any holder of medical and other information about me to release information needed for this or a related Medicaid Claim to the State-Name Department Of Public Welfare, and I further authorize the release of any such information to any other parties who may be liable for any of my medical expenses. I hereby assign to the DPW all claims against third parties, including tort-feasors and insurance companies who may be liable for any of my medical expenses to the extent that such expenses are paid by Medicaid. I permit a copy of this authorization to be used in place of the original. I FURTHER UNDERSTAND THAT FAILURE TO PROVIDE THE ABOVE INFORMATION MAY RESULT IN TERMINATION OF MY MEDICAID BENEFITS.

Recipient Signature (or guardian, if a minor) Phone # where you can be reached Date

BUILDING NAME * 9999 MAIN STREET, SUITE 99 * ANYTOWN, ST 99999 * (123) 456-7890
An Equal Opportunity Employer

ited you? Was the injury
SHOOTING SEXUAL ASSAULT
es against this person? YES NO. If yes,
ept)? . If
e County where charges were filed
?
Date of Injury
GO TO SECTION K (Part 1 & 2)
****
3-WHEELER, BOAT, MOTORCYCLE)
driver passenger pedestrian If you
here List other people
ehicle)
cation, City, State)
? YES NO. If yes, which law enforcement
trol, sheriff, police). List name/address of
If you have a copy of the accident report, please
nsurance Company.
ther drivers Insurance Company
Claim #
GO TO SECTION K (Part 1 & 2)
****
T MY SCHOOL
Do
S NO If yes, give name of Insurance Company
Claim # Date of Injury
****
****
STORE/OTHER PUBLIC PLACE
cery store park, daycare, nursing home, etc.)
place where injury occurred
incident to someone? YES NO. If yes, who
. Did they complete a report of the incident?
Claim # Who is
How did this injury occur?
Date of
SECTION K (Part 1 & 2)
****
HBORS OR RELATIVES HOME
njury occurred
How
Do they
If yes, Name of Insurance Company
licy # Claim # Agents
Phone # Date of
Injury
GO TO SECTION K (Part 1 & 2)
********** **********

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The interChange system automatically sends a questionnaire based on diagnosis codes.

Approach to Customization and Modifications

The interChange TPL subsystem is designed to maximize recoveries while minimizing the cost of administration.

EDS understands the importance of incorporating relevant program data with multiple appropriate data from other information systems in the most efficient, and accurate way possible. Certain report requirements will require the creation of custom online or batch reports.

Some specific system requirements are defined by the State that are considered to be managed by the Health Management Services (HMS) contract. These have been noted in the ensuing EDS Response to TPL System Requirements table.

Enhancements to Functional Requirements

interChange will require some enhancements to accommodate certain State requirements. Specifically, we will make the following changes to the TPL subsystem:

- Covered services will be customized for TPL Cost Avoidance using the coverage by Other Insurance (OI) Plan capability defined in the reference subsystem. Covered services can be set to pay, pay and chase, suspend, or deny for any specified procedure, diagnosis, revenue, or drug.
- We will work with the State to review interfaces to identify areas where existing information exchanges can be improved and applied to create more efficient and more effective business processes.
- We will expand the search capabilities, including the HIC, group name, and therapeutic information.
- We will create exclusion processing to exclude third-party insurance from claims processing on a per-person/per-policy basis for a set period and to allow the support of multiple exclusions per person/per policy.
- We will create North Carolina–specific reports, such as the Health Choice Recipient Activity reports and the TPL segment update frequency report.

Response to TPL System Requirements

The following table, EDS Response to TPL System Requirements, describes how we will meet the requirements set forth in the RFP. Where appropriate, we have listed the existing interChange user interface panels, reports, and processes that meet the stated requirements. We also have identified when an integrated COTS piece of software is used to meet the requirements.

EDS Response to TPL System Requirements

RFP No.	RFP Requirement	EDS Response
40.11.1.1	Provides capability to search TPL database by recipient name, recipient number, policy number, policy holder name, policy holder ID number, SSN of the policy holder, by either the whole name or number or any part of the last name or number, or combination thereof	Met by interChange. The TPL Search panel meets this requirement without modification. EDS meets this requirement by also allowing search capability for Medicare ID, Recipient SSN, Recipient Date of Birth, and Carrier Number. The TPL Policy Search panel accesses a recipient's TPL records. Authorized users can access recipient TPL records and use the TPL Search panel to facilitate searches against recipient TPL records using various data combinations.
40.11.1.2	Provides capability to ensure that claims for preventive pediatric services and prenatal care for pregnant women are paid to providers and not cost-avoided if TPL is available	Met through configuration of interChange parameters and features. Covered services can be customized for TPL Cost Avoidance using the coverage by OI Plan capability defined in the reference subsystem, and can be set to pay, pay and chase, suspend, or deny for any specified procedure, diagnosis, revenue, or drug. The Coverage to Other Insurance panel cross-reference is used to define relationships between OI plans and TPL coverage codes to support the TPL matrix. The interChange TPL subsystem may need to be updated to add the needed data elements for State-specific data.
40.11.1.3	Provides capability to ensure that claims for inpatient hospital stays for pregnant women are cost avoided	Met through configuration of interChange parameters and features. Covered services can be customized for TPL cost avoidance using the OI Plan capability defined in the reference subsystem. Benefits Administration (BA) is the navigation panel for BA-related panels. This panel has links to Recipient Plan, Provider Contract, Other Insurance, Reimbursement Agreement, and Benefit Classification panels.
40.11.1.4	Provides capability for updating of insurance carrier information	Met through customization of interChange. Details regarding insurance carriers are established in interChange and will be associated with specific TPL policies for recipients.

RFP No.	RFP Requirement	EDS Response
40.11.1.5	Provides capability to retrieve/search third party resource information by the following: • Name (by any part of last name), ID number (by any part of ID number), date of birth, SSN (by any part of number) of eligible recipient, and relationship of covered individual to policy holder, or combination thereof • Insurance carrier • Policy number (by any part of number), Medicare Health Insurance Claim (HIC) number (by any part of number), or railroad number • Group name and number • Source code indicating source of suspect TPL information • Name, SSN, and/or ID number of policy holder (by any part of number) • Prescription number, whole number, or any part of number • Therapeutic code • Therapeutic class • User ID of individual entering or updating TPL record	Met through customization of interChange. The TPL Policy Search Web page is used to access a recipient's TPL records. The user can inquire about recipients with TPL. On the TPL Search panel, different combinations can be used to inquire on the recipient's TPL record. The search capability in TPL will need to be modified to provide for additional capability. The following changes will be made: • Fuzzy searches on fields • HIC and railroad number • Group name and number • Source • Prescription number, whole number, or any part of number • Therapeutic code • Therapeutic class • User ID of individual entering or updating TPL record
40.11.1.6	Provides capability to electronically store multiple, date-specific TPL resources for each recipient	Met by interChange. The carrier table contains information about other insurance companies that may have issued policies that cover Medicaid recipients. The claims submission address is used for claim facsimile billings. A separate correspondence address—if different from the claim submission address—is maintained on another panel. A unique TPL Resource is defined as Carrier, Policy Number, Recipient, and is further defined by unique coverage without overlapping dates. Additional TPL Resources can be added as needed provided the basic key is not duplicated.
40.11.1.7	~~Provides capability to electronically store multiple, date-specific TPL resources for each Medicare recipient~~	Cancelled. This requirement was deleted in RFP 30-DHHS-1228-08-R.
40.11.1.8	Provides capability to electronically store all third party resource information by recipient	Met by interChange. A unique TPL Resource is defined as Carrier, Policy Number, Recipient, and is further defined by unique coverage without overlapping dates. Additional TPL Resources can be added as needed provided the basic key is not duplicated.

RFP No.	RFP Requirement	EDS Response
40.11.1.9	Provides capability to electronically store third party carrier information	Met by interChange. A unique TPL Resource is defined as Carrier, Policy Number, Recipient, and is further defined by unique coverage without overlapping dates. Additional TPL Resources can be added as needed provided the basic key is not duplicated. Individual carriers are defined and associated with the resources.
40.11.1.10	Provides capability to identify all cost-avoided payments due to established TPL	Met through configuration of interChange parameters and features. The navigation panel for BA-related panels has links to the Recipient Plan, Provider Contract, Other Insurance, Reimbursement Agreement, and Benefit Classification panels. Covered services can be customized for TPL Cost Avoidance using the OI Plan capability defined in the Reference Subsystem. Covered services can be set to pay, pay and chase, suspend, or deny for any specified procedure, diagnosis, revenue, or drug. Claims denied because of cost avoidance are identified by a specific edit in the claims adjudication process.
40.11.1.11**	Provides capability to bill carriers for "pay and chase" claims and automatically create a "case" once claims have accumulated to defined threshold amount	Met through customization of interChange. Based on the response from the State to Question Number 74 of RFP Addendum Number 5 on September 17, 2007, we will change TPL billing jobs to extract non-Medicaid payer claims for recovery activities to meet this requirement.
40.11.1.12**	Provides capability to automatically identify previously paid claims for recovery when TPL resources are identified or verified retroactively and automatically creates a recovery "case" to initiate recovery within a period specified by the State	Met through customization of interChange. EDS will manage non-Medicaid activity.
40.11.1.13	Provides capability to identify claims and support recovery actions on paid claims when Medicare coverage is identified or verified after claims have been paid.	Met through customization of interChange. We will send the TPL recoveries vendor Medicaid paid claims, and the interChange TPL Post Paid Billing process will handle non-Medicaid recoveries.
40.11.1.14**	Provides capability to track and post recoveries to individual claim histories	Met through customization of interChange. We will send the State-approved TPL recovery vendors Medicaid paid claims, and the interChange TPL Post Paid Billing process will handle non-Medicaid recoveries.
40.11.1.15**	Provides capability for archival and retrieval of closed TPL recovery cases	Met through customization of interChange. We will send the State-approved TPL recovery vendors Medicaid paid claims, and the interChange TPL Post Paid Billing process will handle non-Medicaid recoveries.

RFP No.	RFP Requirement	EDS Response
40.11.1.16	Provides capability to identify accident/trauma claims and automatically generate questionnaire/reports	Met by interChange. The interChange system provides the ability to identify accident and trauma claims and automatically generate questionnaires and reports. interChange reviews claims weekly for diagnosis codes 800 through 999.99, excluding 994.6. The system generates letters to be mailed based on the claims. It also creates a summary report of those letters. The system tracks when letters are generated to make sure duplicate letters are not created.
40.11.1.17	Provides capability to approve or cancel trauma questionnaires	Met through customization of interChange. To accommodate pre-approval, interChange will need modifications to the programs that generate the accident trauma letters to put them into a temporary holding area for review and approval.
40.11.1.18	Provides capability to retrieve paid claims from history to assist in TPL recovery	Met by interChange. The Case Tracking Claim panel provides general information about the claims associated with a case, and allows authorized users to search for a claim in the system and associate the claim to a case. Paid claims in interChange are available to TPL for recovery.
40.11.1.19	Provides capability to maintain an online audit trail of all updates to TPL data	Met by interChange. The systemwide audit panel displays data change history for a given Navigator Item panel. Every insert, update, or delete that is performed on an auditable panel causes a “before” image of the data to be saved to the audit table. Users can use the audit panel to display this information.
40.11.1.20	Provides capability to generate carrier update transactions to the State	Met through customization of interChange. EDS will create a new interface to generate carrier update transactions.
40.11.1.21	Provides capability to provide online inquiry, add, and update to TPL data	Met by interChange. The TPL Base Information panel lists TPL resource information, and links to other TPL-related information. The basic TPL panels—for example, the TPL Search panel or the TPL Base Edit panel—provide online capabilities to find and update TPL data.
40.11.1.22**	Provides capability to enter or update recovery cases from recoveries received	Met by interChange. This basic feature is integral to the interChange system. The Case Tracking Base panel records fundamental information about a specific case and provides for posting of case recoveries at a group claim level versus individual claim level. We will send the State-approved TPL recovery vendors Medicaid paid claims, and the interChange TPL recovery update process will handle non-Medicaid recoveries.
40.11.1.23	Provides capability to ensure that if the recipient has a pharmacy policy on the date of service that the pharmacy policy is billed or displayed at point of sale rather than any medical policy	Met by interChange. These features are part of cost avoidance and use OI Plan features in the reference subsystem.

RFP No.	RFP Requirement	EDS Response
40.11.1.24	Provides capability to identify previously paid claims from the past three (3) years of claims history when TPL resources are identified or verified retroactively	Met through customization of interChange. We will modify interChange to provide previously paid claims from the past three years of claims history when TPL resources are identified or verified retroactively. This claims data will be provided to the State TPL vendors for use in Medicaid recoveries, and EDS will pursue non-Medicaid recoveries based on this data.
40.11.1.25	Provides capability to identify previously paid claims from Claims History for the allowed Medicare time limit for filing when Medicare resources are identified or verified after Medicaid payment has occurred	Met through customization of interChange. This claims data will be provided to the State TPL vendors for use in Medicaid recoveries, and EDS will pursue non-Medicaid recoveries based on this data.
40.11.1.26	Provides capability to produce and bill drug invoices for insurance carriers	Met through customization of interChange. We will generate drug recovery invoices for Medicaid and as required for non-Medicaid and issue/mail to carriers for recovery of TPL monies.
40.11.1.27	Provides capability to produce accident inquiry letters for identified recipients	Met by interChange. interChange provides the ability to identify accident and trauma claims and automatically generate questionnaires and reports. interChange reviews claims weekly for diagnosis codes 800 through 999.99, excluding 994.6. The system generates letters to be mailed based on the claims. It also creates a summary report of those letters. The system tracks when letters are generated to make sure duplicate letters are not created.
40.11.1.28	Provides capability to maintain recipient health insurance data for TPL through updates from EIS and ACTS to assist in claims processing	Met through customization of interChange. This requirement will be met by the creation of new interfaces with EIS and ACTS.
40.11.1.29	Provides capability to capture and maintain Estate Recovery Data, including claims, invoice data, and recovery data, on each individual that meets defined criteria.	Met by interChange. interChange will capture according to State-defined criteria estate recovery data for recipients. Estate recovery invoices will be issued and these cases tracked through the case-tracking panels of interChange. The State-authorized users will have access to update and post recoveries as needed against estate recovery cases.
40.11.1.30	Provides capability to flag and maintain Estate Recovery claims for a lifetime	Met by interChange. The TPL case-tracking feature can identify, flag, and maintain the estate recovery claims for retention through the life of the contract.
40.11.1.31	Provides capability to produce claims/invoices in order to bill for Estate Recovery	Met by interChange. The TPL case-tracking mechanism provides for the capture and production of claims/invoices for estate recovery.
40.11.1.32	Provides capability to track and report on invoices	Met by interChange. The TPL bill-tracking feature meets this requirement and can track and report on invoices.

RFP No.	RFP Requirement	EDS Response
40.11.1.33**	Provides capability to route specific DME claims to Medicaid after Children's Special Health Services (CSHS) has paid	Met through customization of interChange. The coordination of benefits feature in interChange will be customized to identify the CSHS claims that have been paid and are available for reprocessing through Medicaid.
40.11.1.34**	Provides capability for online updating and reporting function for cases to track open cases, type of case, amount of liens, amount of recoveries	Met by interChange. The Case Tracking panel is used to record payments received by the State in accordance with a settlement on a case. Settlements recovered on this panel are reflected on the Case Tracking Base Information panel, calculating into the Case Total field, and the Case Tracking Case Detail report. The State TPL vendors will handle this activity in support of Medicaid, and EDS will handle the non-Medicaid activity.
40.11.1.35	Provides capability to view the invoices for prescription drugs generated by Fiscal Agent, by carrier, or by recipient	Met by interChange. The BIAR reporting feature will have access to the data required to meet this requirement.
40.11.1.36	Provides capability for online updating, payment, and reporting for the HIPP Program	Met by interChange. interChange meets this requirement using the HIPP Case panels.
40.11.1.37**	Provides capability to systematically build recovery cases, allowing users to inquire, add, and update recovery case records	Met by interChange. interChange meets this requirement using the Case-Tracking Claims panel. This panel provides general information about the claims associated with a case, and also allows authorized users to search for claims and associate a claim to a case. The State TPL vendors will handle this activity in support of Medicaid, and EDS will handle the non-Medicaid activity.
40.11.1.38**	Provides capability to search recovery case records by unique recovery case identification number, case type, policy number, policy holder name, policy holder SSN, claim number, recipient name or number, carrier name, carrier number, provider name or number, attorney name, accident number, or a combination of these data elements	Met through customization of interChange. The Case-Tracking Search panel can be used to determine if a lead has been received on a specific case. Available search criteria are Recipient ID; Recipient Last Name With Recipient First Name; Recipient Last Name With Any Other Field; Case Number; Case Type; User ID; and Recipient Birth Date With At Least One Other Field. interChange will be modified to allow for additional search capabilities. The State TPL vendors will handle this activity in support of Medicaid, and EDS will handle the non-Medicaid activity.
40.11.1.39**	Provides capability to include attorney name, attention line, address, and telephone number in a recovery case record	Met by interChange. The Case-Tracking Attorney panel meets this requirement. This panel allows authorized users to add and delete attorney information. The State TPL vendors will handle this activity in support of Medicaid, and EDS will handle the non-Medicaid activity.
40.11.1.40**	Provides capability to view all TPL receivables online in determining which claim details have not be completed and the total amount not posted	Met by interChange. The TPL billing and accounts receivable features meet this requirement. The State TPL vendors will handle this activity in support of Medicaid, and EDS will handle the non-Medicaid activity.

RFP No.	RFP Requirement	EDS Response
40.11.1.41**	Provides capability to add or delete claims that are included in any recovery case	Met by interChange. The Case-Tracking Claims panels allow authorized users to inquire on the itemized list of claims related to a specific case. This panel provides general information about the claims associated with a case and allows users to search for a claim and associate the claim to a case. The State TPL vendors will handle this activity in support of Medicaid, and EDS will handle the non-Medicaid activity.
40.11.1.42**	Provides capability to add and update the TPL threshold amount online	Met by interChange. TPL threshold amounts can be controlled in interChange by using code tables. These code tables are user-configurable. The Threshold Type panel is used to update threshold amounts and the number of months to accumulate claims. The State TPL vendors will handle this activity in support of Medicaid, and EDS will handle the non-Medicaid activity.
40.11.1.43**	Provides capability to enter free-form text in a recovery case	Met by interChange. The interChange TPL Case-Tracking panel allows authorized users to enter free-form text using the Case-Tracking Chronological Notes. The user can capture data concerning the case—such as telephone calls or physician updates. The State TPL vendors will handle this activity in support of Medicaid, and EDS will handle the non-Medicaid activity.
40.11.1.44**	Provides capability to maintain all open recovery cases online until closed by authorized user	Met by interChange. The Case Tracking Base Information panel meets this requirement. The user can indicate the status of the case with the Case Status field. The State TPL vendors will handle this activity in support of Medicaid, and EDS will handle the non-Medicaid activity.
40.11.1.45**	Provides capability to maintain and flag claims that are part of a TPL recovery/cost avoidance case online for three (3) years after the case is closed before archiving	Met by interChange. Our solution contains the space required to store this claims data for the life of the contract. These claims will be available through the user interface. This includes the 10 years of converted claims history and operational data. The State TPL vendors will handle this activity in support of Medicaid, and EDS will handle the non-Medicaid activity.
40.11.1.46**	Provides capability to flag a recipient for which a TPL recovery case has been created	Met through customization of interChange. interChange will be modified to add a TPL recover case flag to the Recipient Information panel in the Recipient Subsystem. This panel allows authorized users to view a summary of the recipient's information. The State TPL vendors will handle this activity in support of Medicaid, and EDS will handle the non-Medicaid activity.

RFP No.	RFP Requirement	EDS Response
40.11.1.47**	Provides capability to generate unique Case Identification Numbers	Met by interChange. The system automatically generates unique, sequential ID numbers. The State TPL vendors will handle this activity in support of Medicaid, and EDS will handle the non-Medicaid activity.
40.11.1.48**	Provides capability to close a case without full recovery	Met by interChange. The status of a case is controlled by the Case Status field on the Base Information panel. The State TPL vendors will handle this activity in support of Medicaid, and EDS will handle the non-Medicaid activity.
40.11.1.49	Provides capability to reproduce a claim and send either by fax, mail or electronically	Met by interChange. The EDMS solution meets this requirement with the retention of claims information and the ability to inquire, reproduce, and transmit as appropriate.
40.11.1.50**	Provides the capability to flag claims for recipients who have reached a defined threshold	Met by interChange. The Threshold Type panel is used to update threshold amounts and the number of months to accumulate claims. TPL Threshold amounts can be controlled in the interChange system by user-configurable code tables. The State TPL vendors will handle this activity in support of Medicaid, and EDS will handle the non-Medicaid activity.
40.11.1.51	Provides capability for online access and update to TPL data by State-designated staff	Met by interChange. The TPL Menu panel displays the relevant TPL submenus.
40.11.1.52	Provides capability for batch and/or online real-time access to TPL data between EIS, Mental Health Eligibility Inquiry, CSDW, Medicaid Quality Control, Online Verification, ACTS, and HIS and the Replacement MMIS using API and SOA concepts	Met through customization of interChange. New, custom interfaces will be built for the following: EIS, Mental Health Eligibility Inquiry, CSDW, Medicaid Quality Control, Online Verification, ACTS, and HIS.
40.11.1.53	Provides capability for daily (next business day) transmission logs showing successful transmission of TPL data to DIRM for CSDW, ACTS, and EIS	Met through customization of interChange. This feature will be built into the new custom interfaces, namely EIS, Mental Health Eligibility Inquiry, CSDW, Medicaid Quality Control, Online Verification, ACTS, and HIS.
40.11.1.54	Provides capability to exclude third party insurance from claims processing on a per-person/per-policy basis, for a set period; provides capability to support multiple exclusions per person/per policy	Met through customization of interChange. The ability to exclude TPL insurance from claims processing and the ability to support multiple exclusions per person and policy will be built for North Carolina processing.
40.11.1.55	Provides capability to process and pay claims when policy limits are exhausted for individuals related to a specific service either annual or lifetime benefits	Met by interChange. During TPL editing on the claims processing, an edit checks for the exhaust flag on the TPL Coverage panel.
40.11.1.56	Provides capability to associate and track Non-Custodial Parent (NCP) policy holder information to covered individuals	Met by interChange. interChange allows the association of Non-Custodial Parent information to a covered individual.

RFP No.	RFP Requirement	EDS Response
40.11.1.57	Provides capability to pend updates to TPL resource data received from Child Support for Medicaid recipients	Met by interChange. interChange uses the Suspect Code on the base information panel in TPL. A status of manual can indicate pended, or a new status code can be added to the table.
40.11.1.58	Provides the capability to pend TPL updates for recipients who are covered by Breast and Cervical Cancer Medicaid (BCCM) or Health Choice programs and display a notification message that the recipient has BCCM or Health Choice	Met through customization of interChange. interChange will be modified to display BCCM or Health Choice notifications.
40.11.1.59	Provides capability to produce a report of TPL segments that have been updated more than once in thirty (30) days	Met through customization of interChange. A report will be created for TPL segments that have been updated more than once in 30 days.
40.11.1.60	Provides capability to produce a Health Choice Recipient Activity Report in addition to the reports listed in the Design documentation	Met through customization of interChange. The DDI team will work during the DDI process to define and create the Health Choice Recipient Activity report. For additional capability to produce reports on the health check information, users can create their own reports during the Operations Phase of the contract using the BIAR reporting solution.
40.11.1.61	Provides capability to provide TPL edit/error report(s) for ACTS for State staff access	Met through customization of interChange. This requirement will be met as part of the change for the ACTS interface.
40.11.1.62	Provides capability to extract and process TPL data transmitted by ACTS from the DIRM electronic File Cabinet	Met through customization of interChange. This requirement will be met as part of the change for the ACTS and DIRM interfaces.
40.11.1.63	Provides capability to produce a daily extract of TPL carrier and recipient resource data for ACTS, CSDW, and EIS	Met through customization of interChange. This requirement will be met as part of the change for the EIS, CSDW, and ACTS interfaces.
40.11.1.64	Provides capability to produce an extract of updates to TPL recipient resource data for ACTS for Medicaid recipients referred to Child Support	Met through customization of interChange. This requirement will be met as part of the change for the ACTS interface.
40.11.1.65	Provides capability for batch access to TPL data using API and SOA concepts between EIS, ACTS, and the Replacement MMIS	Met through customization of interChange. This requirement will be met as part of the change for the EIS and ACTS interfaces.
40.11.1.66**	Provides capability to produce system-generated letters to providers, recipients, and county offices.	Met through COTS integration. Through the integration of the DOC1 letter generation software, the interChange solution can produce system-generated letters to the providers, recipients, and county offices.

40.12.1 Drug Rebate System Requirements

Our drug rebate solution will allow the State to maximize the efficiency of drug rebate collections, minimize dispute resolutions, and provide greater savings to the State. Because our system has been successfully implemented in many other states, we have the experience, knowledge, and technology to support your drug rebate program.

State of North Carolina

EDS has successfully managed North Carolina's drug rebate program since 1991. In those 16 years, we have invoiced $2.86 billion for the State, collecting 99.75 percent of that total. In the last three years (2004 to 2006), we have collected $1,157,745,936 for the State from drug suppliers.

EDS intends to build on our strong history of service in the State through the installation and configuration of the market-leading MMIS, interChange. Our interChange drug rebate solution provides an innovative drug rebate system and process that allows the State to maximize collections and create a workable and effective process. The interChange drug rebate system has been successfully implemented in many other states, providing EDS with the necessary experience, knowledge, and technology to implement and support the North Carolina drug rebate program. EDS is confident our solution will maximize the efficiency of drug rebate collections, minimize dispute resolutions, and provide greater savings to the State.

The interChange solution uses a secure, thin-client browser interface to provide a single point of entry for the application. The Replacement MMIS application will be integrated into the current North Carolina State Portal. The system incorporates user-friendly navigation that allows users to move freely throughout the system using drop-down menus and "point-and-click" navigation. This approach will reduce the learning curve for new users, which is typically a significant concern when introducing a new system. System access, display, and navigation will be standard for all users of the Replacement MMIS, including users from other agencies and entities.

The following summarizes the key features and benefits of the interChange drug rebate subsystem:

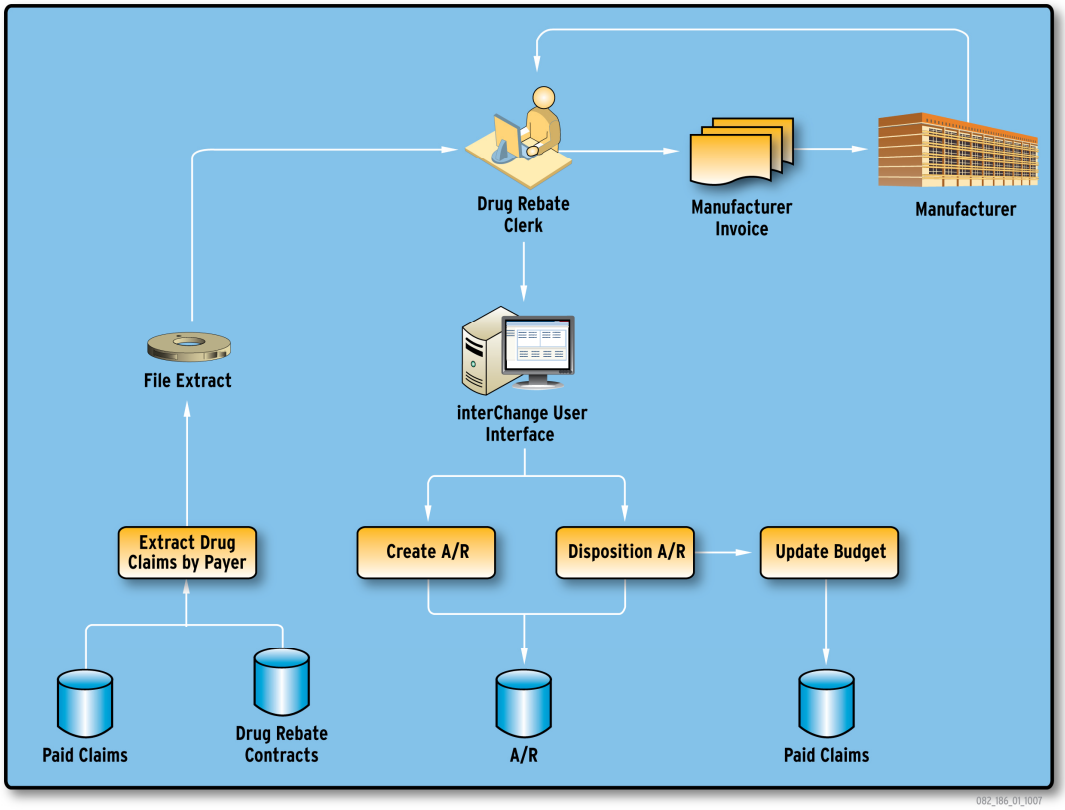
- A robust audit trail of all changes made to invoices
- The ability to identify and generate invoices for HCPCS codes on rebateable drugs billed to the State and a unit conversion to ensure the units are correctly converted from a Jcode unit to a NDC unit
- The ability to exclude Public Health Service (PHS) (340B providers) from the quarterly invoices

- The ability to request outstanding accounts receivable data online
- The ability to calculate interest online
- The ability to create separate invoices and reports for the federal rebate programs and state rebate programs
- The ability to log and track disputes
- The ability to generate collection letters and follow-up collection letters with tracking capabilities
- The ability to maintain rebate contact information and allow updates, including an e-mail contact

EDS will meet the system requirements identified in this section of the RFP. We will use our experienced, expert drug rebate staff and the Replacement MMIS' Drug Rebate detailed capabilities to fully support the complete and accurate accounting, invoicing and collection of payments for multiple programs.

The following exhibit, Drug Rebate Logical Data Flow, depicts the logical flow of drug rebate data in interChange.

Drug Rebate Logical Data Flow



The drug rebate subsystem provides the required drug rebate features and interfaces.

The interChange drug rebate subsystem provides the system functionality required by the State and supports the required processes. It also supports the State's objectives for the Replacement MMIS, as follows:

- **Provides flexibility to address future changes—**The interChange relational database management system provides easier access to data and greater flexibility in reporting and manipulating data.
- **Reduces risk during development and implementation—**Our CMS-certified system requires minimal modifications to support the State's drug rebate policies and our experienced drug rebate staff are highly knowledgeable about North Carolina drug rebate policy.

In the following sections, we present an overview of our approach to drug rebate and the system requirements needed to meet the State's needs:

Receiving the Quarterly CMS Tape and Producing Invoices

Our solution will meet the drug rebate electronic data interchange (EDI) requirements specified in the RFP. We will receive the quarterly CMS rate tape and load it in the Replacement MMIS. The tape contains NDC-level data as well as Drug Efficacy Study Implementation (DESI) and labeler address information. EDS will merge claims data with the data on the CMS rate tape to create quarterly invoices and reports. The last step of the drug rebate invoice process is to produce a tape with State utilization data. This tape will be forwarded to CMS for processing. We will create the tape in the CMS-mandated format. We will send a confirmation letter to the State and CMS for audit trail purposes, including the file name, volume serial number, and the date we sent the cartridge. EDS has provided CMS with state utilization data since the inception of the drug rebate program.

EDS will work with the State to define the process for the other programs that will be invoiced in addition to Medicaid. interChange provides the capability to separately identify drug rebate amounts by program, including but not limited to Medicaid, the Division of Public Health and Office of Rural Health and Community Care Programs.

interChange provides the capability to invoice manufacturers electronically. By sending manufacturers electronic invoices, we decrease the turnaround time for drug rebate collections. interChange also allows assignment of a manufacturer's identification number, allowing manufacturers to log into the Web site to electronically download invoices. Electronic media enables us to reduce the workload required in handling paper invoices. The drug rebate staff posts manufacturer media preferences in the system on the drug rebate labeler file.

The system calculates quarterly rebate amounts due based on the number of units per NDC from pharmacy and professional claims and the CMS list of

quarterly unit rebate amounts. Using the interChange Unit Conversion browser-based page, users can verify units are converted to an invoice correctly so that disputes are minimized and collections maximized.

interChange provides the capability to suppress invoices where the rebate amount is less than the State-defined threshold.

Maintaining Manufacturer Contact Information

The system maintains CMS current manufacturer rebate agreement data online, including contact information. This information is updated quarterly from the CMS tape. Additionally, it includes the time period for which the rebate agreement is in effect and a retroactive indicator. The system can accept reference data from the quarterly CMS tape, and it can be modified to accept State-specific data, including an e-mail address.

Posting Drug Rebate Payments

The rebate specialist has access to user-friendly, drop-down menus that support fast, accurate payment disposition. Prior period adjustments reflect the manufacturer's changes in the rebate amount per unit or number of units for a specific NDC and invoice period. As the rebate specialist enters payments, he or she can enter prior period adjustments in the drug rebate PPA Rate Maintenance browser-based panel. The panel automatically updates the invoice detail and invoice status information.

The interChange drug rebate subsystem allows payment down to the NDC, yearly or quarterly, and records this payment by units and dollars paid. Checks received are first posted and tracked with basic information, such as deposit date, issuer, postmark date, amount, and check number. The daily deposit must balance to the checks posted.

Communication with the drug manufacturers is tracked in interChange in a comment field, which can be entered at the invoice or NDC level. This allows the user to record the date of contact with a drug manufacturer, the type of contact, and the resolution. The system automatically stamps the record each time it is updated so there is an audit trail of who made changes.

The interChange drug rebate subsystem maintains total amount owed and credits, original units and adjustments, original rates, and adjustments. Payments are reconciled at the paid unit and dollar amount level to provide the most accurate database for accounts receivable (A/R) and PPAs. Provider claim-level adjustments are applied to the quarter in which the original claim was paid. The labeler is provided with an adjustment invoice quarterly.

interChange allows the user to associate specific check payment amounts to the appropriate drug rebate invoice period, and to inquire on payment information through the invoice payment application Web page. A check may be associated to multiple invoices; therefore, several online edits are in place to confirm the

check amount balances to the applied and disposition amount for the specific invoice period. The system monitors the correction according to the type of adjustments that created the correction. Corrections consist of rate, dispute resolution, and utilization changes. The corrections will automatically update the invoice details based on changes entered that promote interactive invoice data. The State will benefit from our dependable and proven drug rebate subsystem, which provides a full level of services to support and focus on emerging strategies of the drug rebate program and pharmaceutical industry standards.

Performing Drug Rebate Dispute Resolution

The interChange drug rebate subsystem orchestrates communication between the manufacturers and our business support group to resolve detailed discrepancies. By comparing invoices to remittance advices returned by the manufacturer, it can determine which NDC line item is in dispute. The system reports payment discrepancies, disputes, and online information necessary to support dispute resolution when a manufacturer disagrees with the invoiced rebate amount. The user can inquire or add dispute information from a variety of screens, eliminating the need to enter data multiple times. Users may enter dispute information through the Invoice Payment Designation panel when they receive payment. The system automatically creates basic dispute information when the drug rebate accountant dispositions a payment to the NDC-level detail using a dispute reason code. Users record distinct dispute codes for each NDC based on CMS guidelines to indicate the reason the manufacturer disputed the NDC. The data is readily available online to easily analyze and trend dispute data. If the manufacturer requests the claims level detail, the system can transmit detailed drug claim listings, including pharmacy TPL, to them electronically.

The system provides accurate claim-level detail and a clear audit trail of corrections. This capability provides the information required to justify rebate calculations. The drug rebate specialist requests claim-level detail online, where the detail can be reviewed or downloaded to an Excel spreadsheet to allow for easy sorting based on review criteria. Authorized users can also request the claim detail report to review the claims. The claim detail report lists all claims associated with a specific NDC for a specific invoice period.

Providing Drug Rebate Reporting, Collections, and Follow-up

The interChange drug rebate subsystem produces numerous reports to assist in the overall management of program operations. It reports payment discrepancies, disputes, and online information necessary to support dispute resolution when manufacturers and the State differ with respect to calculation of rebate amounts. interChange offers flexible, on-demand, desktop inquiry and reporting through the easy-to-use, Web-based browser. Inquiry results are presented immediately in formatted Web pages.

The interChange drug rebate subsystem provides many letters that can be produced and mailed out to assist in collecting money on a timely basis. The letters allow for free-form text to supplement standard letter text, if that is needed. All mailings and communication can be tracked for a response, supporting the need to document collection attempts.

Performing Drug Rebate Accounting and Interest Assessment

The interChange drug rebate subsystem includes various monthly reports that support monthly financial balancing. It confirms that all checks are dispositioned correctly and that all checks received are entered into the system. After the end of month financial processing is verified, interest is calculated on outstanding balances that are not in a disputed status.

Approach to Customization and Modifications

The base interChange drug rebate solution is architected to meet many standard or common functions of the rebate process. Most of the drug rebate enhancements required during the DDI Phase of the project will be the customization of reports to meet State-specific requirements. Some reports will need to be modified slightly, and others will need to be created.

The interChange drug rebate subsystem will be modified to include an automated tickler file to flag, track, and/or report quarterly on responding and non-responding manufacturers and disputes. The ability to freeze invoices after a specified timeframe will be changed in the invoice module.

Enhancements to Functional Requirements

The interChange drug rebate solution is an extremely flexible and user-friendly system that meets the mandated federal requirements for management of a drug rebate program. However, changes to interChange will be required to meet a few of the drug rebate requirements of the RFP, namely the following:

- The EDS team will work with the State to define the additional reports currently not defined in interChange. However, most reports are currently available in the North Carolina Foxpro drug rebate subsystem.
- The EDS team will enable interest to be applied at the NDC level.

Response to Drug Rebate System Requirements

The following table, EDS Response to Drug Rebate System Requirements, describes how we will meet the requirements set forth in the RFP. Where appropriate, we have listed the existing interChange user interface panels, reports, and processes that meet the stated requirements. We also have identified when an integrated COTS piece of software is used to meet the requirements.

EDS Response to Drug Rebate System Requirements

RFP No.	RFP Requirement	EDS Response
40.12.1.1	Provides capability to maintain and update data on manufacturers with whom rebate agreements exist, including: • Manufacturer ID numbers and labeler codes • Indication of collection media • Indication of invoicing media • Contact name, mailing and e-mail address, phone and fax numbers • Manufacturer (labeler) enrollment, termination and reinstatement dates • Manufacturer Unit Rebate Amount (URA) • Manufacturer units of measure	Met by interChange. The Labeler Maintenance, Labeler Base Information, Labeler Contact Information, Labeler Status List, NDC RPU History, and Reference Drug panels will meet this functional requirement.
40.12.1.2	Provides capability to capture CMS drug unit rebate amount and units of measure and provides capability to capture T-bill rates for interest calculation	Met by interChange. interChange captures all URAs for all NDCs and displays the historical records on the NDC RPU History panel. The unit of measure is listed on the Reference Drug panels. The T Bill Rates are maintained and updated manually by the Drug Rebate analyst by retrieving the rate information from the designated websites.
40.12.1.3	Provides capability to validate units of measure from CMS file to Replacement MMIS drug file for consistency and reporting on exceptions	Met by interChange. The Drug Rebate CMS Unit Discrepancy report will display the differences in units of measure.
40.12.1.4	Provides capability to calculate and generate rebate adjustments by program and/or labeler based on retroactively corrected CMS and North Carolina rebate data	Met by interChange. The Drug Rebate Invoice Historical Records panel will provide this function. All types of adjustments (claim utilization and/or rebate per unit) can be generated and retroactively applied per program/or by labeler. All adjustments to an NDC can be viewed in the Historical Record Panels.
40.12.1.5	Provides capability to determine the amount of rebates due by NDC and UPC, using paid claim data and eligible data from both the pharmacy program and NDCs from the physician drug program procedure codes	Met by interChange. The drug rebate capability function within interChange meets this functional requirement. The Drug Rebate Original Invoice, Drug Rebate Adjustment Invoice, Drug Rebate PPA Invoice, and Drug Rebate Invoice Summary reports meet this functional requirement.
40.12.1.6	Provides capability to generate invoices and regenerate invoices that separately identify rebate amounts and interest amounts by program, labeler, and rebate quarter	Met through configuration of interChange parameters and features. The configuration values of the four specific State divisions will be done during DDI.
40.12.1.7	Provides capability to maintain identification of the original drug rebate quarter for the claim throughout any adjustments made to the claim	Met by interChange. The drug rebate function within interChange meets this functional requirement. The original claim can be identified no matter how many times it is adjusted.

RFP No.	RFP Requirement	EDS Response
40.12.1.8	Provides capability for system determination of the rebate amounts and adjustments overdue, calculates interest, and generates new invoices, separately identifying rebate amounts and interest by program, labeler, and rebate quarter	Met through configuration of interChange parameters and features. The division of the amounts by the State-specific divisions is configurable and will be established during DDI.
40.12.1.9	Provides capability for system generation of invoice details and post-payment details that are consistent with the State's reconciliation of invoices and prior quarter adjustment statement	Met through customization of interChange. The existing drug rebate system will be customized to meet the State's reconciliation of invoice and prior quarter adjustment processes.
40.12.1.10	Provides capability to generate invoice cover letters, collection letters, and follow-up collection letters	Met by interChange. The COTS letter generation tool will use the existing invoice, collection, and follow-up letters as the basis for meeting this requirement.
40.12.1.11	Provides capability for online, updateable letter templates, including templates for invoice letters, collection letters, follow-up collection letters, allowing for a free-form comments section	Met through COTS integration. interChange has templates in place for all current letters. These letters are created using the COTS letter component and can be controlled for live editing to allow or disallow this option.
40.12.1.12	Provides capability to maintain and retrieve history of letters sent to manufacturers	Met by interChange. The Drug Rebate Late Notice panel currently shows the history of the delinquent letters sent to the drug manufacturer. The letter generator will hold all letters sent and the user will have the capability to review and resend letters if needed.
40.12.1.13	Provides capability to update payment details and adjustments to the Replacement MMIS accounting system	Met by interChange. The drug rebate capability function within the base interChange application meets this functional requirement. All payments or adjustments are entered on the Invoice Detail Panel under Payment. Adjustments can also be entered on the Prior Period Adjustment panel.
40.12.1.14	Provides capability to maintain and retrieve drug rebate invoice and payment data indefinitely, including CMS drug data, claim data, and operational comments	Met by interChange. The drug rebate capability function within interChange meets this functional requirement. The labeler search panel allows users to view all invoices generated. They also can view the specific invoice amounts, payments made, write-offs, interest billed and paid, and balances due as of that day. The Related Claim panel shows all claims data for a specified NDC and quarter. It also allows users to export this data into Microsoft Excel and send the file directly to the drug manufacturer. Audit trails allow the CMS drug data to be viewed. Operational comments can be entered at the invoice and NDC level.
40.12.1.15	Provides capability for system identification and exclusion of claims for drugs not eligible for drug rebate program	Met through customization of interChange. An indicator will be placed on the drug reference file that indicates whether or not the NDC is rebate eligible. This indicator will be displayed through the reference panel.
40.12.1.16	Provides capability for system identification and exclusion of claims from dispensing pharmacies that are	Met by interChange. The Drug Rebate Pharmacy Provider

RFP No.	RFP Requirement	EDS Response
	not eligible for drug rebate program (340B providers)	panel will identify these claims.
40.12.1.17	Provides capability for online access by the State to quarterly manufacturer drug rebate invoice detail and balances	Met by interChange. The Drug Rebate Invoice Information and Drug Rebate Invoice Detail panels will display the invoice and balance information.
40.12.1.18	Provides capability for online access to five (5) years of historical drug rebate invoices, including supporting claims-level detail with selection criteria by labeler, quarter, NDC, or any combination of criteria	Met by inter Change. The Drug Rebate Related Claims Search panel provides this function.
40.12.1.19	Provides capability for online posting of accounts receivables labeler, NDC for each quarter, rebates receivable, and interest receivable	Met by interChange. The Drug Rebate Entity Maintenance Search and Drug Rebate Payment panels allow for online posting of detail.
40.12.1.20	Provides capability for unit conversion of units paid per claim to CMS units billed and CMS units billed to units paid per claim	Met by interChange. The Drug Rebate Related Data Unit Conversion Maintenance table will provide this functionality.
40.12.1.21	Provides capability to maintain units paid (as used to calculate claims pricing) and CMS units billed for drug rebate on Claims History	Met by interChange. The drug rebate capability function within interChange meets this functional requirement. The related claims panel contains all the claims associated to a specific NDC and quarter. As adjustments process, this panel is updated so that the most current units are listed. There is functionality to display the Jcode NDC conversion and unit conversion based on unit of measure issues (Drug Rebate CMS Unit Discrepancy report).
40.12.1.22	Provides capability for online access to accounts receivable data, invoice history, payment history, adjustment history, and the audit trail at the labeler, quarter, and NDC level	Met by interChange. The drug rebate capability function within interChange meets this functional requirement. The labeler search and NDC search panels allow the user to view all invoices or specified NDCs. They also can view what was invoiced, payments made, write-offs, interest billed and paid, and balance due as of that day. All panels that have update capabilities have an audit trail.
40.12.1.23	Provides capability to adjust accounts receivable balances for: • Rebates only at labeler/quarter level • Interest only at labeler/quarter level • Rebates and units at NDC level, which would also update labeler/quarter balances • Adjustments and State approved write-offs • Interest only at the drug detail level	Met through customization of interChange. interChange meets the requirements except for the ability to apply interest at the NDC level. Currently, interChange only allows interest to be applied at the header level. interChange will be enhanced to allow this capability at the NDC level.
40.12.1.24	Provides capability for online maintenance of comprehensive dispute tracking, including an automated tickler file to flag, track, and/or report quarterly on responding and non-responding manufacturers and disputes	Met through customization of interChange. The Drug Rebate Dispute Detail Resolution panel, Drug Rebate Dispute Information panel, and Drug Rebate Amount Greater than Reimbursement Amount report will be modified to meet this requirement.

RFP No.	RFP Requirement	EDS Response
40.12.1.25	Provides capability for logging and tracking all telephone conversations, letters, inquiries, and other correspondence and actions taken by manufacturers, the State, and others related to drug rebate processing	Met by interChange. interChange has two free-form comment fields. One is at the invoice level and the other is at the NDC level. The form contains the clerk ID and date and time of entry.
40.12.1.26	Provides capability for generation of manufacturer mailing labels on request	Met through customization of interChange. A process to request and generate manufacturer mailing labels on demand will be created.
40.12.1.27	Provides capability for an online audit trail of all activities and updates to drug rebate data	Met by interChange. interChange has inherent audit trail functionality to capture modifications made through the user interfaces. It tracks when data fields change, who made the change, and what the before and after values are.
40.12.1.28	Provides capability for online update for Drug Rebate accounts receivable via the NDC with data such as labeler check number and check receipt date to monitor all Drug Rebate accounts receivable activity	Met by interChange. The drug rebate capability function within interChange meets this functional requirement. Invoice Payment Header Base Information displays the Check Date, Check Amount, Amount Dispositioned, Amount Applied and Postmark Date. The payment CCN on the Invoice Detail panel will display check amount, deposit date, disposition date, dispositioned amount, and postmark date at the NDC level.
40.12.1.29	Provides capability to make available to the State the total Medicaid expenditures for multiple source drugs (annually) as well as other drugs (every three [3] years); provides capability to include mathematical or statistical computations, comparisons, and any other pertinent records to support pricing changes as they occur	Met through customization of interChange. The Business Intelligence and Analytical Reporting (BIAR) MMIS ad hoc component will contain the data enabling the State to build reports of the total Medicaid expenditures for multiple source drugs and other drugs including mathematical or statistical computations and comparisons in support of pricing changes.
40.12.1.30	Provides capability for adjustment and State-approved write-off records	Met by interChange. The drug rebate capability function within interChange meets this functional requirement. The PPA Maintenance panel allows users to update units or PPA data per state or federal guidelines. The Write Off panel allows users to write off thresholds per state or federal guidelines.
40.12.1.31	Provides capability for system interest calculation on outstanding Drug Rebate balances and applies results to DRS Accounts Receivable File	Met by interChange and operational processes and procedures. The drug rebate capability function within the base interChange application meets this functional requirement. The interest calculator will give the user the interest due amount to enter into the accounts receivable.
40.12.1.32	Provides capability to perform end-of-month balancing process	Met by interChange. The Drug Rebate Accounts Receivable – By Period, Drug Rebate Delinquent Payments, Drug Rebate Payments Received, and Drug Rebate Amounts Billed and Adjusted and Collected reports will be used to support these functions for each program.
40.12.1.33	Provides capability to load all pharmacy claims to the Drug Rebate business area weekly, regardless of where	Met through customization of interChange. A modification

RFP No.	RFP Requirement	EDS Response
	they are paid	will be made to meet the weekly frequency as requested.
40.12.1.34	Provides capability to maintain the Drug Rebate Labeler Data, facilitating automatic updating with information from CMS and the State	Met by interChange. The Drug Rebate Labeler Mini Search and Labeler Address Information panels support this requirement.
40.12.1.35	Provides capability to maintain online Drug Rebate Claims Detail generated from the Drug Rebate History File of paid claims and adjustment activity that balances to each Labeler invoice by State entity	Met by interChange. The Drug Rebate Drugs Invoice panel provides this function.
40.12.1.36	Provides capability for audits that ensure consistency of data from detail level to summary level	Met through customization of interChange. Audit reporting will be customized to allow a review of the consistency of data.
40.12.1.37	Provides capability to ensure automated electronic transfer of invoice data and detail history to CMS and the State in their respectively approved formats	Met by interChange. The drug rebate capability function within interChange meets this functional requirement. This is an automated process.
40.12.1.38	Provides capability to freeze invoices so they can no longer be recalculated	Met through customization of interChange. New interChange drug rebate functions will be created to provide the feature to freeze an invoice.
40.12.1.39	Provides capability to create a report showing a list of all invoices for a specified rebate program and quarter; provides capability to allow users to view invoices before or after being frozen and allow user determination of whether to include under-threshold invoices	Met through customization of interChange. A new report will be generated to show a listing of the rebate program and quarter before and after being frozen.
40.12.1.40	Provides capability to create a report showing quarterly changes to amounts due in the format required for inclusion in the CMS 64 Report	Met through customization of interChange. interChange will be enhanced to build this report to be used for inclusion in the CMS 64 Report.
40.12.1.41	Provides capability to produce Payment Summary Report to display payments received during a specified date range and balances due by quarter within manufacturer	Met by interChange. The Drug Rebate Payments Received and Drug Rebate Amounts Billed and Adjusted and Collected reports are used to display this information.
40.12.1.42	Provides capability to produce Rebate Summary Report to display payments received, invoiced amounts, and disputed amounts by quarter or by year	Met through customization of interChange. The Drug Rebate Amounts Billed and Adjusted and Collected reports will be modified to meet this requirement.
40.12.1.43	Provides capability to produce Quarterly Payment Report to give summary of payments received versus the original and current invoiced amounts per manufacturer	Met through customization of interChange. We will create a new report to meet this requirement.
40.12.1.44	Provides capability to produce the NDC Detail Report to give summary data by quarter for selected NDCs	Met by interChange. The drug rebate function within interChange meets this functional requirement. The Drug Rebate Claim Detail and Drug Rebate Claim Utilization for Labeler reports meet this requirement.
40.12.1.45	Provides capability to produce the NDC History Report to display all the activities that have occurred for a selected	Met by interChange. The Drug Rebate Rate panel meets this functional requirement.

RFP No.	RFP Requirement	EDS Response
	drug by quarter	
40.12.1.46	Provides capability to produce the Manufacturer Summary Report to display information by quarter, including amounts invoiced, paid, and disputed	Met by interChange. The Drug Rebate Accounts Receivable By Labeler and Drug Rebate Accounts Receivable By Period reports meet this functional requirement.
40.12.1.47	Provides capability to produce the Reconciliation of State Invoice (ROSI)/Prior Quarter Adjustment Report to display the amounts allocated for a selected manufacturer or NDC	Met by interChange. This functionality is part of the system's invoices.
40.12.1.48	Provides capability to produce the Unallocated Balance Report to display unallocated balances selected according to user-supplied criteria	Met through customization of interChange. We will create a new report to meet this requirement.
40.12.1.49	Provides capability to produce the Adjusted Claims Report to display claims where the number of units considered for invoicing differed from those originally supplied by the claims processing system	Met through customization of interChange. We will create a new report to meet this requirement.
40.12.1.50	Provides capability to produce a Drug Rebate Distribution Report, listing Drug Rebate Collections by county, with Federal, State, and county share specified	Met through customization of interChange. We will create a new report to meet this requirement.
40.12.1.51	Provides capability to produce an Excluded Provider Report, listing those providers whose claims will not be included in Drug Rebate invoices	Met by interChange. The Drug Rebate Excluded Provider Listing report meets this functional requirement.
40.12.1.52	Provides capability to produce Excluded Provider Listing, displaying the claims paid for providers not subject to rebate	Met through customization of interChange. We will use the Drug Rebate Excluded Provider Listing report to identify and report the claims listing from these providers.
40.12.1.53	Provides capability to produce a XIX-CMS Utilization Mismatch Report, showing drugs where the Unit Type from CMS does not match that on the Drug File	Met through customization of interChange. We will create a new report to meet this requirement.
40.12.1.54	Provides capability to produce an Invoice Billing for Quarter Report, showing a summary of drug utilization billed to manufacturers for the quarter	Met by interChange. The Drug Rebate Invoice Summary report meets this functional requirement.
40.12.1.55	Provides capability to produce a Balance Due Report listing the top ten (10) credit balances at run time	Met by interChange. The current report exceeds this requirement by displaying all credit balances.
40.12.1.56	Provides capability to produce a Balance Due Report listing the top twenty (20) debit balances at run time	Met by interChange. The current report exceeds this requirement by displaying all labelers with balances due.
40.12.1.57	Provides capability to produce a Check/Deposit Comparison Report for reconciliation with deposit slips	Met by interChange. The Daily Cash Receipts Log by Unit report meets this functional requirement.
40.12.1.58	Provides capability to produce a Check/Voucher Comparison Report, comparing the Check Voucher Total and the Interest Voucher Total and the Interest Voucher Total with the Check Table Total	Met through customization of interChange. A new report will be created to meet this requirement.
40.12.1.59	Provides capability to produce a Disputes Activity Report to display disputes by Unassigned, Assigned, and	Met through customization of interChange. A new report will

RFP No.	RFP Requirement	EDS Response
	Resolved dispute types	be created to meet this requirement.
40.12.1.60	Provides capability to produce an Interest Activity Report to display all interest overrides	Met through customization of interChange. A new report will be created to meet this requirement.
40.12.1.61	Provides capability to produce an Interest Detail Report to display all interest for a labeler and quarter	Met through customization of interChange. A new report will be created to meet this requirement.
40.12.1.62	Provides capability to produce a report of invoiced amounts greater than the sum of claim reimbursement amounts	Met by interChange. The Drug Rebate Amount Greater than Reimbursement Amount report meets this requirement.
40.12.1.63	Provides capability to produce an Invoice not Paid Report, showing all invoices for which no payment has been received	Met by interChange. The Drug Rebate Delinquent Payments report meets this functional requirement.
40.12.1.64	Provides capability to produce a report that will list all codes (HCPCS) from medical claims, including J codes, M codes, Q codes, and others that have been converted to NDCs	Met through customization of interChange. A new report will be created to support this requirement.
40.12.1.65	Provides capability to produce a Monthly Balance Report to summarize the balance due per labeler per quarter and across all labelers	Met by interChange. The drug rebate capability function within interChange meets this functional requirement.
40.12.1.66	Provides capability to produce a report of payments received for drugs with CMS URA of zero	Met by interChange. The Drug Rebate RAPU History report meets this functional requirement.
40.12.1.67	Provides capability to produce a Recapitulation Report that notifies manufacturers of corrected balances after dispute resolution procedures have been completed for one (1) or more quarters.	Met through customization of interChange. A new report will be created to meet this requirement.
40.12.1.68	Provides capability to produce a Generic/Non-Generic Report that lists drug rebate amounts invoiced by brand, generic, and multi-source, further divided into brand and generic, plus total for a selected period, and percentages	Met through customization of interChange. A new report will be created to meet this requirement.
40.12.1.69	Provides capability to produce ad hoc reports, including, but not limited to, ad hoc reporting on utilization detail by GCN, GC3 (therapeutic class), and GCN-Sequence	Met by interChange. The detailed drug rebate data will be incorporated into the BIAR MMIS ad hoc reporting solution.
40.12.1.70	Provides capability to access current and historical URA amounts for all rebateable drugs	Met by interChange. The Drug Rebate Rate panel meets this functional requirement.

40.13.1 MARS Requirements

Our MARS solution is a comprehensive management tool that will provide information on program status and trends, analyze historical trends, and predict the impact of policy changes on programs. It is flexible enough to meet existing and proposed changes in format and data requirements of federal and state management statistical reporting, without major reprogramming or expense.

State of North Carolina

The purpose of the Management and Administrative Reporting (MAR) function is to provide program, financial, and statistical reports to assist the State and federal government with fiscal planning, control, monitoring, program and policy development, and evaluation of the State Medical Assistance Programs.

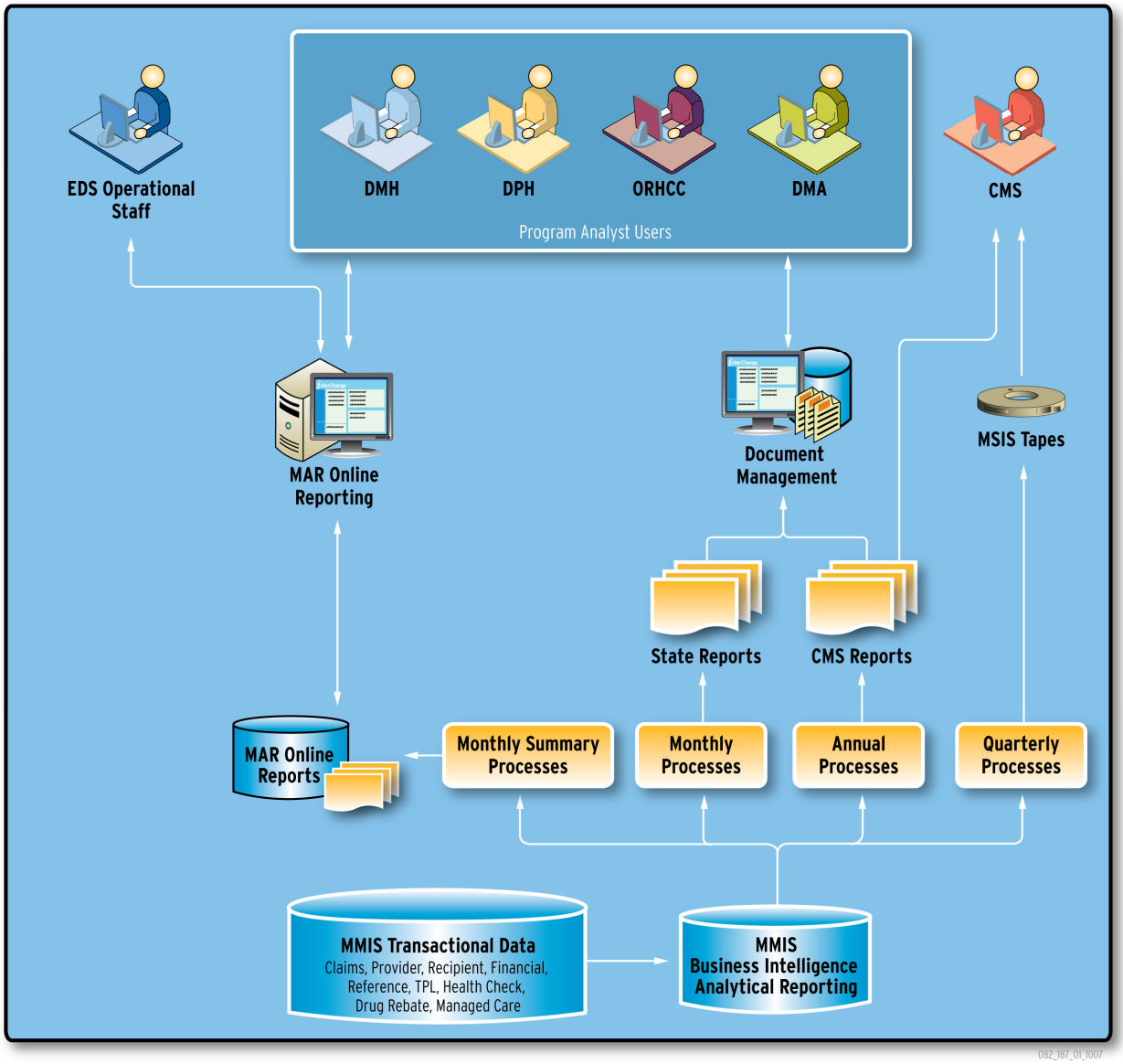
Our MAR solution is a comprehensive management tool that will provide information on program status and trends, analyze historical trends, and predict the impact of policy changes on programs. This tool will use key information from other MMIS functions to generate standard reports.

The major inputs to MAR are data from the claims processing functions and the financial, recipient, reference, managed care, and provider areas. The major process is the generation of reports and program data, and the major outputs are financial, statistical, and summary reports and data required by federal regulations. It also creates other reports and data that assist the State in managing and administering State Medical Assistance Programs.

This function is flexible enough to meet existing and proposed changes in format and data requirements of federal and state management statistical reporting without major reprogramming or expense.

The following exhibit, Replacement MMIS MAR Process Flow, shows how our MAR process is structured and how the many user communities are serviced through various report distribution methods. The interChange MAR solution has taken the traditional MMIS reporting solution and opened up the data access channels, enabling user-driven reporting and thus speeding up State users' research without the need for technical intervention.

Replacement MMIS MAR Process Flow



MAR outputs include financial, statistical, and summary reports and data required by federal regulations, as well as other reports and data that assist the State in managing and administering its programs.

Major MAR features that exist in interChange include the following:

- Online parameter-driven query system
- Medicaid Statistical Information System (MSIS) quarterly tapes
- CMS 372 Waiver reporting
- State batch reporting

As noted in the preceding exhibit, the MAR system produces reports and data in a variety of formats, including online reports, batch reports that are sent to the document management system, and MSIS tape files that are sent to CMS. Some

of the CMS batch reports are sent directly to CMS, and others are sent to the document management system. The reports that are sent to the document management system are then used as input when the State enters information into CMS' Medicaid Budget Expenditure System (MBES)/sCHIP Budget Expenditure System (CBES) online system.

Online Parameter-Driven Query System

The interChange MAR online query system is a set of 27 browser-based, parameter-driven reports. The reports are snapshots of financial, eligibles, participation, and filing statistics. The reports list their results by various data elements, such as State Category of Service, Place of Service, Provider Type and Specialty, County, Provider ID, Recipient ID, and Revenue Code. These snapshots are stored in a summary datamart so that a user can refer to prior periods to compare results.

Users customize the online reports they want through the selection of search criteria displayed in drop-down lists. Users also can specify the output format of the report, choosing HTML, Excel, or PDF. Users specify the time period for the report and can produce multiple online reports that they can toggle between to compare data from different time periods. These online reports support fast research and analysis that provides assistance to many business groups, including budgeting, policy assessment, and provider relations.

MSIS Quarterly Tapes

The interChange MAR team will provide MSIS reporting (CMS-2082). The paper 2082 reports are no longer required or accepted by CMS. States are now required to produce the MSIS tapes on a quarterly basis. The interChange team follows the procedures that are outlined in the current version of the CMS document "MSIS Tape Specifications and Data Dictionary."

CMS 372 Waiver Reporting

The interChange MAR function produces automated annual CMS-372 reports for approved 1915(c) waivers. These reports may be output in either the long or short 372 form and will be customized for North Carolina's waiver programs.

State Batch Reporting

Common Medicaid batch reports already exist in interChange, and new batch reports can be created to meet State-specific needs. The existing reports include the Medicare Participation report and Abortion, Sterilization, and Delivery reports. These reports can be produced for any time frame desired by the State.

Approach to Customization and Modifications

A majority of the MAR work during the DDI Phase of the project will be the configuration work of the MAR Category of Service mappings that need to be

evaluated and set for the North Carolina healthcare environment. These mappings directly affect the generation of the MSIS files sent quarterly to the federal government. Also, we identified some specific reporting requirements that will require the creation of a custom online or batch report; therefore, they are included in our DDI work plan and effort.

MAR also works in conjunction with the overall conversion effort to bring legacy data into the new system. EDS will bring five prior years of legacy data into the MAR online query system to start the Operations Phase of the contract.

Enhancements to Functional Requirements

The interChange MAR subsystem reporting solution is an extremely feature-rich reporting solution that spans the mandated federal reporting and State reporting needs. It provides online, parameter-driven reports for fast and accurate analysis of the State's healthcare programs. EDS has reviewed the State's reporting requirements, and our reporting solution is a strong match, as demonstrated in our detailed responses that follow. However, there are some changes to the MAR subsystem that will be made to meet specific State requirements, namely the following:

- The MAR solution will be expanded to store, maintain, and report on the Medco and Health Check data that is not part of its data store.
- The interChange team will work with the State to define as many as 10 State-specific batch reports.

Response to MARS Requirements

The following table, EDS Response to MARS Requirements, describes how we will meet the requirements set forth in the RFP. Where appropriate, we have listed the existing interChange user interface panels, reports, and processes that meet the stated requirements. We also have identified when an integrated COTS piece of software is used to meet the requirements.

EDS Response to MARS Requirements

RFP No.	RFP Requirement	EDS Response
40.13.1.1	Provides capability to maintain source data from all other functions of the Replacement MMIS to create State and Federal reports at frequencies defined by the State	Met by interChange. The interChange data warehouse claims analysis data model meets this functional requirement. Claims, reference, financial, recipient, managed care, and provider data is stored through an Extraction-Transformation-Load (ETL) process to support MAR reporting.
40.13.1.2	Provides capability for compiling subtotals, totals, averages, variances, and percents of items and dollars on all reports, as appropriate	Met by interChange. The interChange MAR online and batch reports contain various types of information that meet this functional requirement. Examples of these existing reports are as follows:

RFP No.	RFP Requirement	EDS Response
		• Operational Performance—Averages and Percents • Operational Performance—Dollars • Operational Performance—Provider • Payment Comparison by Category of Service (COS) • Provider Participation Average • Provider Participation Total
40.13.1.3	Provides capability to generate user-identified reports on a State-specified schedule	Met by interChange. The 27 MAR online reports meet this functional requirement and may be generated by the user from their desktop at any time and for user-defined payment reporting periods aligned to monthly boundaries. System-generated batch reports may be produced according to any State-defined time period—such as monthly, quarterly, and annually.
40.13.1.4	Provides capability to generate reports to include the results of all State-initiated financial transactions, by State-specified categories, whether claim-specific or non-claim-specific	Met by interChange. The data stored in the interChange data warehouse claims analysis data model, which is the source for MAR, meets this functional requirement. MAR assigns a source code value to each transaction to identify types such as original claim, void, adjustment, and nonclaim types such as capitation payments and expenditures. Examples of existing reports that include this source code value as a search criteria are as follows: • Payment Statistics by COS • Payment Statistics by Provider Type
40.13.1.5	Provides capability to identify, separately or in combination as requested by the State, the various types of recoupments and collections	Met by interChange. The functional requirements are met by the interChange financial and MAR subsystems. Financial has many reports and inquiry panels that identify and display recoupment and collection data. MAR assigns a source code value to each transaction to identify types such as original claim, void, adjustment, and nonclaim types such as capitation payments and expenditures. Examples of existing reports that include this source code value as a search criteria are as follows: • Payment Statistics by COS • Payment Statistics by Provider Type
40.13.1.6	~~Provides capability to meet all enhanced requirements for the Replacement MMIS~~	Cancelled. This requirement was deleted by RFP 30-DHHS-1228-08-R.
40.13.1.7	Provides capability for uniformity, comparability, and balancing of data through the MARS reports and between these and other functions' reports, including reconciliation of all financial reports with claims processing reports	Met by interChange. This functional requirement is met through the existing MAR balancing reports: • Balancing by COS • Balancing by Aid Category

RFP No.	RFP Requirement	EDS Response
		• MAR Reconciliation • Payment Statistics by COS • Participation Analysis by Aid Category These reports balance parts of MAR to each other, and operational balancing procedures balance MAR data to financial data. The interChange financial subsystem has separate procedures for balancing claims to financial.
40.13.1.8	Provides capability for detailed and summary-level counts of services by service, program, and eligibility category, based on State-specified units (days, visits, prescriptions, or other); provides capability for counts of claims, counts of unduplicated paid participating and eligible recipients, and counts of providers by State-specified categories	Met by interChange. The MAR online query system meets this functional requirement by providing various summary-level claim counts, eligible and recipient counts, recipient and provider participation statistics, and dollar amounts for many different types of criteria. Examples of these existing reports are as follows: • Expenditure Analysis by COS and Aid Category • Participation Analysis by Aid Category • Participation Analysis by COS • Provider Participation Average • Provider Participation Total • Recipient Participation by County The detailed-level requirement will be met through the interChange Claims search panels, as MAR does not provide detail claim history reports through a request system.
40.13.1.9	Provides capability for a statistically valid trend methodology approved by the State for generating MARS reports	Met by interChange. The MAR online query system meets this functional requirement. It can generate reports for different time periods to review potential trends. For example, the user can run a report for a time period this year, and run a report for the same period last year. Or, the user can run a report for each of the last four quarters and compare results and trends in expenses or participant counts. Additionally, some existing MAR online reports have built-in trend comparisons: • Payment Comparison by COS • Payment Comparison by Provider Type These two reports compare the selected month with the same month last year, and display the State Fiscal Year-to-Date figures to the same figures from the prior year.
40.13.1.10	Provides capability for charge, expenditure, program, recipient eligibility, and utilization data to support State and Federal budget forecasts, tracking, and modeling, to include: • Participating and non-participating eligible recipient	Met by interChange. This functional requirement is met by the MAR online report system, which includes 27 browser-based reports that allow user selection of parameters such as provider type or specialty, summary and detail category of service, benefit plan, funding code, and reporting periods.

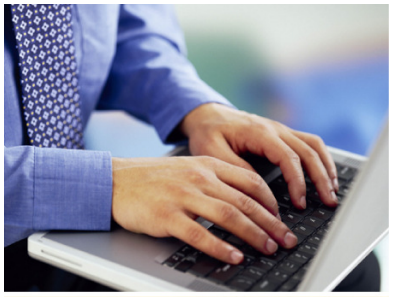
RFP No.	RFP Requirement	EDS Response
	counts and trends by program and category of eligibility • Utilization patterns by program, recipient medical coverage groups, provider type, and summary and detailed category of service • Charges, expenditures, and trends by program and summary and detailed category of service • Lag factors between date of service and date of payment to determine billing and cash flow trends • Any combination of the above	These options promote customization of report periods to review for trending and past use. Provider enrollment and recipient eligibility counts are included on multiple panels to allow comparison of enrollment to participation. These existing online reports include the following: • Recipient Participation by County • Expenditure Analysis by COS and Aid Category • Participation Analysis by COS • Payment Statistics by COS • Payment Comparison by Provider Type • Payment Statistics by Provider Type There also is an existing batch report called the Service Date Reimbursement report, which compares the lag time between date of service and date of payment.
40.13.1.11	Provides capability to describe codes and values to be included on reports	Met by interChange. The online MAR reports meet this functional requirement. Online MAR reports provide descriptions for codes in drop-down criteria lists when users are selecting values. Descriptions are displayed with codes in the generated report. This is a standard part of online and batch MAR reports and does not require customer specification of which fields should have descriptions.
40.13.1.12	Provides capability for users to specify selection, summarization, and un-duplication criteria when requesting claim detail reports from Claims History	Met by interChange. The detailed-level functional requirement will be met through the interChange Claims search panels, as MAR does not provide detail claim history reports through a request system.
40.13.1.13	Provides capability to capture and maintain online at least four (4) years of MARS reports and five (5) years of annual reports, with reports over four (4) years archived and available to NC DHHS within twenty-four (24) hours of the request	Met by interChange. The MAR batch reports meet this functional requirement. MAR batch reports will be retained from implementation date forward for the time periods outlined in this requirement. Browser-based reports are created on demand by the user, and we will retain at least five years of data by payment month in MAR database tables to support the generation of annual period reports.
40.13.1.14	Provides capability to generate all MARS reports that will be sent to CMS in the format specified by Federal requirements	Met by interChange. The MAR subsystem produces the following CMS-required outputs: • MSIS tapes • CMS 416 (met in EPSDT subsystem) • CMS 372 Waiver reporting Existing interChange code meets the functional requirements for these items. The federal guidelines for these items are outlined in the CMS Publication 45 - State

RFP No.	RFP Requirement	EDS Response
		Medicaid Manual, Chapter 2 - State Organization. Additionally, the 27 MAR online reports provide the type of management and operational reports that CMS expects in a certified MARS. These existing reports include the following: • Claims Throughput Analysis—DOR to DOP • Medicare Participation • Medicare Participation Parts A & B • Place of Service Analysis • Provider Filing Analysis • Provider Ranking • Third-Party Payment Ranking
40.13.1.15	Provides capability for the maintenance of the integrity of data element sources used by the MARS reporting function and integrates the necessary data elements to produce MARS reports and analysis	Met by interChange. Our data element maintenance meets this functional requirement. Maintenance of data elements is handled by storing them in the claims analysis database tables. Some configuration related to custom values such as copay categories, age groupings, and categories of service are needed.
40.13.1.16	Provides capability for system checkpoints that ensure changes made to programs, category of service, etc. are accurately reflected in MARS reports	Met by interChange. This functional requirement is met through various tools such as testing environments (model office or UAT) to verify system changes are brought through to MAR as expected. Category of service checkpoints also occur through the existing Unknown COS batch report that lists categories assigned as a default.
40.13.1.17	Provides capability for consistent transaction processing cutoff points to ensure the consistency and comparability of all reports	Met by interChange. The payment date process meets this functional requirement. Payment date is used as the standard transaction cutoff period.
40.13.1.18	Provides capability to ensure all MARS report data supports accurate balancing, uniformity, and comparability of data to ensure internal validity and to non-MARS reports to ensure external validity (including reconciliation between comparable reports and all financial reports)	Met by interChange. This functional requirement is met through the existing MAR balancing reports: • Balancing by COS • Balancing by Aid Category • MAR Reconciliation • Payment Statistics by COS • Participation Analysis by Aid Category interChange balances parts of MAR to each other, and operational balancing procedures balance MAR data to financial data.
40.13.1.19	Provides capability for an audit trail for balanced reporting	Met by interChange. This functional requirement is met by internal balancing reports and operational procedures to verify balancing to expected reports and data.

RFP No.	RFP Requirement	EDS Response
40.13.1.20	Provides capability for a standard date of service/date of procedure cutoff for cost audit data with the capability to report prior year data separately from current year data, as well as summary data for all claims	Met by interChange. This functional requirement is met in MAR summary tables through use of the reporting period. New data is added each payment month. The detail tables MAR uses include payment periods and service date periods. Each transaction is assigned payment and service month periods to make sure of standard definitions for cutoff dates and are available for report creation.
40.13.1.21	Provides capability for the MARS database to include the following types of data: • Adjudicated claims data • Adjustment/void data • Financial transactions for the reporting period • Reference data for the reporting period • Provider data for the reporting period • Recipient data (including LTC, EPSDT, cost of care, co-pays, benefits used, and insurance information) for the reporting period • Budget data from the NCAS • Financial data, for the reporting period • Other, such as Medco and Health Check, inputs not available from or through the Replacement MMIS claims financial function	Met through customization of interChange. Much of the data listed in this requirement is already included in MAR summary tables or the detail source tables (interChange data warehouse). The MARS extracts data from several interChange subsystems, including Provider, Recipient, Reference, Financial, Claims, and Managed Care. Additional modules will be added to bring the additional required external data (from NCAS, Medco, and Health Check) into MAR. MAR assigns a source code value to each transaction to identify types such as original claim, void, adjustment, and nonclaim types such as capitation payments and expenditures. Examples of these existing reports are as follows: • LTC Payments by Revenue Code • Payment Statistics by COS • Payment Statistics by Provider Type • Recipient Copayment by Aid Category
40.13.1.22	Provides capability to capture and maintain the necessary data to meet all Federal and State requirements for MARS, with the Vendor identifying and providing all Federal MARS reports required to meet and maintain CMS certification	Met by interChange. MARS meets this functional requirement. The MARS produces the following CMS-required outputs: • MSIS tapes • CMS 416 (met in EPSDT subsystem) • CMS 372 Waiver reporting Existing interChange code meets the functional requirements for these items. The federal guidelines for these items are outlined in the CMS Publication 45 - State Medicaid Manual, Chapter 2 - State Organization.
40.13.1.23	Provides capability to generate reports at monthly, quarterly, semiannual, annual, and biannual intervals, as specified by the State and Federal requirements	Met by interChange. The MAR online reports meet this functional requirement. Through MAR online reports, users can specify beginning and ending payment periods for display of report data. System-generated batch reports may be generated for any of the periods specified in this requirement.
40.13.1.24	Provides capability to create all required MMA file and	Met by interChange. This is the main feature of the Part D

RFP No.	RFP Requirement	EDS Response
	MMA State Response File reports	processing incorporated into interChange.
40.13.1.25	Provides capability to produce MARS reports by program, plan, county, and population group; reports for other State programs in addition to the standard MARS reports will need to be developed	Met through customization of interChange. Examples of existing reports are as follows: • Recipient Participation by County • Recipient Copayment by Aid Category • Expenditure Analysis by COS and Aid Category The interChange team will work with the State to define as many as 10 State-specific batch reports. In addition, the interChange solution includes the COTS BusinessObjects reporting tool. This tool allows users to create their own reports based on data and criteria they select.

40.14.1 Financial Management and Accounting System Requirements



Financial management is about much more than simply accounting for claims payments. The entire gamut of financial services must differentiate between the payers and present a unified, but separately identifiable, reporting framework. Our Replacement MMIS is a single solution that will bring maximum flexibility and configurability to the State.

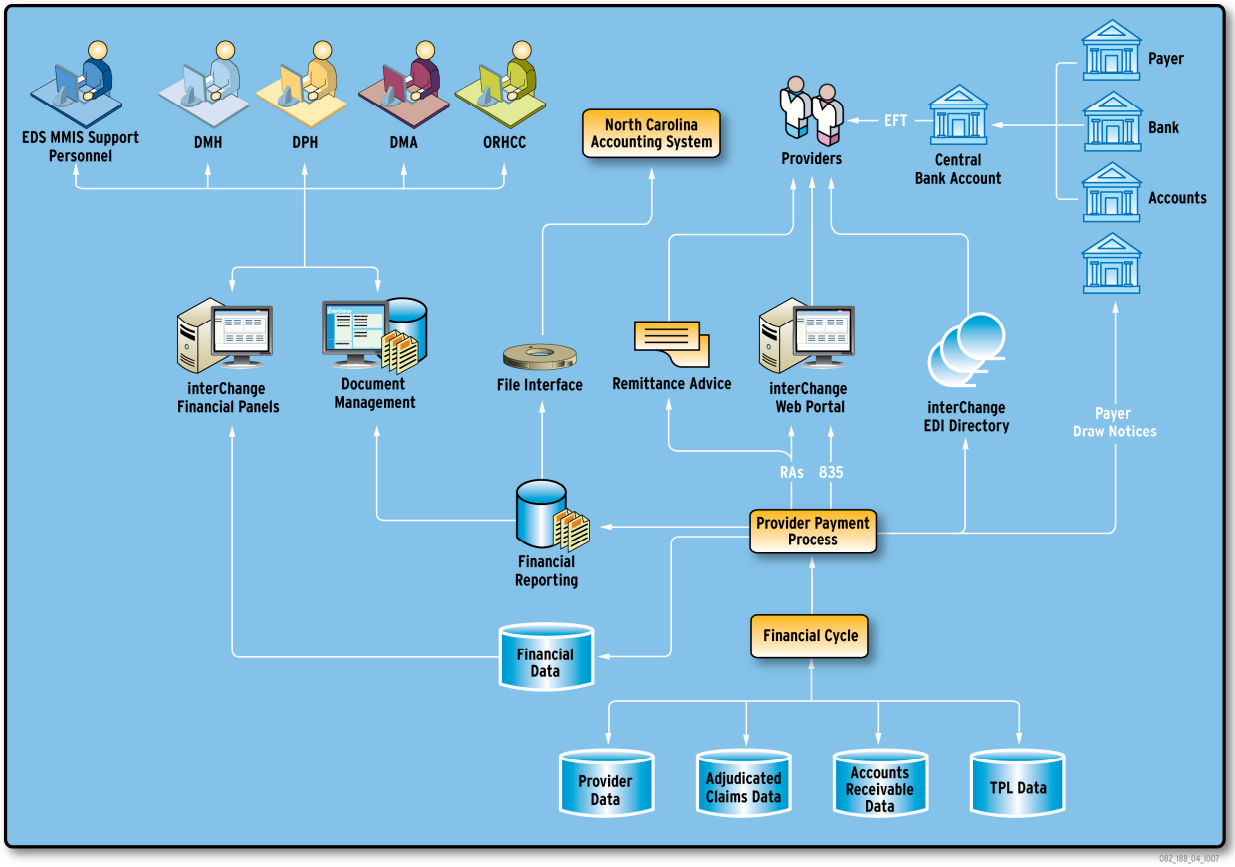
State of North Carolina

The State is seeking a Replacement MMIS that processes healthcare claims for multiple divisions and also provides a financial management and accounting function to accurately account for those services in a multi-payer framework. Our solution meets these requirements. The interChange financial management and accounting subsystem has been architected to delineate funding sources and apply each payer's unique funding process. It provides a centralized system, allowing multiple payers to process claims and receive payment to accommodate the multiple divisions represented.

Financial management is about much more than simply accounting for claims payments. The entire gamut of financial services—including accounts receivable, accounts payable, liens, and bank reconciliation—must differentiate between the payers and present a unified, but separately identifiable, reporting framework. The financial management and accounting system of the Replacement MMIS also will interface with the North Carolina Accounting System (NCAS) for the supported divisions to achieve the required results.

The following exhibit, Replacement MMIS Financial Management Process, gives a high-level overview of the process and data flows through the financial management system within the Replacement MMIS. Using panels and reports, authorized staff can perform the required tasks and mange the budgets and funding of the Replacement MMIS. Providers will be informed of their payments and withholdings through remittance advice (RA) and 835 files. Bank accounts will be credited, debited, and reconciled based on the flow of financial data, and the interface with NCAS will be used to keep the NCAS current.

Replacement MMIS Financial Management Process



The financial system will manage the multi-payer budgets, accounting, reporting, and balancing services for the Replacement MMIS.

Financial management and accounting has a number of processes orchestrated within interChange as a single solution that brings maximum flexibility and configurability to the State. A discussion of the following processes provides clarity on how each plays a part in the Replacement MMIS solution:

- Funding Sources
- State Program Funding
- Payment Estimation Reporting
- Payment Holds
- Provider Payments
- Remittance Advice
- Liens/Levies
- Accounts Receivable
- Returned Checks and Provider Refunds
- Financial Transactions
- Financial Cycle Balancing

Funding Sources

Every claim or financial transaction in interChange is associated with a defined funding source. These funding sources represent not only which State agency budgets are affected, they also indicate whether these transactions are financed with state-only funds or partial state and federal funds, as in Medicaid. These funding sources will drive how data across the Replacement MMIS is reported, and the funding source designation will be used to accurately aggregate and report spending at the agency level. For example, the interChange Management and Administrative Reporting Subsystem (MARS) uses the funding source designation to accurately report at the appropriate agency level.

If multiple sources of funding exist for certain programs, a hierarchy of funding sources can be established and will consist of a primary funding source and one or more alternate funding sources. The hierarchy may also be used to simplify reporting at different levels within the hierarchy.

interChange allows for the control of the maintenance and configuration of funding sources. For example, authorized users are able to perform the following real-time activities:

- Add new funding sources and the associated assignment criteria
- Update existing funding sources with assignment criteria
- Establish alternate funding sources, if appropriate
- Build assignment and reporting hierarchies that determine the order in which primary and alternate funding sources will be assigned to claims
- Define funding sources to correspond to an associated accounting code and cost center and determine the amount of federal financial participation associated with each fund
- Decide when to open and close available funds
- Adjust appropriated funding source dollars by cost center

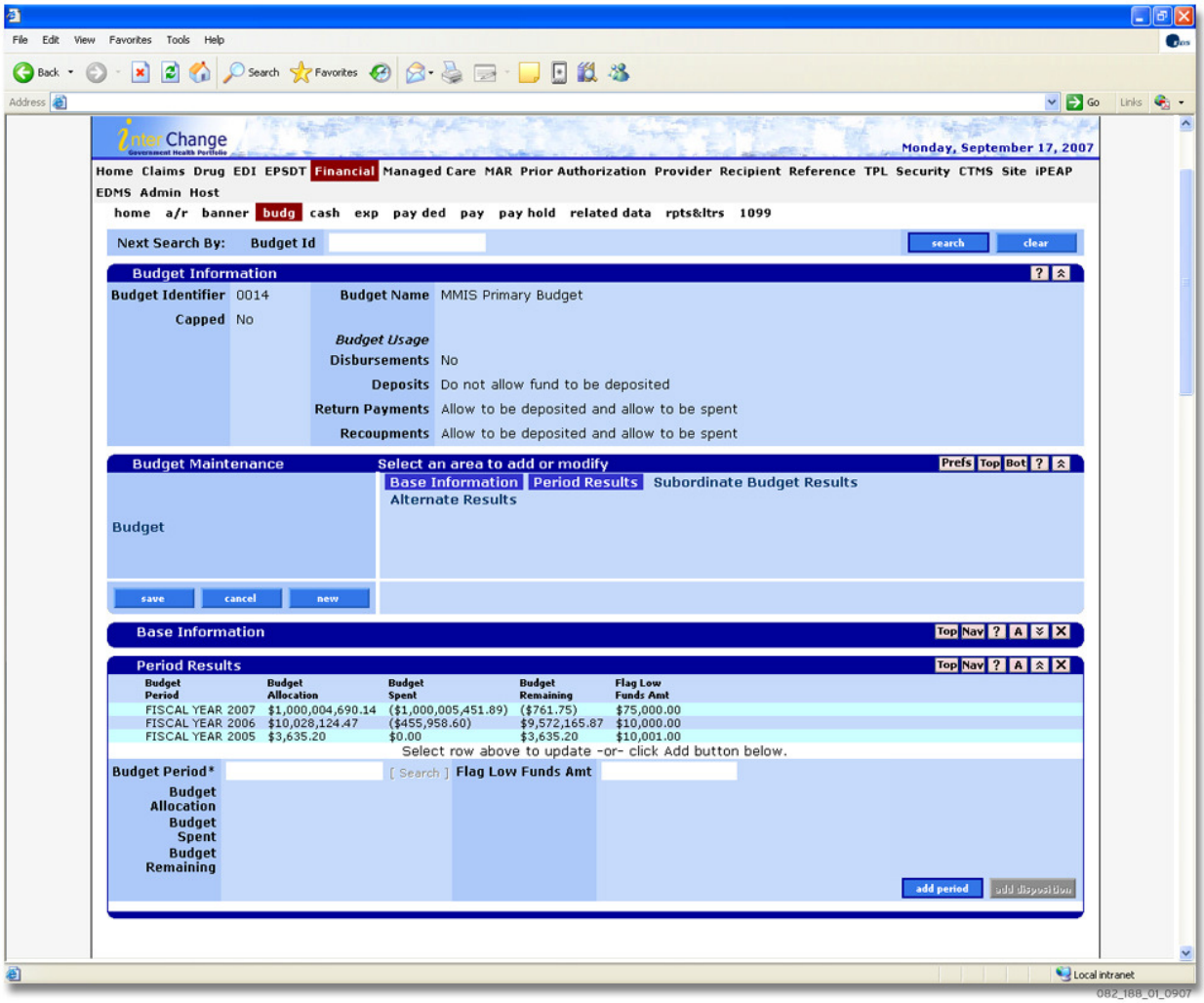
State Program Funding

The State will have the flexibility to set the criteria and hierarchy for claims payment to a particular cost center and account code, decide when to open and close budgets, and adjust budget dollars by cost center. At the start of each fiscal year, budgeted appropriations dollars will be loaded by individual funding source into the Replacement MMIS. These amounts can be updated throughout the year at intervals needed by the State through the integrated Financial Budget Setup/Maintenance page. Budget reporting is provided to reflect current, month-to-date, and year-to-date financial activity.

The following exhibit, Sample Budget Panel, provides an example of the budget panel and the reporting period information for previous fiscal year budgets. This

shows the ability to set the flag for low funds remaining in the budget. Once configured, this can help control whether payments will be suspended.

Sample Budget Panel



The budget maintenance panel allows real-time viewing of budget allocations and utilization. Through the Capped feature, budgets can be configured to allow expenditures to exceed available funds or they can be set up to deny or suspend transactions that would exceed the budget.

Payment Estimation Reporting

The real-time processing of the Replacement MMIS will allow the State to have a much better view of payments over the course of a payment period, rather than waiting until the end of a payment run. By using the on-demand capabilities of the financial cycle, interChange allows authorized users to determine the estimated checkwrite at any time between weekly financial cycle runs. This is made possible by interChange transaction-processing claims at all times, rather than holding or batching claims and processing on a defined schedule. The Replacement MMIS will fully adjudicate claims, including determining allowed

amounts immediately on receipt of the claim, enabling the benefit of forecasting the payments through the financial cycle. The architecture of interChange directly lends itself to real-time access of information, relational database management system (RDBMS) for the data storage and access, service-based access components to the RDBMS, and well-defined interfaces being consumed by the user interface (UI) layer as well as the claims processor.

Having access to this information improves decision-making concerning whether sufficient funds exist to authorize a check write. This information also will provide the State with a mechanism to estimate how many dollars must be moved from investments to cover the check write. This improves cash flow by allowing the State to better estimate cash needs and leave unencumbered funds in investment-bearing accounts.

Payment Holds

During every payment cycle, the Replacement MMIS will check and validate the funding source assigned to each approved claim to determine if funding is available. Payments for services for which no funding remains can be pended or denied according to the business rules established by the State.

Automated reports will be provided by the Replacement MMIS to notify the State when year-to-date budget expenditures exceed budget appropriations.

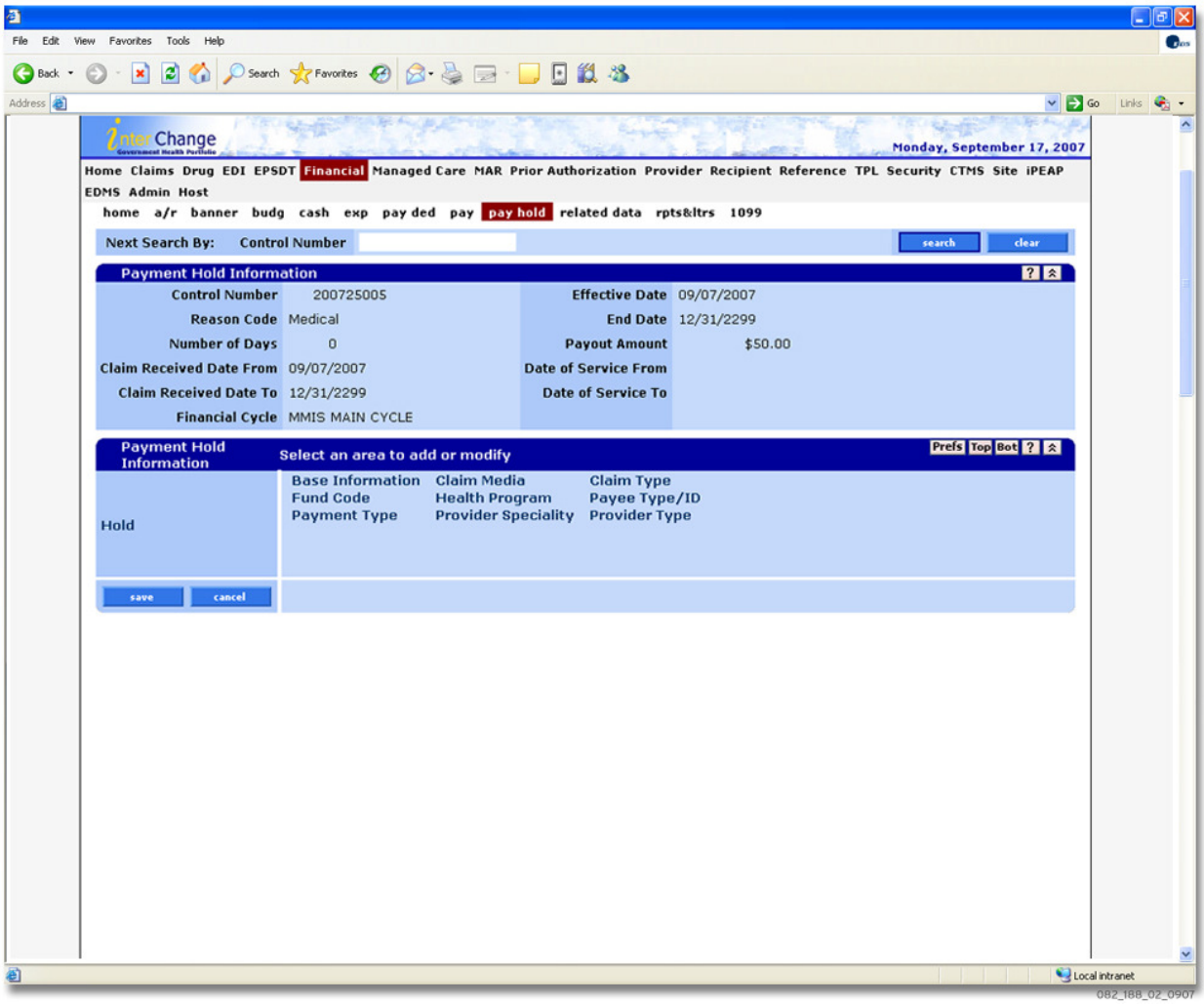
When the spending in a particular budget reaches a user-specified level, the Replacement MMIS will alert the State. The integrated budget and payment hold features of the Replacement MMIS will automatically detect situations when approved payments will exceed the remaining appropriated budget. When this occurs, the system will rely on the user-driven payment hold and budget settings established by the State financial users to determine whether payments should be pended or issued. When funding is again available, the State can release payments that were previously in a pended status.

The Replacement MMIS' automated, estimated payments can be run at any time before a payment cycle so the State can make informed decisions about how the payment hold parameters should be set and adjust appropriations balances, if necessary.

The integrated Financial Budget Setup/Maintenance panel allows authorized financial users of interChange to update appropriations amounts without requiring the assistance of a technical resource.

The following exhibit, Sample Payment Holds Panel, demonstrates the overall functional capability and configurability within interChange for establishing payment holds.

Sample Payment Holds Panel



By enabling payment holds to target specific criteria such as provider types and specialties or benefit plans, the State will have tremendous control over exactly which claims will be held and which will be allowed to pay without involving technical assistance.

Payment holds can be generated based on the following criteria or combination of criteria:

- Provider type
- Provider number
- Claim media (paper or electronic)
- Claim type
- Fund code (payer and budget)
- Payment type (check or electronic funds transfer)

Using the Payment Holds panel, authorized users can define the specific profile of a payment hold, including ranges of claim received dates and specific financial cycles to apply the hold. Additional panels are available to the user from this

navigation panel, where specific claim types can be identified for payment holds, claim media, and specific health programs or benefit plans.

Provider Payments

In interChange, the financial cycle includes paid, denied, and suspended claims and takes into consideration accounts receivable, payment holds, liens, and non–claim-specific transactions such as payouts.

When provider payments are generated, interChange follows the provider-designated method of payment of either paper checks or electronic funds transfer (EFT) payments. If funds are due to the provider, the check or EFT notification, called a warrant, is produced with the RA. interChange links the check or EFT control number to each transaction. For example, internal control numbers (ICNs) of claims that are paid by check or EFT are linked to the check or EFT control number. If funds are held to cover an outstanding accounts receivable, the accounts receivable disposition is tied to the check or EFT control number.

Throughout interChange, the appropriate hypertext links satisfy audit requirements that each dollar expended or collected by the program be tracked to its detailed transaction. These links allow authorized users to view the content of each claim or account receivable disposition directly from the Warrant panel.

Remittance Advice

RAs will be created by the Replacement MMIS for providers with the associated claim or financial activity during the week. The RA will display paid, denied, and pended claims for the week, with appropriate explanations for claim denials and suspensions. Error codes will be reported at the header or detail level, informing providers of needed corrections for claim resubmissions. If necessary, actual payments through check or EFT can be suspended, with the RA still being generated for notification purposes.

Providers can access their RAs through two methods: electronic RAs published to the provider portal for provider access through download, or EDI 835 transaction delivered to the electronic location on file for the provider. The EDI 835 also can be downloaded from the provider's area of the secure Web portal. The following is a short discussion on the capabilities interChange offers for each of the delivery vehicles for RAs.

HIPAA provides specifications for the format and content of ASC X12 835 transactions. The financial system generates the HIPAA-compliant ASC X12 835 transactions for electronic delivery, as well as augmenting the information to the provider by generating ASC X12 277 claim status transactions for claims in a pended state. Providers choosing to exchange EDI must complete a Trading Partner Agreement (TPA). Any providers choosing to use a billing vendor can specify delivery of ASC X12 transactions to the vendor.

The primary reconciliation document that providers rely on is the RA, which therefore must provide sufficient information for account postings. The RA document generated out of the Replacement MMIS will provide the information listed in the following table, Required Information for RAs.

Required Information for RAs

Section	Description
Paid Claims	Lists paid claims by claim type
Denied Claims	Lists denied claims, with error codes, by claim type
Suspended Claims	Lists suspended claims, with error codes, by claim type
Adjusted Claims	Lists adjusted claims by claim type, including the adjusted claim and original claim information and adjustments generated by adjustment request or through a refund check
TPL Information	Lists third-party liability (TPL) information pertinent to the claims listed within the RA
EOB Code Descriptions	Lists the explanation of benefits (EOB) codes pertinent to the claims listed within the RA
Financial Transactions	Details the provider's weekly financial activity for both payouts and non–claim-specific refunds received and applied during the current financial cycle and lists outstanding accounts receivables in A/R number order
Summary	Summarizes claim and financial information for a provider for each financial cycle and reports year-to-date totals of claim and financial activity

Liens/Levies

The flexible design of interChange allows the processing of liens against providers at the State's request, including splitting provider checks where necessary. Lien and assignment information will be maintained in the Replacement MMIS and used in directing or splitting payments to the provider and lienholder. Monies for liens will be recouped either by a percentage of the payment amount or a set payment rate.

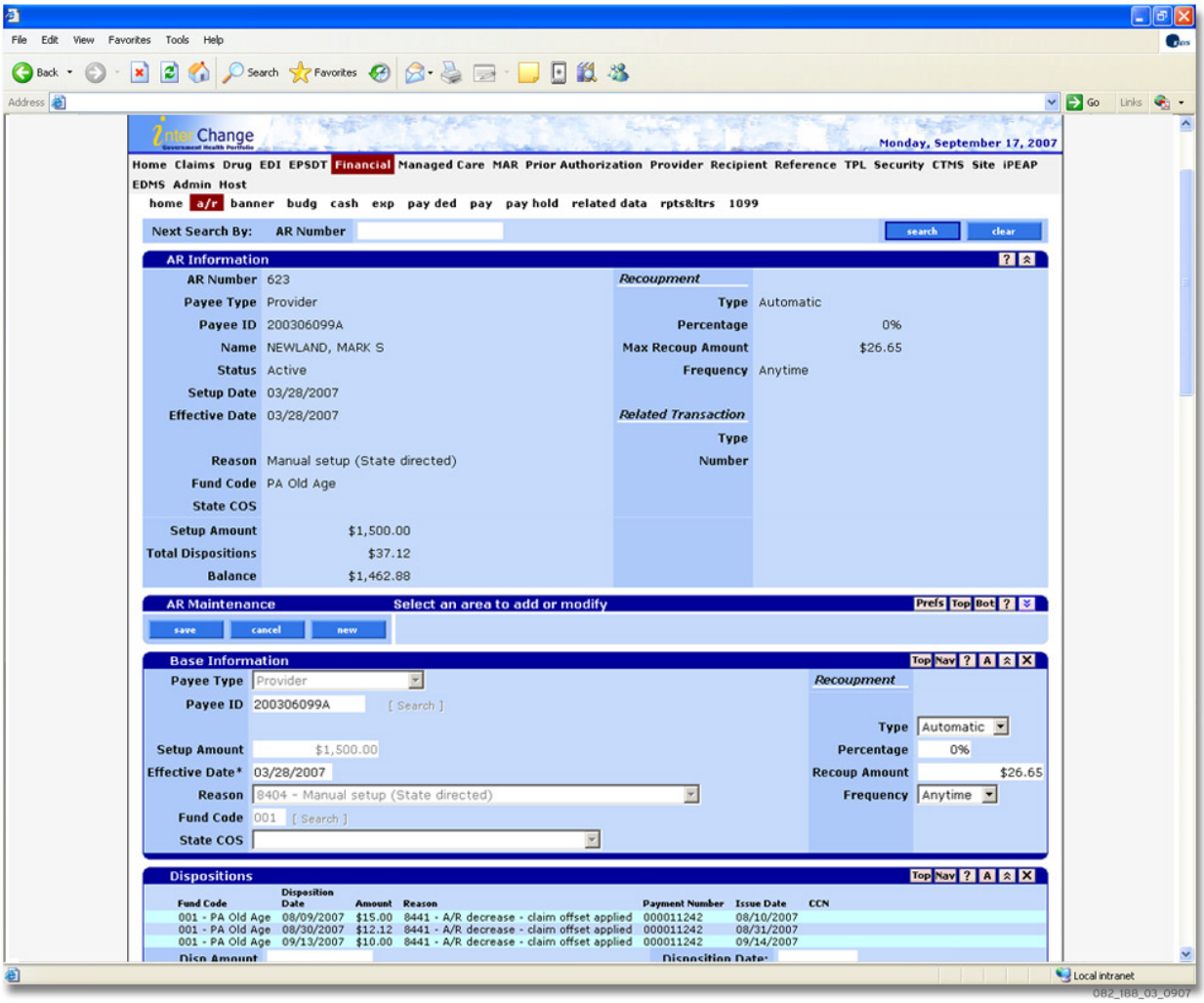
Accounts Receivable

interChange maintains the capability to process accounts receivables (A/Rs) and claims against the A/R account. The A/R Maintenance panels are used to establish an A/R record for providers, recipients, and other entities such as counties.

interChange also allows users to choose how the system will recoup money. The system can recover either a user-specified percentage of each payment or a user-specified weekly maximum recoupment amount for a provider/service location from the Provider A/R Maintenance panels. Authorized users are able to establish and update transaction reason codes easily without assistance from a programmer.

The following exhibit, Sample A/R Record, shows an A/R record with configurable options for reason codes, frequency of recoupment, and historical information of past recoupment transactions.

Sample A/R Record



interChange allows authorized users to limit the amount of an A/R to be collected weekly as either a percent of the total provider payment or a maximum amount. This allows providers to still retain cash flow while paying back overpayments.

Penalties and interest can be configured to be assessed on A/R balances, as well as one-time penalties. These receivable records are attached to the principal receivable record and are included in any transfers that occur. If the State desires a receivable that has been collected to be paid back out to the provider, the interChange expenditure function can be used.

A/R notification letters created through the integrated letter generation COTS tool, DOC1, are sent to providers to notify them that they owe money to the State and that the State is requesting a refund because of insufficient claims activity by

the providers. By setting up the A/R record, as the provider begins submitting claims, no further maintenance is required; the system will recoup funds based on the percentages in the A/R record. This provides for accurate reporting of the receivable. The current A/R collection rate is approximately 99 percent of receivables initiated.

Returned Checks and Provider Refunds

When a financial transaction such as a returned check or provider refund is processed in interChange, the associated claims are voided and the corresponding budget account is credited with the returned amount. Claims history retains the voided claim record for recording purposes only. Providers may return erroneous payments using a personal check.

Provider refunds and returned checks can be viewed through the Cash Receipt Search panel. Searches can be performed by provider name, cash control number, check amount, check date, and check number.

Financial Transactions

Manual or automated transactions, such as manual recoupments, mass adjustments, cash receipts, write-offs, and State-authorized payouts, are accepted in interChange. These payouts are recognized by the system as State-authorized expenditures. Expenditures are reported not only on the RA but also are viewable in interChange, allowing for easier research and a complete audit trail. The interChange financial function can accept updates, including claims history, provider or recipient history, current month financial reporting, A/R, and other appropriate files. Manual or automated updates of financial transactions include changes, deletes, suspensions, and write-offs.

Any non–claim-specific transaction will be fully documented and will link to the transaction that generates it; for example, the A/R or cash receipt. Additionally, the check or EFT that disbursed the funds requested will be tied to the transaction. Provider-specific transactions, either claims or financial transactions, are accounted for and presented in the annual 1099 processing and reporting.

Financial Cycle Balancing

interChange maintains financial activity according to generally accepted accounting principles (GAAP) and contains excellent controls to track each financial transaction, balance each batch, and maintain the appropriate audit trails on the claims history and consolidated A/R system. interChange processes all claims and financial (nonclaim) transactions through the financial and accounting management system without the need to mock-up claim or capitation claim transactions. The financial balancing job compares expenditures, EFTs transmitted, manual checks issued and reissued, State transfers, and system checks issued to notify the State of funding requirements.

Automated cycle balancing occurs after critical system processing milestones. Additionally, the system generates several reports to validate that the cycle is in balance and no errors have occurred. The financial balancing report is just one example of an automated balancing report. It contains system-generated financial counts and dollar totals on claim and financial (nonclaim) transactions processed in the weekly financial cycle.

The provider earnings file will be compared on a daily and year-to-date basis to the expenditure file and the payment transactions file to validate that all three are equal. Financial transactions and activities will be automatically balanced across business functions. Financial counts and dollar amounts will be compared on claim and financial (nonclaim) transactions between files to validate consistency and accuracy.

interChange provides the following check registers and balancing reports:

- Daily Manual Check Register
- Payment Register by Payment Type
- Payment Register—Summary of Counts
- Payment Register—Totals by Financial Category of Service
- Provider YTD Check Balancing
- Provider YTD Expenditure Balancing
- Provider YTD Offset Balancing
- Provider YTD Refund Balancing
- Provider YTD Void Balancing

The financial balancing process within interChange is executed every week as part of the financial cycle.

Approach to Customization and Modifications

The interChange financial management and accounting components are fully functional as the baseline system. In a product such as interChange, it is always necessary to configure and customize certain behavior of the system to match the specific needs of the State.

Most customization and modifications necessary to make interChange specific to North Carolina will require the configuration of financial parameters, accounts, hierarchies, funding sources, and code values. During DDI, knowledgeable business analysts will work to understand the intricacies of the needs of the State financials and configure interChange to meet those needs. Most of these configurations will be performed through the online panels of the interChange product.

There are requirements that necessitate some additional changes to the interChange system objects to meet the State's specific needs. Other required system modifications include changes to certain report layouts or adding additional summary data to a few reports. The financial subsystem also includes

the integration of the COTS letter generator tool, DOC1, to create new letters and processing logic to determine the need to generate the letter and process the receipt of the updated form.

Enhancements to Functional Requirements

The interChange financial management and accounting system is a feature-rich component of the interChange product, providing broad capabilities of a multi-payer healthcare program. Even as feature-rich and configurable as interChange is, there are areas that must be enhanced to meet the specific needs of the State.

interChange has a well-defined interface schema for external data exchanges; however, the interChange format must be transformed to match that of the external system. The following is a summary of enhancements that will be made to interChange for North Carolina:

- The financial data exchanges will be custom-mapped to match the receiving or sending system. For example, the specifics of the interfaces to the NCAS will need to be defined and implemented.
- The current A/R process does not process multiple A/R accounts for the same entity on a defined hierarchy. This enhancement will require additional data structures and changes to the processing orchestration.
- The existing recipient cost-sharing and premium payment reporting will be enhanced to meet the specified requirements.
- Requests to providers of updated W-9 forms are not part of the baseline system and will require enhancements to panels.

The EDS team will work with the State to define the specifics of each of these areas of enhancement.

Response to Financial Management and Accounting System Requirements

The following tables map the detailed solutions to the system requirements of the financial and accounting functional area. Where appropriate, we have listed the existing interChange user interface panels, reports, and processes that meet the stated requirements. We also have identified when an integrated COTS piece of software is used to meet the requirements.

General Financial Management and Accounting System Requirements

The following table, EDS Response to General Financial Management and Accounting System Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to General Financial Management and Accounting System Requirements

RFP No.	RFP Requirement	EDS Response
40.14.1.1	Provides capability to create and update Financial Participation Rate Tables	Met by interChange. Each fund code within interChange has a cross-reference table which indicates the code rate type (federal, state, or agency) and the percentage that code rate participates in this budget. The total of all rate types must equal 100%.
40.14.1.2	Provides capability to create withholds, advance payments, and recovery of advance payments	Met by interChange and operational processes and procedures. The Accounts Receivable Base and Expenditure Base panels meet this requirement.
40.14.1.3	Provides capability to record liens and levy data	Met by interChange and operational processes and procedures. The Accounts Receivable Base panel will be used to capture requests received from the State.
40.14.1.4	Provides capability to process retroactive changes to deductible, TPL retroactive changes, and retroactive changes to program codes (from State-funded to Title XIX)	Met by interChange and operational processes and procedures. If a retroactive change in a recipient's deductible or TPL is identified, the claims that would be affected can be identified through the mass adjustment panels and reprocessed. If a claim or financial transaction has been associated with a fund code and reported, and a retroactive change to that fund code is requested, then the claims and financial transactions would need to be identified and reprocessed to allow for the retroactively changed fund code to take effect.
40.14.1.5	Provides capability to process transactions containing total amount of dollars, per check, received by the State for TPL recoveries, drug rebates, medical refunds, Fraud and Abuse Detection System (FADS) recoveries, and any cash receipts that should be applied to the Replacement MMIS	Met by interChange. The Cash Receipt Information panel meets this requirement. Through this existing panel, the application can process cash receipts that need to be applied to the Replacement MMIS.
40.14.1.6	Provides capability to accept and process Fiscal Agent bank transactions of check and EFT statuses, such as paid, void, and stop payment transactions	Met by interChange. The Cash Receipt Base and the Cash Receipt Information panels meet this requirement.
40.14.1.7	Provides capability for fully integrated financial operations, including general ledger, accounts receivable, claims payment/accounts payable, cash receiving, receipts dispositioning, and apportionment functions	Met by interChange. The combination of financial panels and reports meets this requirement. The interChange financial business area supports fully integrated financial operations.
40.14.1.8	Provides capability to automatically compute financial participation (State, Federal, county, and other)	Met by interChange. The Budget Funding Percentage table is used to calculate the amount of money attributable to each portion of FFP for each fund.
40.14.1.9	Provides capability for the accounting of all program financial transactions in a manner that provides timely and accurate production of State and CMS reporting	Met by interChange. The combination of financial panels and reports meets this requirement. The interChange application is CMS certified, including the reporting features of the MMIS.

RFP No.	RFP Requirement	EDS Response
	requirements	
40.14.1.10	Provides capability to deduct or add appropriate amounts and/or percentages from processed payments, regardless of origin of the transaction in accordance with GAAP via system financial management and accounting functions with online update and inquiry capability	Met by interChange. The Financial Payment Deduction Maintenance panel meets this requirement.
40.14.1.11	Provides capability for transactions that use existing State accounting and financial reason codes and descriptions (including division, LOB, benefit plan, NCAS Cost Accounting Code [CAC], Period code, Reason Code, Category of Service Code (COS) Code, County Code, type, and provider) that supports production of required financial reports without the need for maintenance of conversion tables	Met by interChange, with a portion of the requirement requiring customization code. The financial system is designed for integrating into a State's specific accounting system and generally configuration is all that is needed. If there are specific gaps identified in the available data attributes or formats, they will be customized to meet the requirement.
40.14.1.12	Provides capability to meet CMS requirement to reduce program expenditures for provider accounts receivable that are not collected within sixty (60) days of the date they are discovered	Met by interChange. There are systematic processes in the interChange system to address accounts receivables that are outstanding for more than 60 days.
40.14.1.13	Provides capability to produce NCAS interface file weekly to support checkwrite activity	Met through customization of interChange. Interfaces are mapped to match the interChange internal format. Specific additional attributes or logic will be developed if needed.
40.14.1.14	Provides capability to apply special "timely filing" edits at the end of the State fiscal year	Met through configuration of interChange parameters and features.
40.14.1.15	Provides capability for tracking calls regarding Fiscal Agent-related issues, claims, and complaints; provides capability for easy access to the call information by all users	Met by interChange and operational processes and procedures. The Contract Tracking Management System (CTMS) meets this requirement with the operations staff receiving and documenting calls.
40.14.1.16	Provides capability to identify and update payment data with each payment cycle	Met by interChange. The combination of financial panels and reports meets this requirement.
40.14.1.17	Provides capability to interface with NCAS for accounts receivable and accounts payable functions	Met through customization of interChange. Interfaces are mapped to match the interChange internal format. Specific additional attributes or logic will be developed if needed.
40.14.1.18**	Provides capability for a Client Data Warehouse extract of DMH data	Met through customization of interChange. Interfaces are mapped to match the interChange internal format. Specific additional attributes or logic will be developed if needed.

MMIS Accounts Payable Processes Requirements

The following table, EDS Response to MMIS Accounts Payable Processes Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to MMIS Accounts Payable Processes Requirements

RFP No.	RFP Requirement	EDS Response
40.14.1.19	Provides capability for accounts payable functionality for all programs	Met by interChange. The Financial Payment Maintenance panel meets this requirement.
40.14.1.20	Provides capability to identify providers with credit balances and no claim activity, by program, during a State-specified number of months	Met by interChange. The Business Intelligence and Analytical Reporting (BIAR) component of interChange meets this requirement by giving users access to the detailed data required to do this research.
40.14.1.21	Provides capability to process transactions for checks from outside systems, generating a Claims History record	Met by interChange. The Check Information panel and the Financial Transaction panel meet this requirement.
40.14.1.22	Provides capability for online access to check voucher reconciliation information by provider number or check voucher number and/or issue date, displaying the following information: • Provider number • Issue date • Check voucher number • Amount • Disposition • Disposition date	Met by interChange. The Check Information panel displays these data elements and meets this requirement.
40.14.1.23	Provides capability for online inquiry access and update ability on selected individual fields	Met by interChange. Field level security in the interChange system meets this requirement.
40.14.1.24	Provides capability to generate a stop payment or cancel transaction	Met by interChange. The Stop/Void/Reissue panel meets this requirement.
40.14.1.25	Provides capability to process the check voucher returned file for failed EFTs	Met by interChange. The stop-pay reissue process handles voids, stops, reissues and returned checks.
40.14.1.26	Provides capability to update funding sources and criteria lists based on financial participation rate information received from the State	Met by interChange. The Fund Base Information panels allow updates to fund source, criteria and FFP rates.
40.14.1.27	Provides capability to ensure that weekly budget reporting is consistent with the costs allocated during the checkwrite	Met by interChange. The Financial Budget Search and Maintenance panels provide real-time access to budget allocation and usage.
40.14.1.28	Provides capability to produce a provider voucher account payable upon receipt of a State Payout Authorization Form signed by an authorized State Official; provides capability to schedule payment of the voucher by the system in a future checkwrite cycle	Met by interChange and operational processes and procedures. Operations staff will use the Financial Payment Search and Payment Base Information panels to capture requests for authorized payouts to meet this requirement.

RFP No.	RFP Requirement	EDS Response
40.14.1.29	Provides capability to support Cost Settlement transaction, which includes disburse payments upon request, recoup receivables, deposit receipts, set up and post the associated accounts receivable/accounts payable transactions, and produce MMIS reports by provider that are required by the DMA Audit Section to support the cost settlement process	Met by interChange, with a portion of the requirement requiring customization code. The interChange financial system can disburse payments on request, recoup receivables, deposit receipts, set up and post the associated accounts receivable/accounts payable transactions. There may need to be some customization to meet reporting requirements.
40.14.1.30	~~Provides capability to support an uncompensated services payment process and pay disproportionate share hospitals for uncompensated services in four (4) quarterly payments, with payments made updated and available for online inquiry~~	Cancelled. This requirement was deleted by RFP 30-DHHS-1228-08-R.
40.14.1.31	Provides capability to set up an accounts payable for non-provider-specific payments, issue payment, and adjust the financial reporting	Met by interChange. The Expenditure base information and expenditure supplemental panels meet this requirement.

MMIS Accounts Receivable Process Requirements

The following table, EDS Response to MMIS Accounts Receivable Process Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to MMIS Accounts Receivable Process Requirements

RFP No.	RFP Requirement	EDS Response
40.14.1.32	Provides capability to ensure accurate collection and management of account receivables	Met by interChange. The Accounts Receivable Maintenance, A/R Base, A/R Dispositions and A/R Supplemental Information panels meet this requirement.
40.14.1.33	Provides capability for summary-level provider accounts receivable and payable data and pending recoupment amounts that are automatically updated after each claims processing payment cycle, with summary-level data consisting of calendar week-to-date, month-to-date, year-to-date, State, and Federal fiscal year-to-date totals	Met by interChange, with a portion of the requirement requiring customization code. The weekly financial summary, accounts receivable summary, activity, and year-to-date balancing reports meet most of these requirements. Certain extensions for the week-to-date, month-to-date, and federal year-to-date reporting will be developed.
40.14.1.34	Provides capability to maintain an accounts receivable detail and summary section for each account	Met by interChange. Financial A/R Search and A/R base Information panels show all A/R records and meet this requirement.

RFP No.	RFP Requirement	EDS Response
40.14.1.35	Provides capability for automated and manual establishment of accounts receivable for a provider and to alert the other Financial Processing portion of this function if the net transaction of claims and financial transactions results in a negative amount (balance due)	Met by interChange and operational processes and procedures. Operations users will use the A/R Base Information panel to capture manual A/R requests submitted by the State.
40.14.1.36	Provides capability to monitor the status of each account receivable and report weekly and monthly to the State in aggregate and/or individual accounts, on paper and online	Met by interChange. The Accounts Receivable Summary report and the A/R Search panels meet this requirement.
40.14.1.37	Provides capability to produce collection letters within the financial processing function of the checkwrite cycle	Met by interChange. The letter generator component of interChange meets this requirement.
40.14.1.38	Provides capability to establish systematic payment plans or recoupments for provider receivable balances, as directed by the State	Met by interChange. The A/R Base Information and A/R Dispositions panels meet this requirement. Recoupments can be set up in total, by percentage of payment or by weekly amount.
40.14.1.39	Provides capability to "write off" outstanding account receivables when approved by the State	Met by interChange and operational processes and procedures. The A/R Dispositions panel will be used to capture the 'write off' disposition and meet this requirement.
40.14.1.40	Provides capability to set up multiple open accounts receivable items for recoupment against provider claims payable in the financial system, subject to a hierarchy table; provides capability for the system to withhold the money from provider claims payable for all receivable items meeting recoupment criteria until the provider payable balance for all receivables have been fully recouped or the payable balance is equal zero	Met by interChange, with a portion of the requirement requiring customization code. The A/R Base Information panel can set up multiple open accounts receivable items. A hierarchy table of withholdings will need to be developed. Current logic is first in, first out (FIFO) in satisfying multiple receivables.
40.14.1.41	Provides capability to perform the cash control processing cycle, updating master files for bank reconciliation, cash receipts, and accounts receivables and producing applicable cash control reports, including the cash receipts and accounts receivable detail from the checkwrite cycle	Met by interChange, with a portion of the requirement requiring customization code. These functions are part of the interChange financial system capability. State-specific extensions or customizations will be necessary to fully meet this requirement.
40.14.1.42	Provides capability to accept claim-specific and gross recoveries, regardless of submitter (provider, carrier, recipient, drug manufacturer); provides capability to apply gross recoveries to providers and/or recipients as identifiable	Met by interChange. The A/R Base Information and A/R Disposition panels meet this requirement.

RFP No.	RFP Requirement	EDS Response
40.14.1.43	Provides capability to set up receivables and recoup payments to the provider for services after a recipient's date of death	Met by interChange and operational processes and procedures. Reprocessing the paid claim after the date of death before the date of service has been entered into the system will set up an account receivable.
40.14.1.44	Provides capability for an online hierarchy table by fund code or recoupment type for the recovery of monies from claims payable to a provider, such as: • Claims paid in error • Cost settlements receivables • Program integrity receivables • Provider advances tax withholding • Tax levies	Met through customization of interChange. The use of hierarchies in A/R will need to be established in interChange to meet this requirement.
40.14.1.45	Provides capability for an online accounts receivable process with the ability to request recoupments by the following portions of the receivable amount during one (1) payment cycle: • Percent • Dollar amount • Total amount	Met by interChange. The A/R Base Information panel meets this requirement.
40.14.1.46	Provides capability to automatically recoup accounts receivables by either deductions from claims payments or through direct payment by the provider or combinations of both	Met by interChange. The A/R Disposition panel meets this requirement.
40.14.1.47	Provides capability to apply cash received and recoupments to the accounts receivable, including a history of the RA date, number, and amount and have related information available online	Met by interChange. The A/R Disposition panel meets this requirement.
40.14.1.48	Provides capability to apply claims payments recoupments to more than one (1) account receivable at a time	Met by interChange. A single claim will not satisfy more than one account receivable, but several claims can be used to satisfy multiple accounts receivables in a single checkwrite.
40.14.1.49	Provides capability to allow the portion of payments made against each account receivable to be controlled by State staff	Met by interChange. The A/R Disposition panel meets this requirement.
40.14.1.50	Provides capability to remove accounts and produce reports on a monthly basis when a provider record has been inactive for one (1) year	Met by interChange. The Weekly Accounts Receivable Summary report and the A/R Search, A/R Base information, and A/R Dispositions panels meet this requirement.

RFP No.	RFP Requirement	EDS Response
40.14.1.51	Provides capability to generate transactions to the system for each accounts receivable item created and invoiced, accounts receivable adjustments, payments received and, recouped and write-offs	Met by interChange. Generally, many of these will not be specific transactions but will become table entries which will be associated with specific claims or other financial transactions. Hypertext links will allow viewing of related information.
40.14.1.52	Provides capability for online daily receipts and recoupment information to the unit responsible for dispositioning the detail, for example TPL, drug rebate, medical refund, FADS recoveries, and any other cash receipts received by the State	Met by interChange. Reason codes are used to distinguish Drug Rebate, TPL or Audit initiated receipts and recoupments as well as numerous other sources. A common system—securely linked to the User ID—keeps TPL analysts from using an Audit Unit reason code.
40.14.1.53	Provides capability to produce and send correspondence related to recipient premiums in the recipient's preferred language, including invoices, notices of non-payment, cancellation notices, receipts, and refunds	Met by interChange, with a portion of the requirement requiring customization code. The interChange premium payment system handles invoices, payments, refunds, notices of nonpayment, and cancellation notices. The letter generator component of interChange meets the correspondence requirement. Certain State-specific customizations will be developed if necessary.
40.14.1.54	Provides capability to collect recipient premium payments	Met by interChange and operational processes and procedures. The interChange premium payment system handles invoices, payments, refunds, notices of nonpayment, and cancellation notices.
40.14.1.55	Provides capability to produce refunds of recipient premiums	Met by interChange and operational processes and procedures. The interChange premium payment system handles invoices, payments, refunds, notices of nonpayment, and cancellation notices.
40.14.1.56	Provides capability to process financial accounting records for premium payments and refunds	Met by interChange. The interChange premium payment system handles invoices, payments, refunds, notices of nonpayment, and cancellation notices. These are tied directly to the financial system.
40.14.1.57	Provides capability to produce reports for recipient premium payment and cost-sharing (e.g., recipient co-insurance, deductibles, co-payments, etc.) processes	Met by interChange, with a portion of the requirement requiring customization code. There is a series of online reports that meet this requirement. These will be reviewed to determine if State-specific customization is required.
40.14.1.58	Provides capability to apply cost-sharing, e.g., recipient co-insurance, deductibles, co-payments	Met by interChange, with a portion of the requirement requiring customization code. The interChange system supports recipient cost sharing in several ways, including through benefit plan pricing methodologies. These will be reviewed to determine if State-specific customization is required.
40.14.1.59	Provides capability to ensure cost-sharing does not exceed threshold for the family group	Met by interChange, with a portion of the requirement requiring customization code. Spenddown is tracked at the case level to make sure a family does not jointly exceed the limitations. The recipient premium payment plan also is capable of handling premiums at an individual or family basis.

RFP No.	RFP Requirement	EDS Response
		These will be reviewed to determine if State-specific customization is required.
40.14.1.60	Provides capability to produce and send recipient letters/notices and Explanations of Benefits (EOB) in the recipient's preferred language	Met by interChange. The recipient EOMB process uses online pages to configure standard or specific criteria for generating monthly EOMB notifications. The monthly EOMB summary report indicates who received EOMB letters and the number of claims and dollar amount listed.

Financial Accounting and Reporting Processes Requirements

The following table, EDS Response to Financial Accounting and Reporting Processes Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Financial Accounting and Reporting Processes Requirements

RFP No.	RFP Requirement	EDS Response
40.14.1.61	Provides capability to perform financial cycles upon completion of each checkwrite and at month-end, summarize paid claims and financial transactions, update account balances and transaction files, and produce interface files and reports	Met by interChange. The interChange financial batch processing system is designed to meet this requirement.
40.14.1.62	Provides capability to account for and report to the State all program funds paid out and recovered in accordance with State-accounting codes and report specifications	Met by interChange. Numerous financial reports detail each aspect of the financial cycle from the gross, summary level into the detailed appropriations by funding code.
40.14.1.63	Provides capability for a process to designate which Federal fiscal year claim adjustments and other financial transactions are to be reported	Met by interChange and operational processes and procedures. The EDS Financial Management and Accounting organization performs these business function requirements.
40.14.1.64	Provides capability to prepare fiduciary statements in accordance with GAAP to account for all program funds received and disbursed under the Fiscal Agent contract	Met by customization of interChange. A new report will be created to meet this requirement.
40.14.1.65	Provides capability to produce general ledger to correspond to the checkwrites over the State's fiscal year; adjusts the general ledger account balances on June 30th to reflect activity between the last June checkwrite and June 30th	Met by interChange and operational processes and procedures. The EDS Financial Management and Accounting organization performs these business function requirements.
40.14.1.66	Provides capability to summarize checkwrite activity in the Financial Participation Report and general expenditure reports on a year-to-date basis and within ten (10) days of the State's fiscal year's end on June 30 ; provides capability to generate these	Met by interChange, with a portion of the requirement requiring customization code. There are several year-to-date balancing and summarization reports that detail the financial activity of the MMIS. If changes in the format, media, distribution, and frequency are needed, they will be

RFP No.	RFP Requirement	EDS Response
	reports in accordance with State-approved format, media, distribution, and frequency	developed.
40.14.1.67	Provides capability to summarize financial data to meet reporting requirements on a State and Federal fiscal-year basis	Met by interChange. The series of financial reports is stored in the online document management system. Additionally, the detailed financial data is available for MMIS ad hoc reporting through the interChange BIAR component.
40.14.1.68	Provides capability to ensure all reporting cross-checks and balances to other reports using the same data	Met by interChange. There are numerous balancing and cross-reference reports throughout the financial system that meet this requirement. The weekly financial balancing report details the balancing across numerous criteria.
40.14.1.69	Provides capability to produce reporting on providers required by the Federal False Claims Act	Met by customization of interChange. A new report will be created to meet this requirement.
40.14.1.70	Provides capability to maintain all records and reports of administrative expenses permitting the State to verify that the Fiscal Agent bills are accurate and appropriate to enable the State to claim Federal financial participation (FFP) on the Fiscal Agent fees at the appropriate rate	Met by interChange and operational processes and procedures. The EDS Financial Management and Accounting organization performs these business function requirements.
40.14.1.71	Provides capability to ensure that all financial reports can be tied into the basic financial activity recorded in Provider History	Met by interChange and operational processes and procedures with features. The EDS Financial Management and Accounting organization performs these business function requirements.
40.14.1.72	Provides capability to generate weekly, monthly, quarterly, and annual Medicaid and other EOB financial reports after checkwrites in accordance with State approved specifications, basis of accounting, and reporting deadlines	Met by interChange, with a portion of the requirement requiring customization code. The series of reports generated from interChange should meet this requirement. If additions or modifications are discovered during requirements validation, they will be developed.
40.14.1.73	Provides capability to balance details posted to each receivable transaction and update Claims History and Provider paid claims summary information	Met by interChange and operational processes and procedures. The EDS Financial Management and Accounting organization performs these business function requirements.
40.14.1.74	Provides capability to incorporate data from State-approved automated systems to satisfy accounting and record keeping objectives	Met by interChange, with a portion of the requirement requiring customization code. interChange accepts data exchanges from several entities such as banks or the state accounting system. If additional interfaces are necessary, they will be developed.
40.14.1.75	Provides capability for system-generated letters to providers requesting updated W-9s or a special IRS form depending on whether they are a first or second B-Notice	Met by customization of interChange. The creation of new UI panels, new letters in the letter generator component of interChange, and new batch processes will be developed to meet this requirement.
40.14.1.76	Provides capability for system logging and tracking of receipt date of each withholding and penalty request and completion date of withholding or penalty	Met by interChange. The A/R Disposition panel meets this requirement.

RFP No.	RFP Requirement	EDS Response
40.14.1.77	Provides capability to provide the State with confirmation and validation for each completed date of withholding or penalty	Met by interChange. The A/R Disposition panel meets this requirement.
40.14.1.78	Provides capability to implement backup withholding from all providers who do not respond to the notices within the required timeframes	Met by interChange and operational processes and procedures. The EDS Financial Management and Accounting organization performs these business function requirements.
40.14.1.79	Provides capability for mechanized copies of documentation to support compliance with IRS procedures and efforts to obtain information from providers in order to abate penalties assessed	Met by interChange. Documentation is stored and available through iTRACE and the EMC | Documentum image retrieval system. Letters are stored and retrievable through the Pitney Bowes DOC1 letter repository.
40.14.1.80	Provides capability to report year-to-date provider 1099 earnings	Met by interChange. The 1099 summary payment report meets this requirement.
40.14.1.81	Provides capability to create end-of-year 1099 for providers whose earnings exceed $600 on a calendar year basis and meet IRS criteria for issuance	Met by interChange. The Paper 1099 print report meets this requirement.
40.14.1.82	Provides capability to generate provider 1099 file and reports annually that indicate LOB, the total paid claims, plus or minus any appropriate adjustments and financial transactions	Met by interChange. The Paper 1099 print report meets this requirement.
40.14.1.83	Provides capability to issue corrected 1099s to providers prior to March 31st each year; provides capability to ensure that corrections are incorporated into the IRS file to report earnings for the prior year	Met by interChange. The Paper 1099 print report meets this requirement.

Cash Control and Bank Accounts Requirements

The following table, EDS Response to Cash Control and Bank Accounts Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Cash Control and Bank Accounts Requirements

RFP No.	RFP Requirement	EDS Response
40.14.1.84	Provides capability to automate and apply NC DHHS Cash Management Plan business rules and procedures to receive all program receipts in a State Treasurer designated bank Refer to *DHHS Cash Management Plan* in the Procurement Library.	Met by interChange and operational processes and procedures.
40.14.1.85	Provides capability for automated application of cash receipts and provide for online posting of the detail of receipts received to the system with simultaneous notice to for TPL recovery, Drug Rebates, FADS	Met by interChange and operational processes and procedures. The Weekly Accounts Receivable Summary report and the A/R Search, A/R Base information, and A/R Dispositions panels meet this requirement.

RFP No.	RFP Requirement	EDS Response
	recoveries business areas	
40.14.1.86	Provides capability for indexed images of checks and all written correspondence from or to the provider for audit purposes throughout the life of the Contract	Met through COTS integration. The COTS electronic document management system, Documentum, meets this requirement.
40.14.1.87	Provides capability to process and post transactions for all program cash receipts received in Fiscal Agent/bank managed lock-boxes	Met by interChange. The Financial Cash Receipt panel meets this requirement.
40.14.1.88	Provides capability to assign and retain a unique transaction control number, the date of receipt, the remitter's name, the remitter's bank name, purpose or reason code, the check/money order number, the transaction amount, and the unit to which the receipt is directed for dispositioning when there is no matching account receivable	Met by interChange. The Financial Cash Receipt panel meets this requirement.
40.14.1.89	Provides capability to account for disposition of all program cash receipts and adjustments within the month of receipt	Met by interChange and operational processes and procedures.
40.14.1.90	Provides capability for an audit trail of corrections to posted transactions	Met by interChange. Online viewing of audit trails is available throughout the financial system.

Budget Checking Prior To Payment of Claims Requirements

The following table, EDS Response to Budget Checking Prior To Payment of Claims Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Budget Checking Prior To Payment of Claims Requirements

RFP No.	RFP Requirement	EDS Response
40.14.1.91	Provides capability to link the detail financial transaction to the claim detail level activity	Met by interChange. The Financial Cash Receipt Base Information panel meets this requirement.
40.14.1.92**	Provides capability to produce balancing reports available online at detail and summary levels on budget availability	Met by interChange. The financial budgets and the period results panels give real-time information about each budget, how much has been used, and at what threshold a low-budget notification should be sent.
40.14.1.93	Provides capability to produce exception reports on un-reconciled balances or undefined chart of accounts shall be available online	Met through customization of interChange. A new report will be created to meet this requirement.

Accounting Processes Requirement

The following table, EDS Response to Accounting Processes Requirement, describes how we will meet the requirement set forth in the RFP.

EDS Response to Accounting Processes Requirement

RFP No.	RFP Requirement	EDS Response
40.14.1.94	Provides capability for integration of all Medicaid Accounting System (MAS) legacy system functionality, processes, data, reports and interfaces Refer to *Approved MAS Requirements & Business Rules—Updated 12-06-06* and attachments in the Procurement Library.	Met by interChange, with a portion of the requirement requiring customization code. The interChange system is designed to integrate with a state accounting system and most of the attributes are configurable to match the State's needs. If specific customization is necessary, it will be developed.

General Accounts Receivable/Accounts Payable Requirement

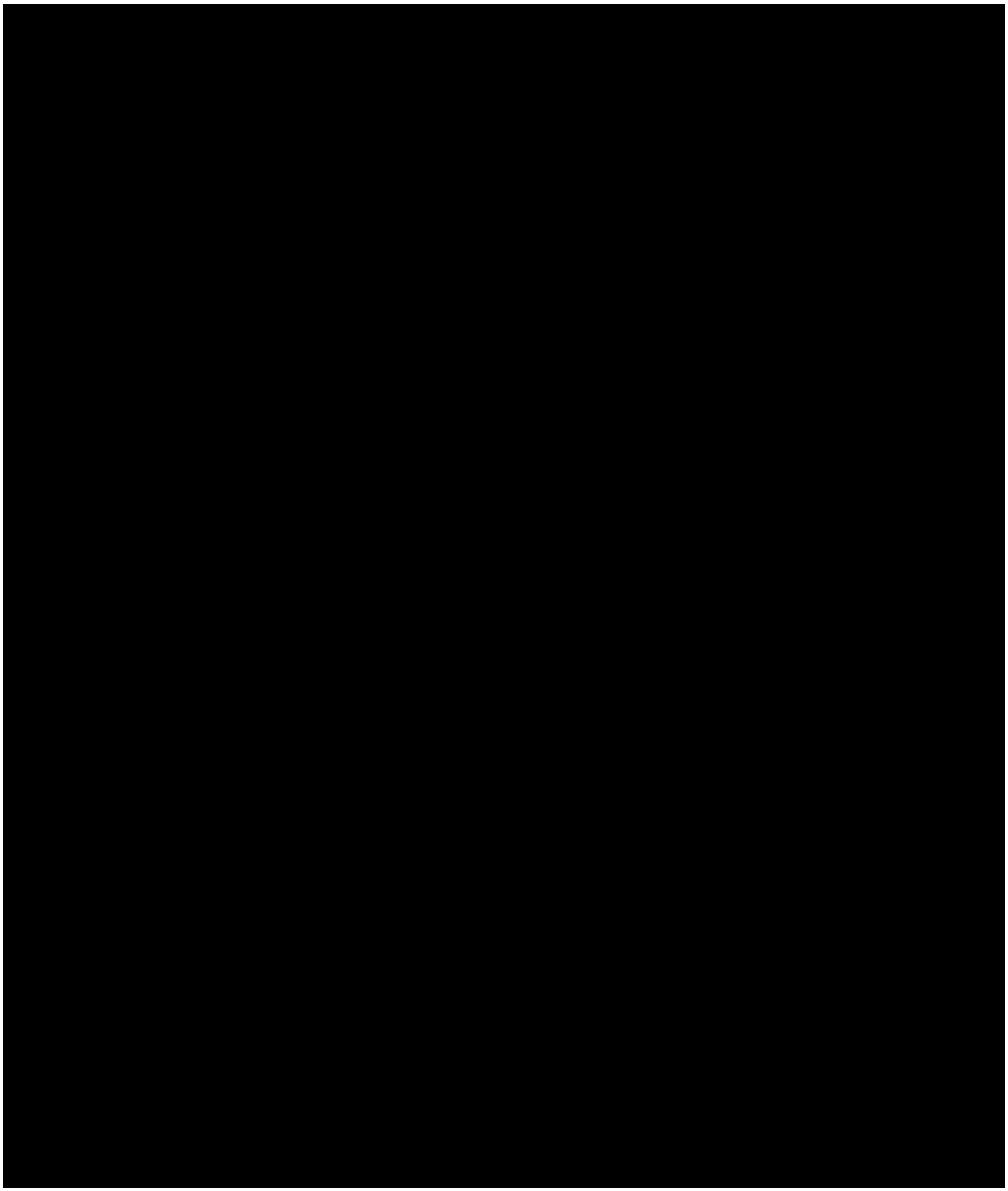
The following table, EDS Response to General Accounts Receivable/Accounts Payable Requirement, describes how we will meet the requirement set forth in the RFP.

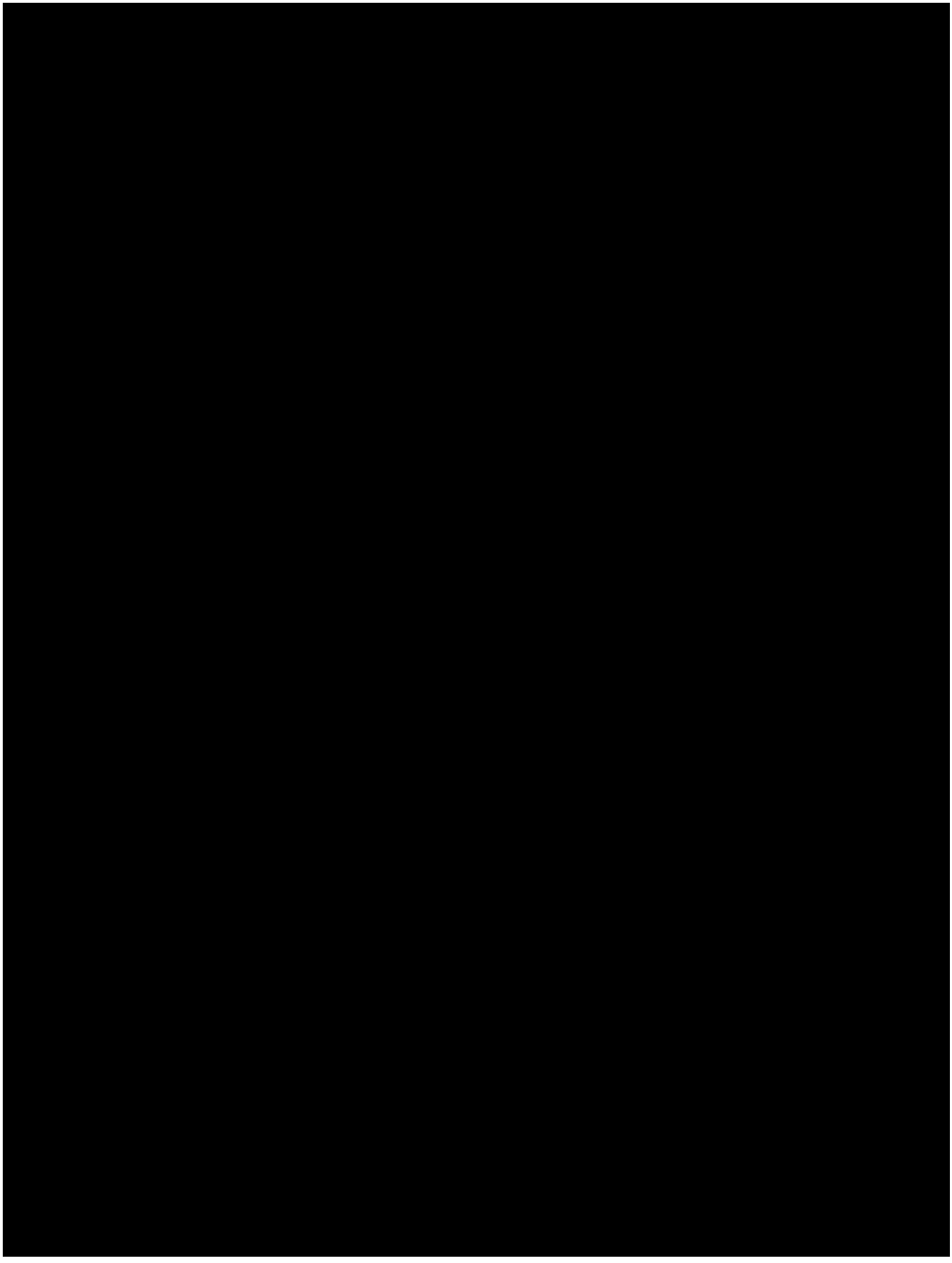
EDS Response to General Accounts Receivable/Accounts Payable Requirement

RFP No.	RFP Requirement	EDS Response
40.14.1.95	Provides capability for accounts receivable and accounts payable functionality that is integrated with case management and billing using the open item method to support collection of program overpayments from providers and amounts determined to be due from third parties Refer to *Approved AR-AP Requirements & Business Rules—Updated 12-19-06* in the Procurement Library.	Met by interChange, with a portion of the requirement requiring customization code. Accounts Payable and Accounts Receivable processing is fundamental to the interChange system. If specific customization is needed to meet this requirement, it will be developed.

Critical Multi-Payer Issues

RFP Reference: 50.2.4.1.1, Bullet 3, Page 274





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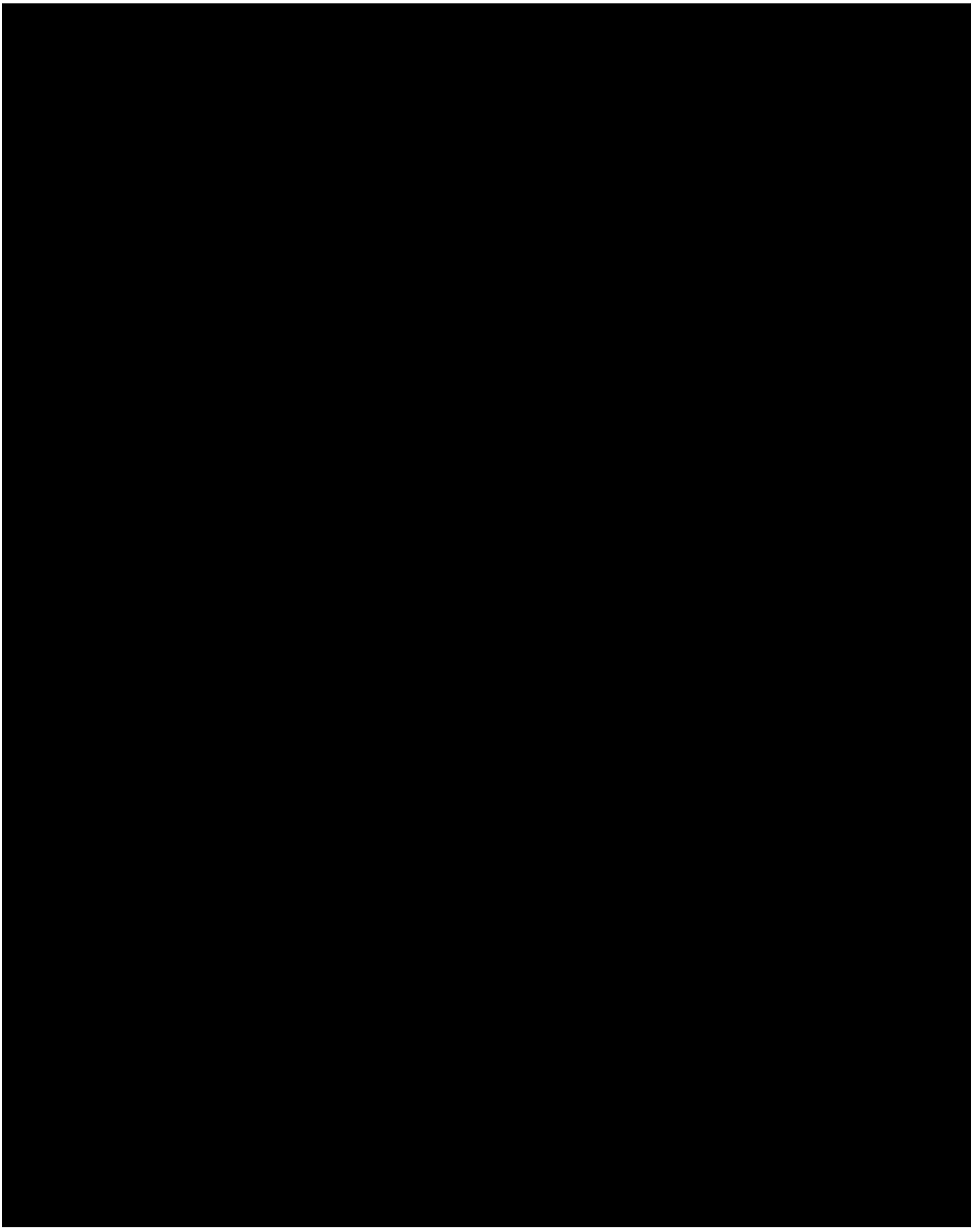

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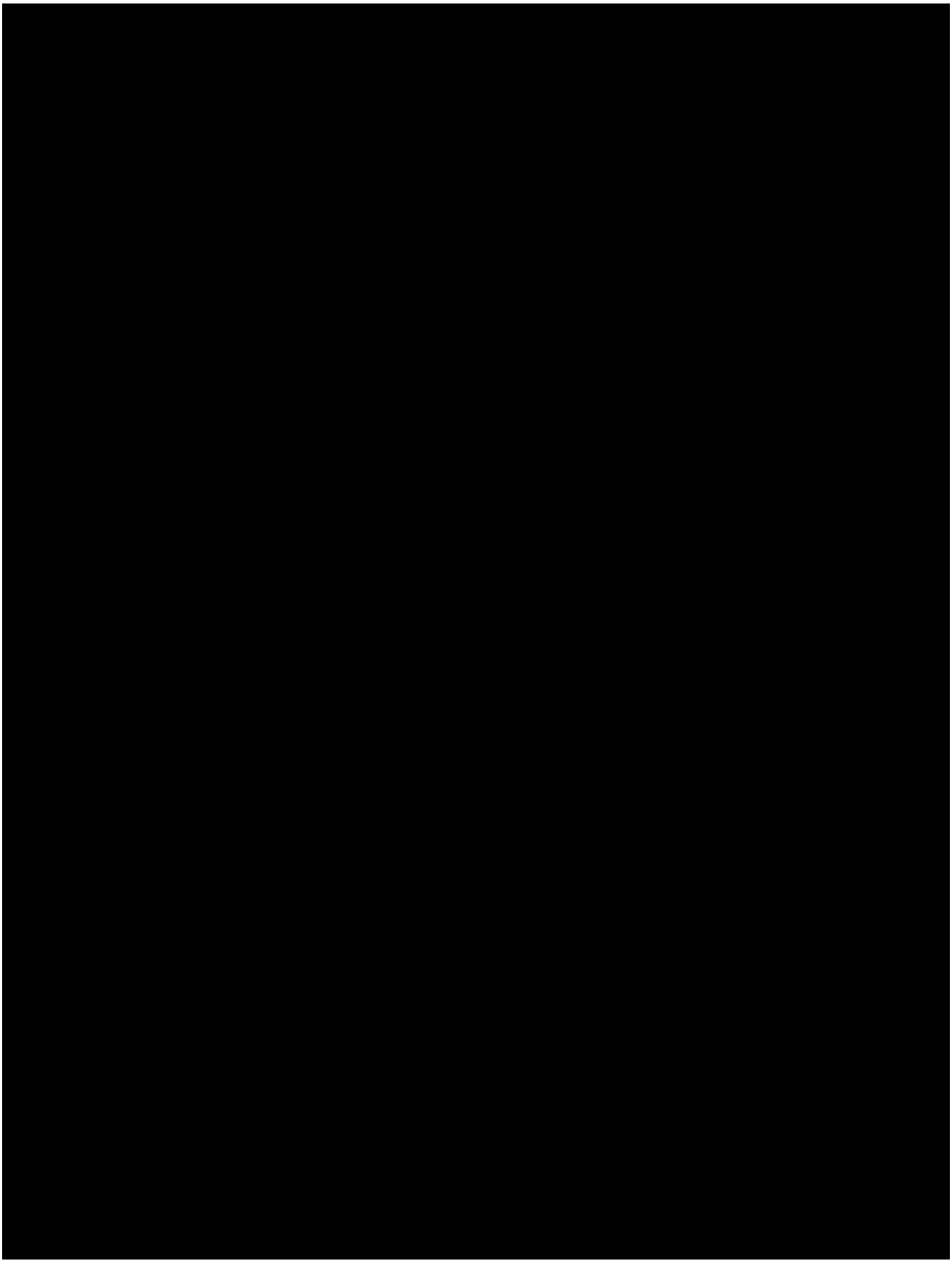

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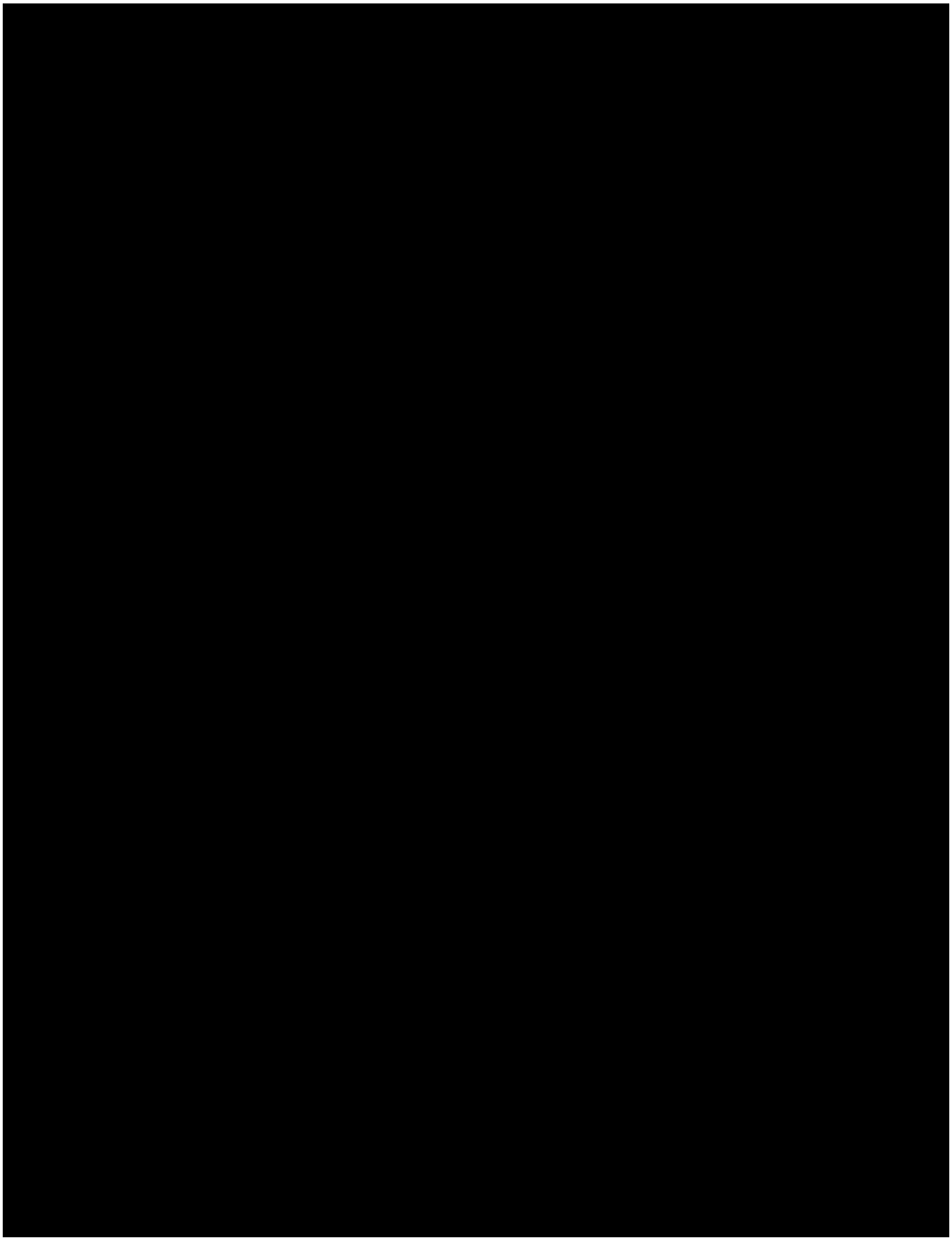

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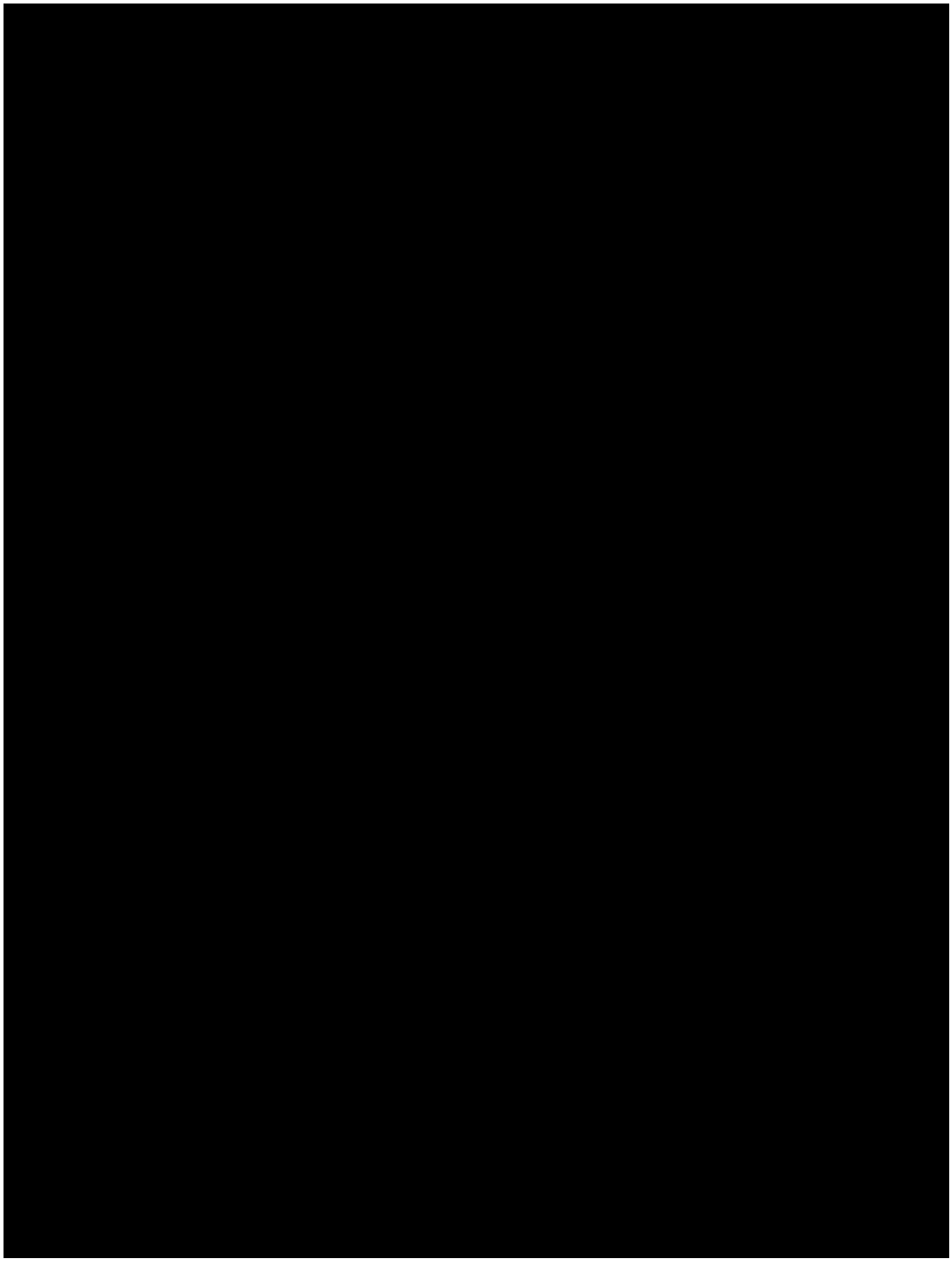

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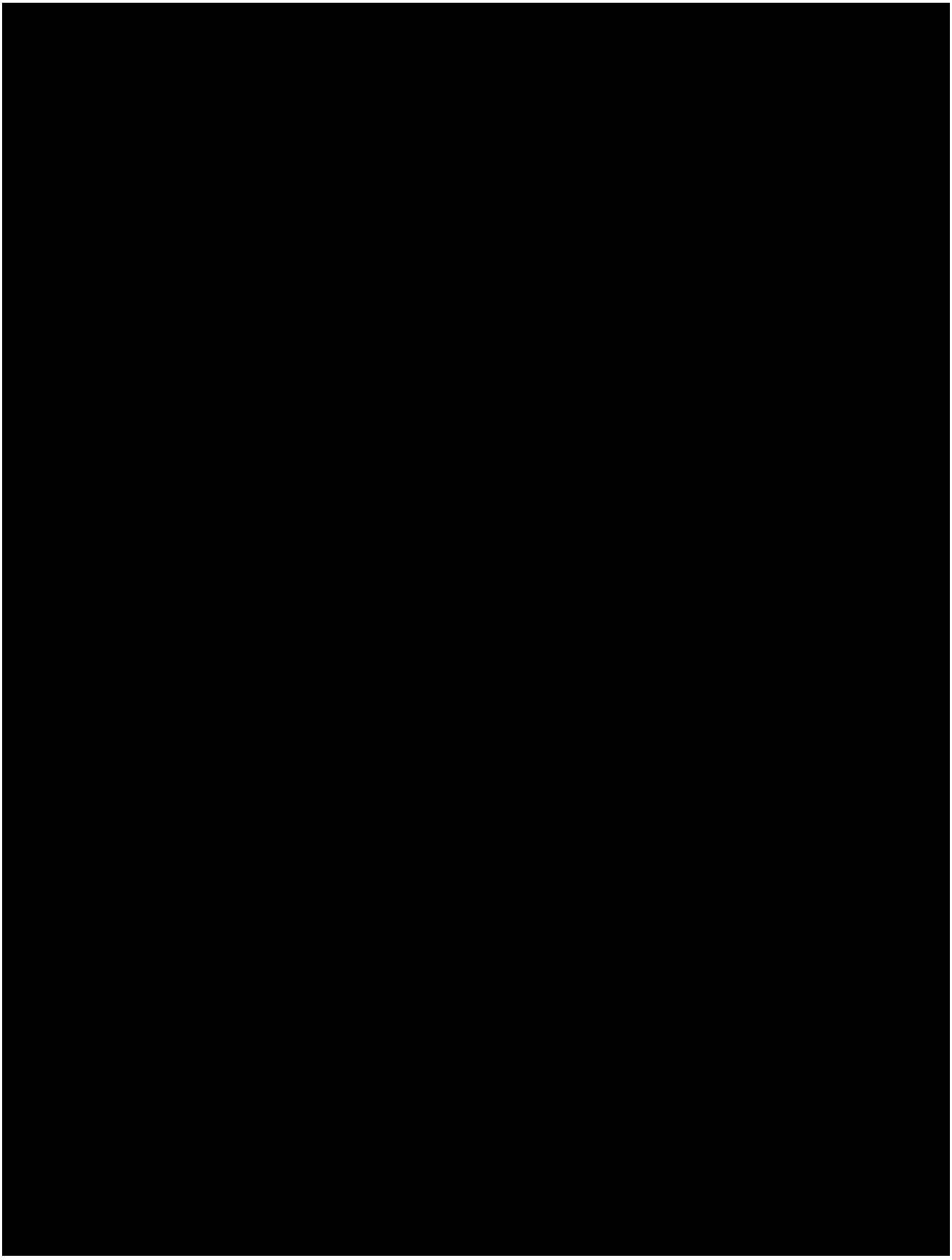

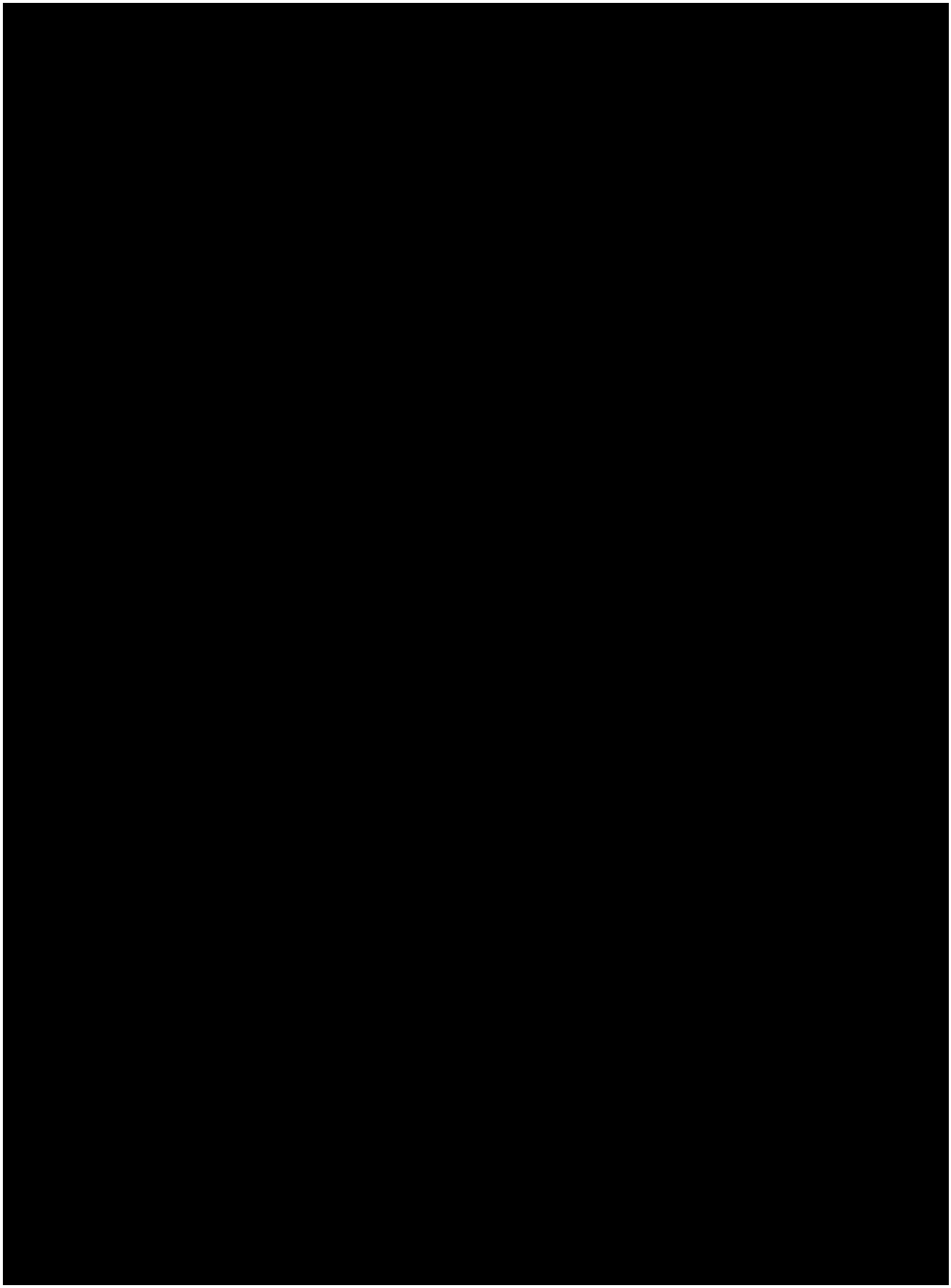

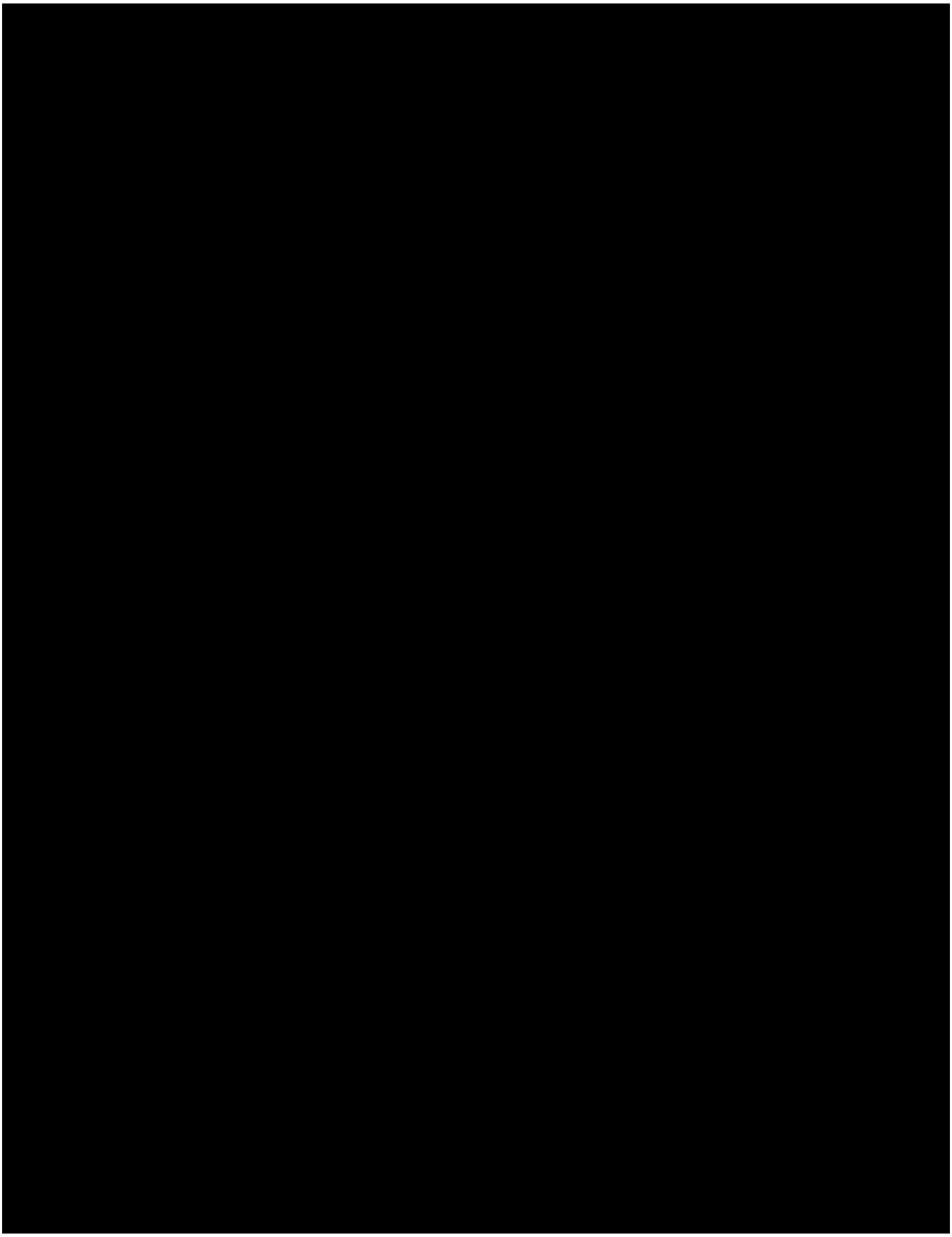

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Proposed Early Implementations

RFP Reference: 50.2.4.1.1, Bullet 4, Page 274

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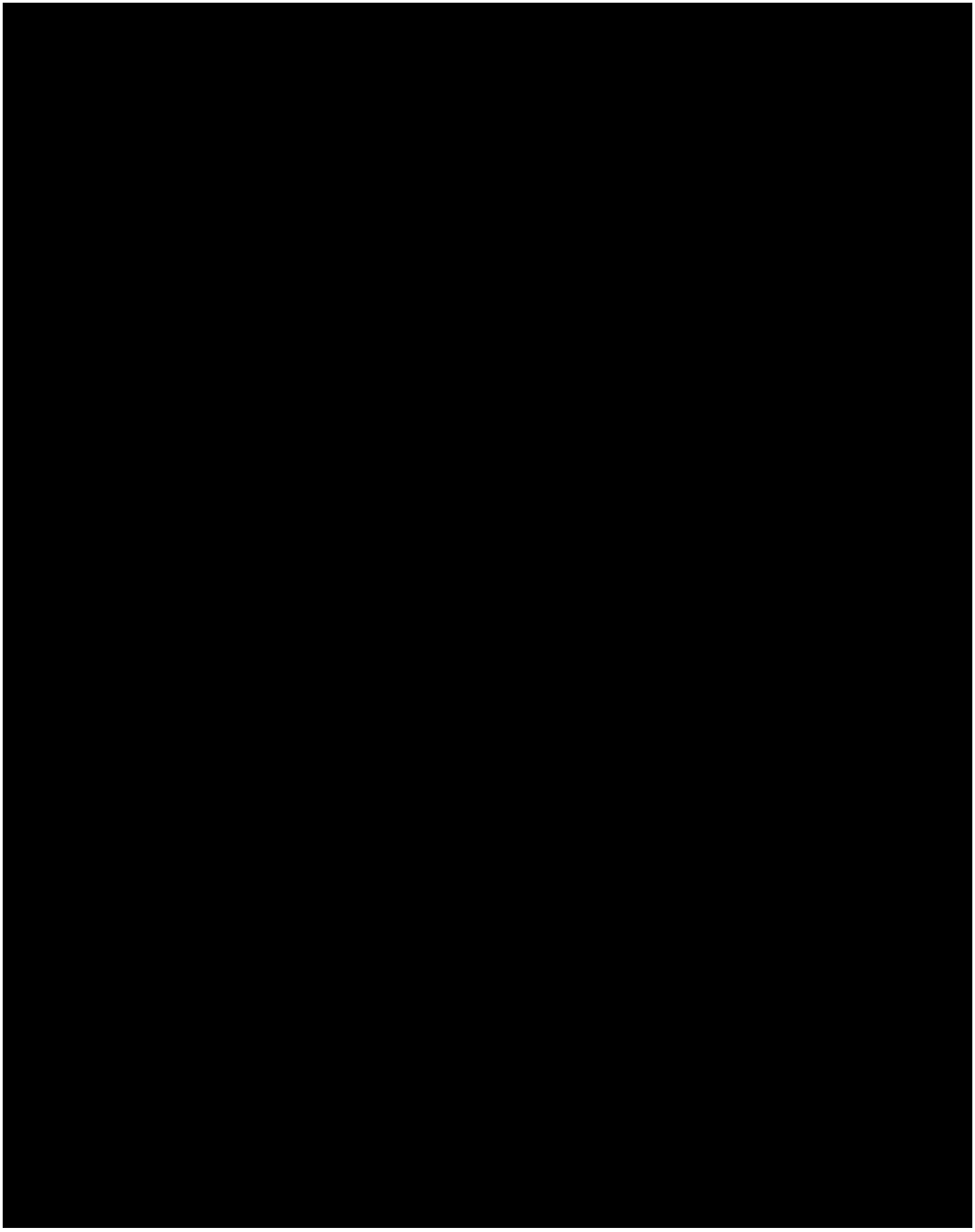

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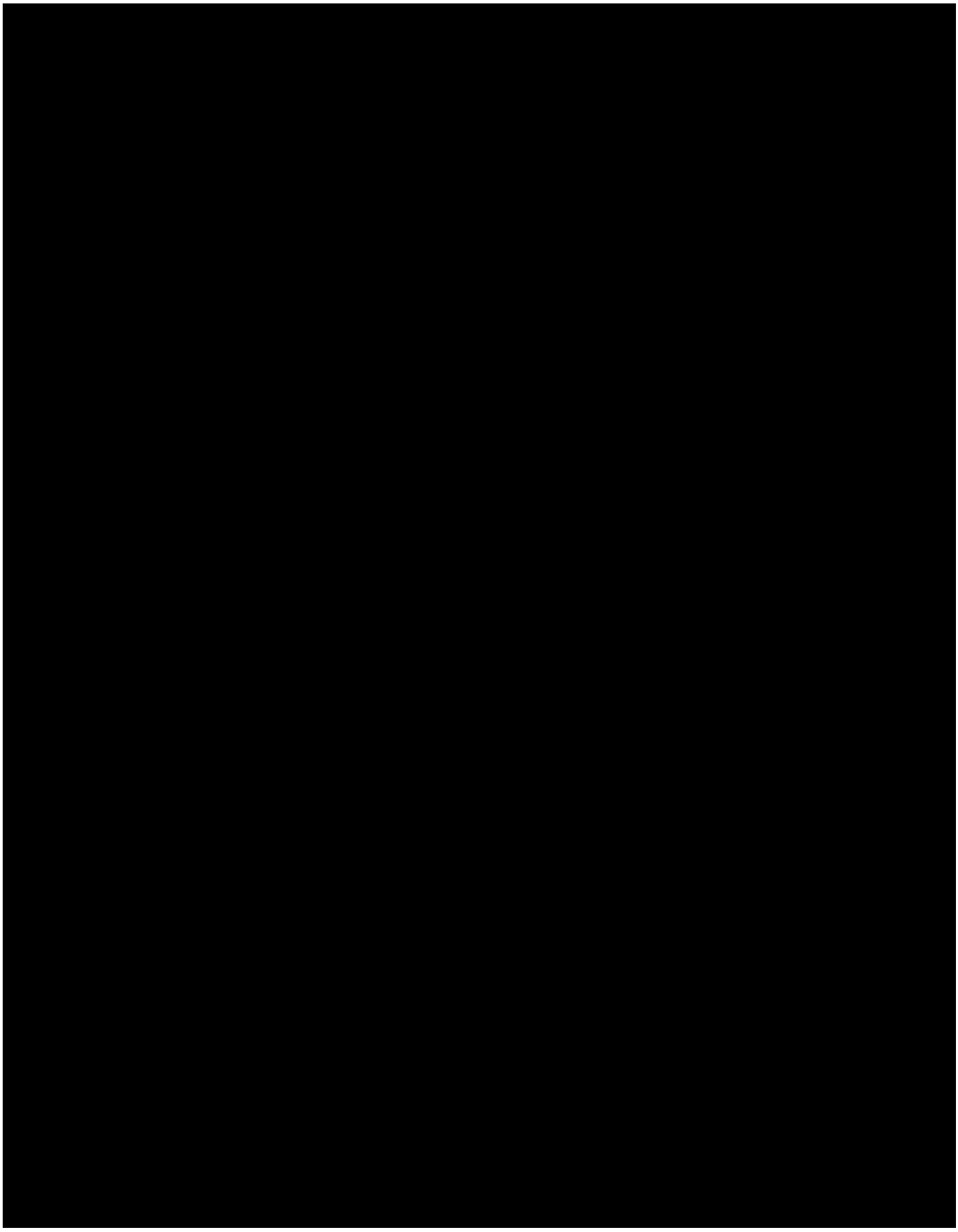

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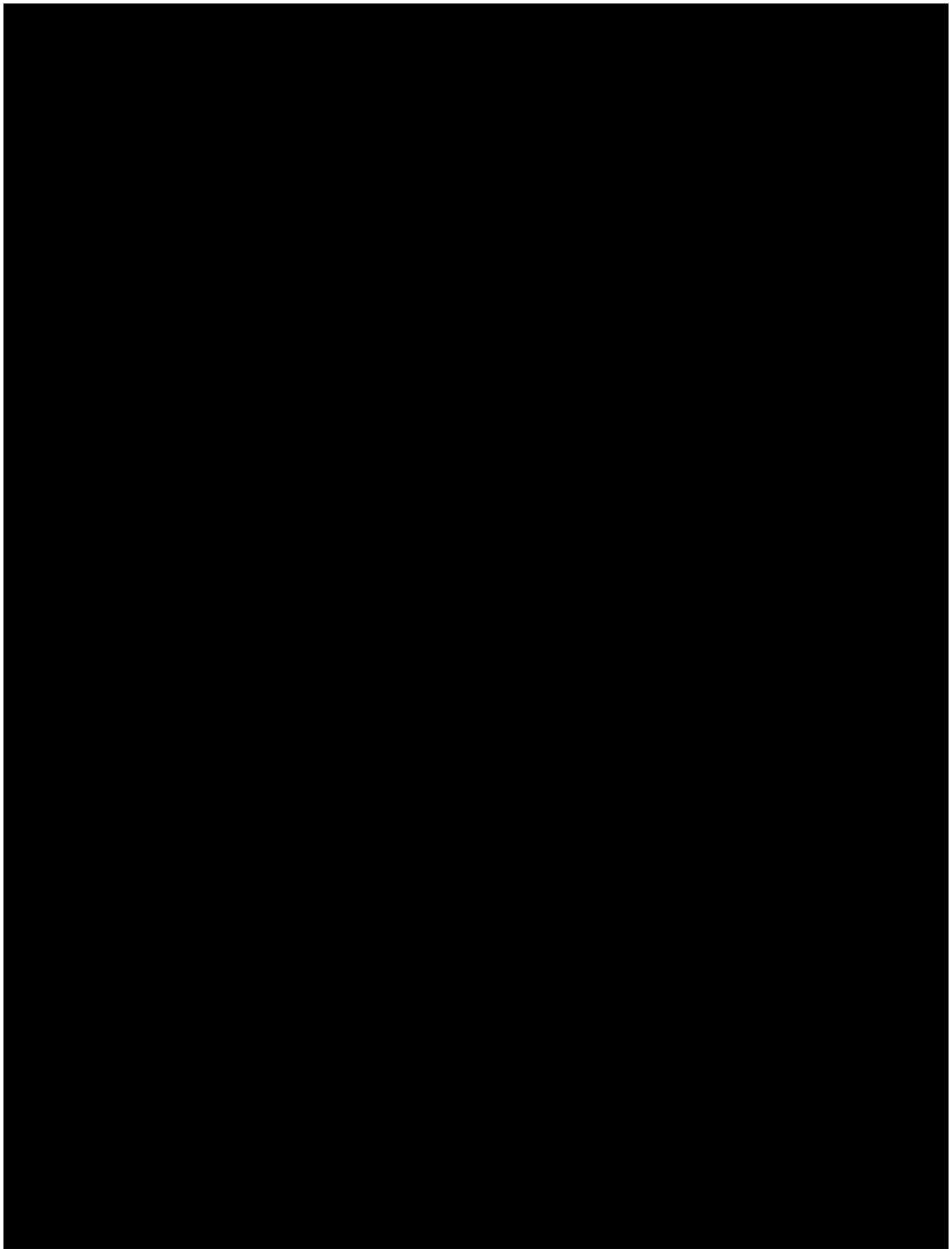

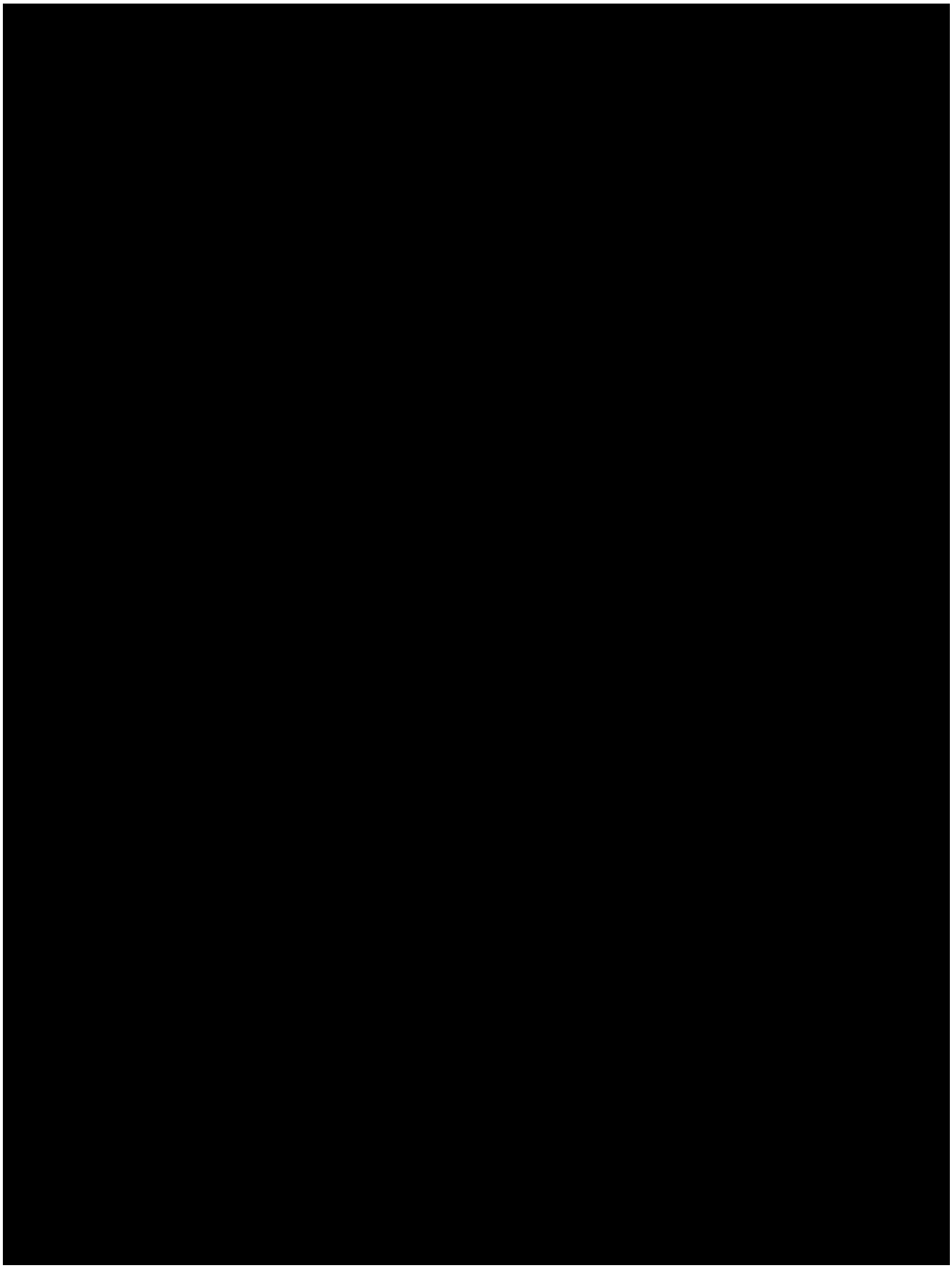

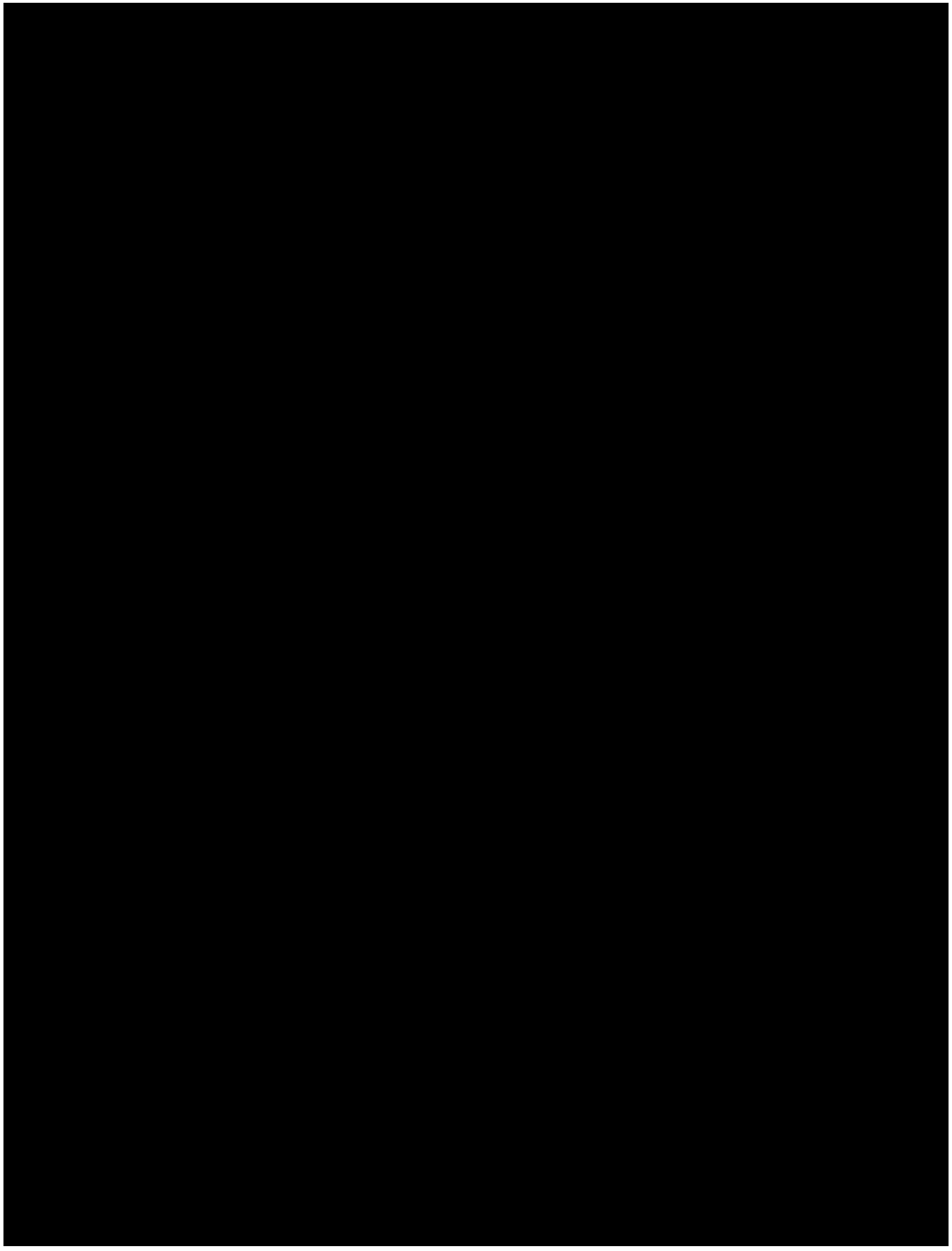

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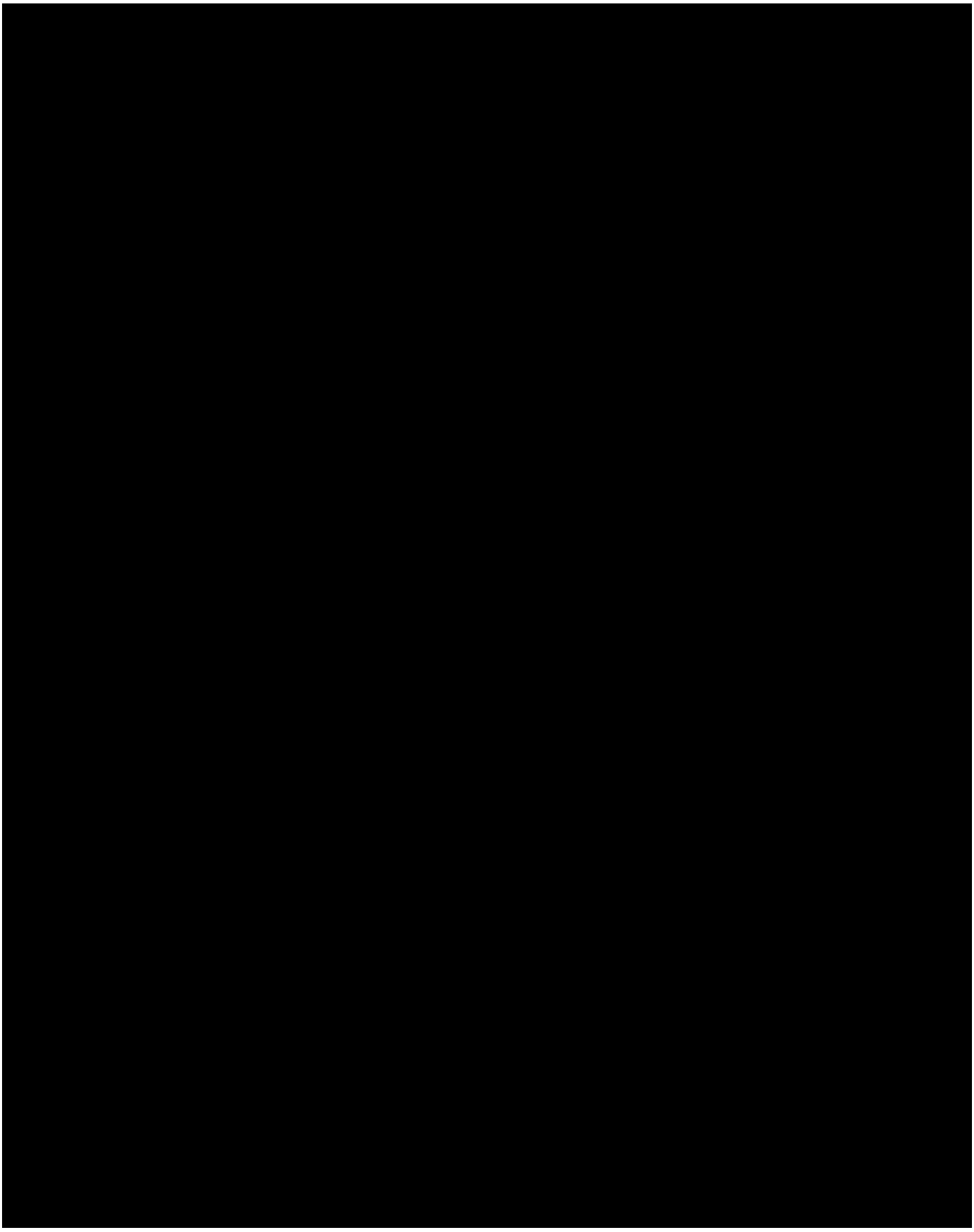

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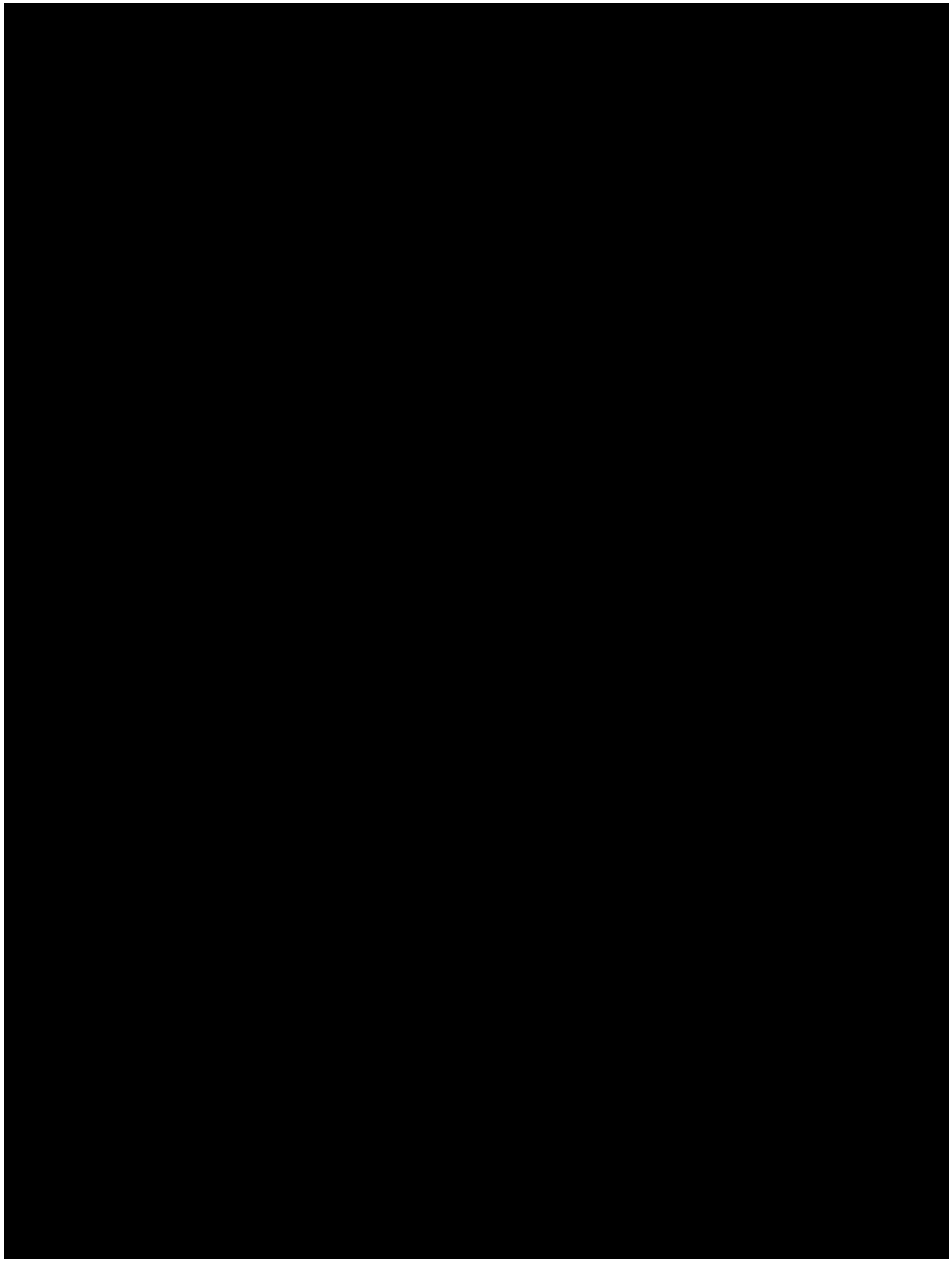

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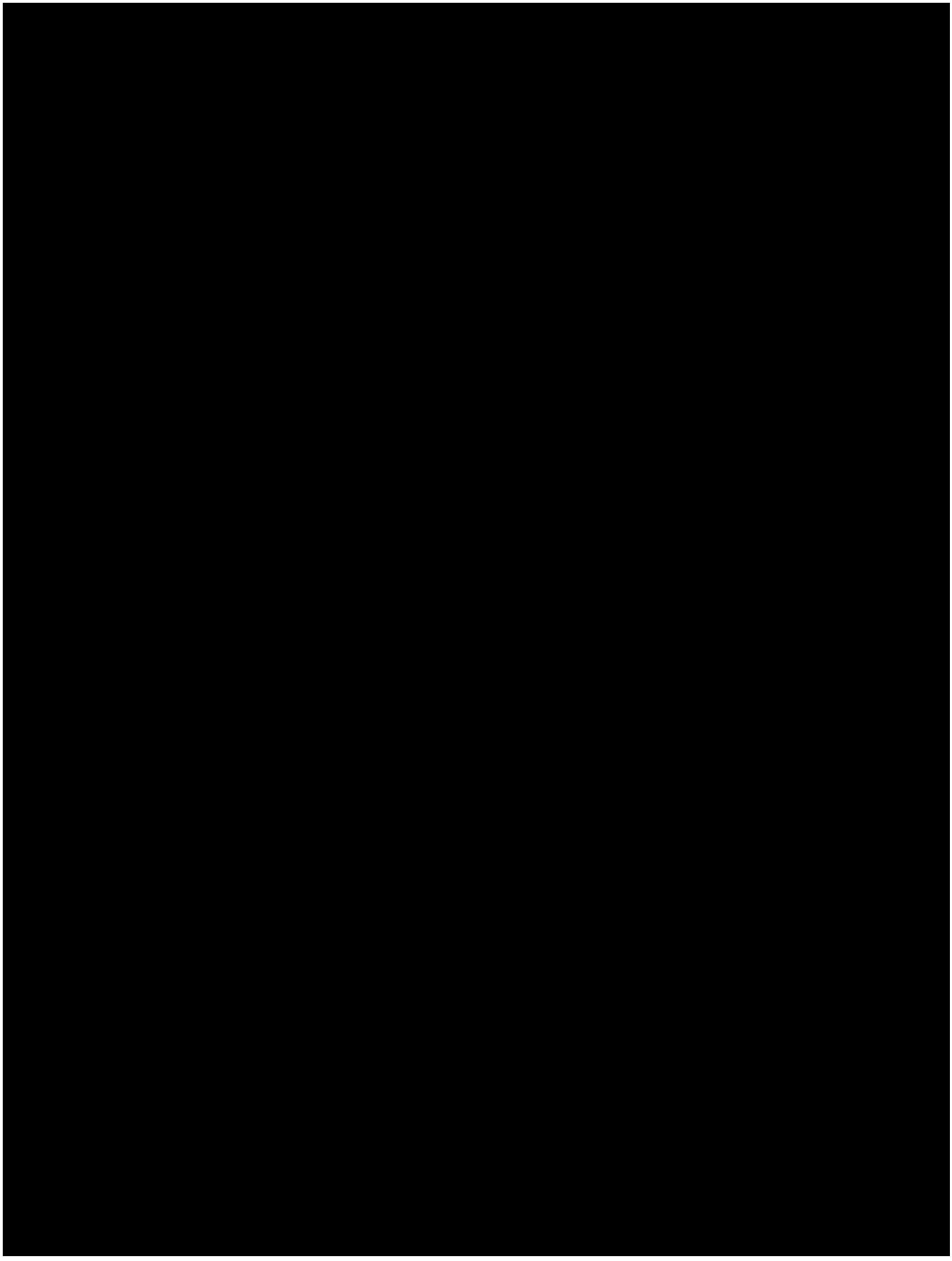

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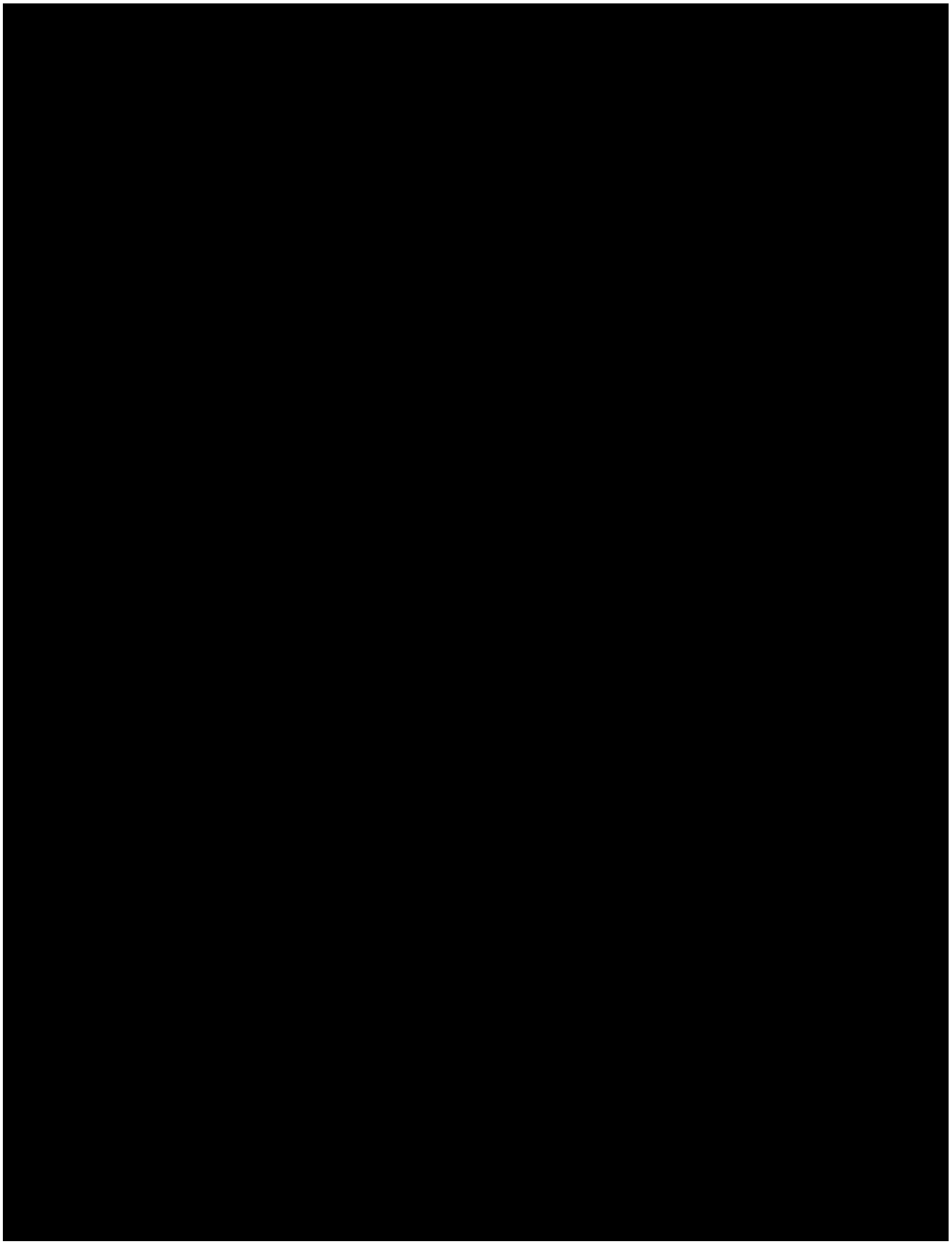

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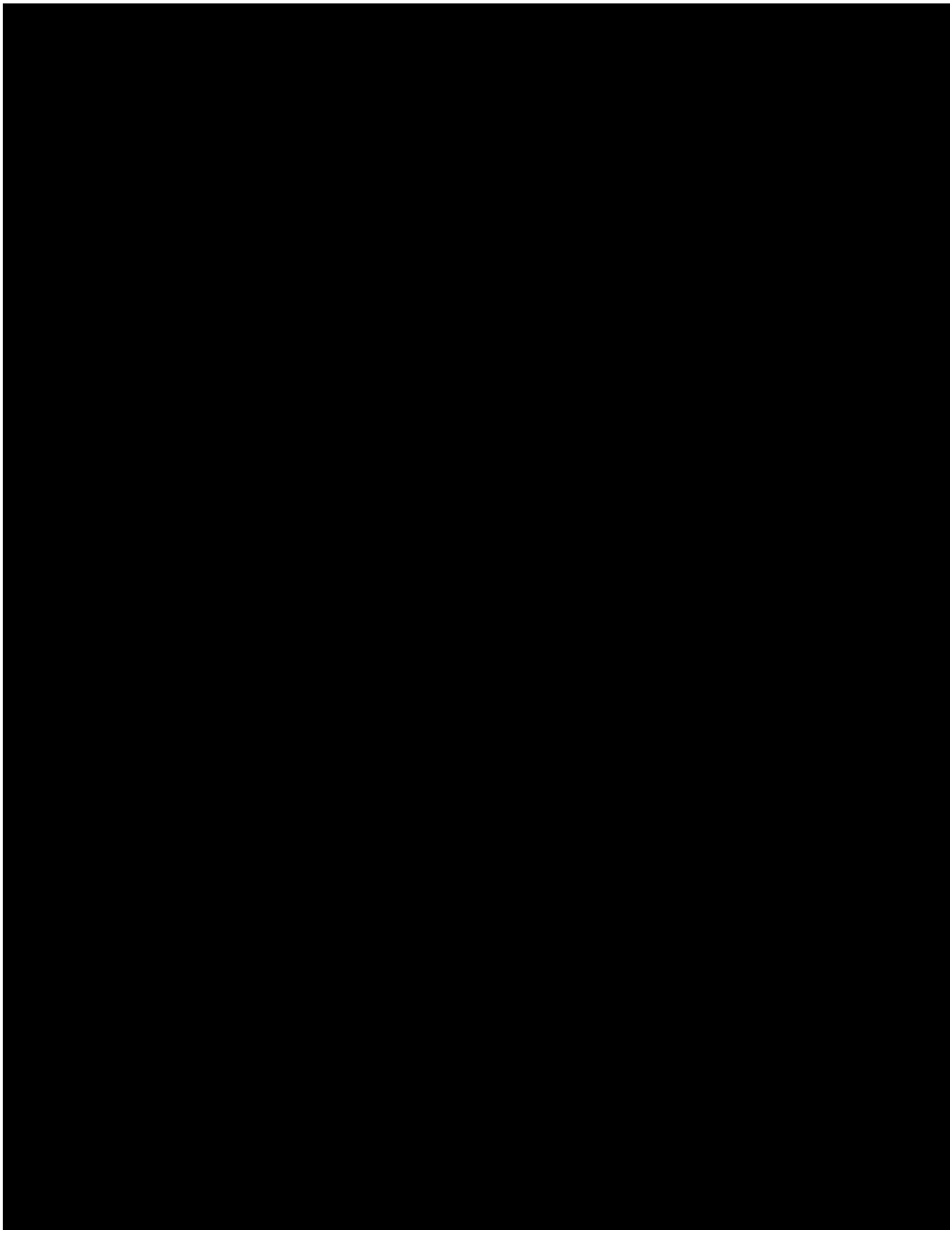

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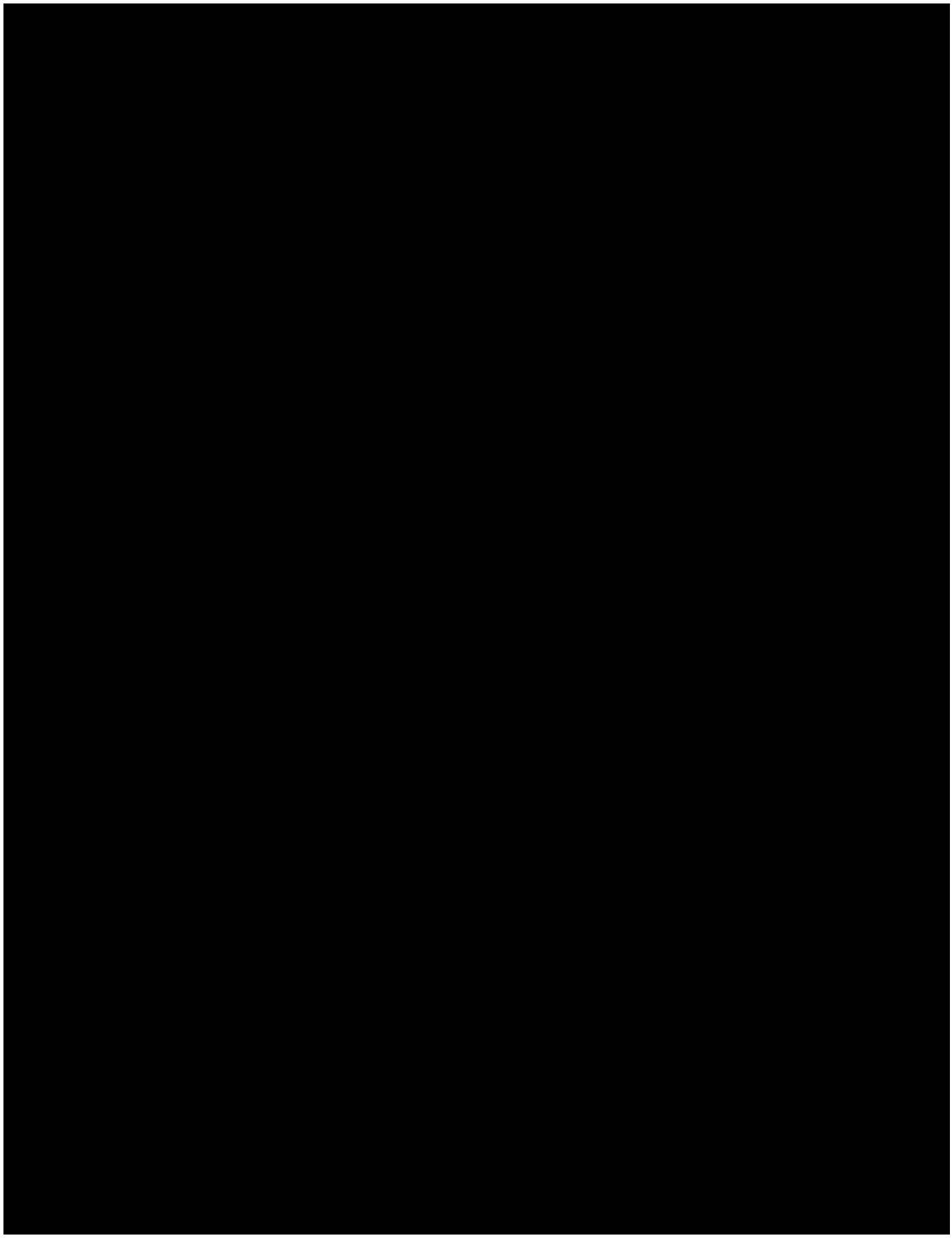

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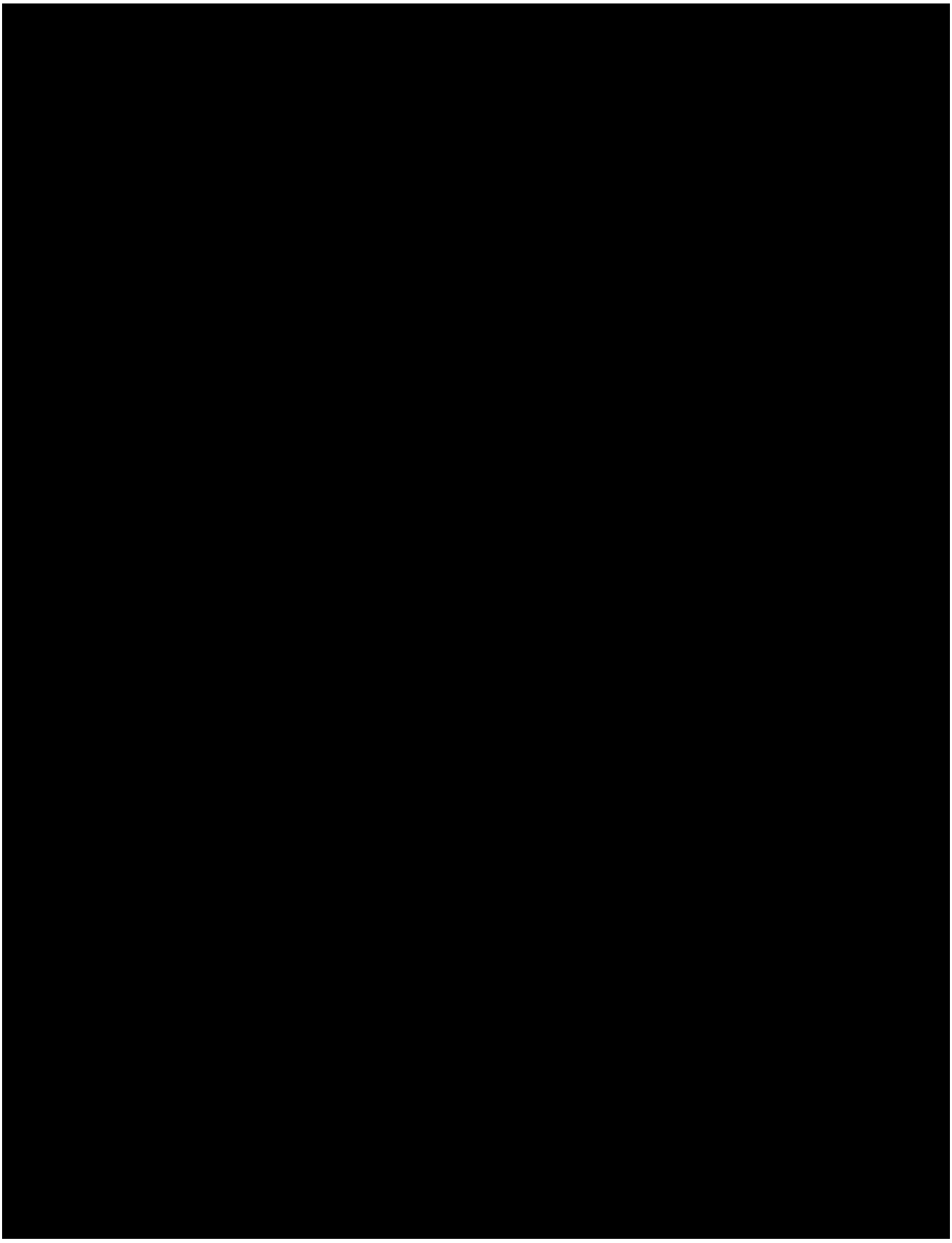

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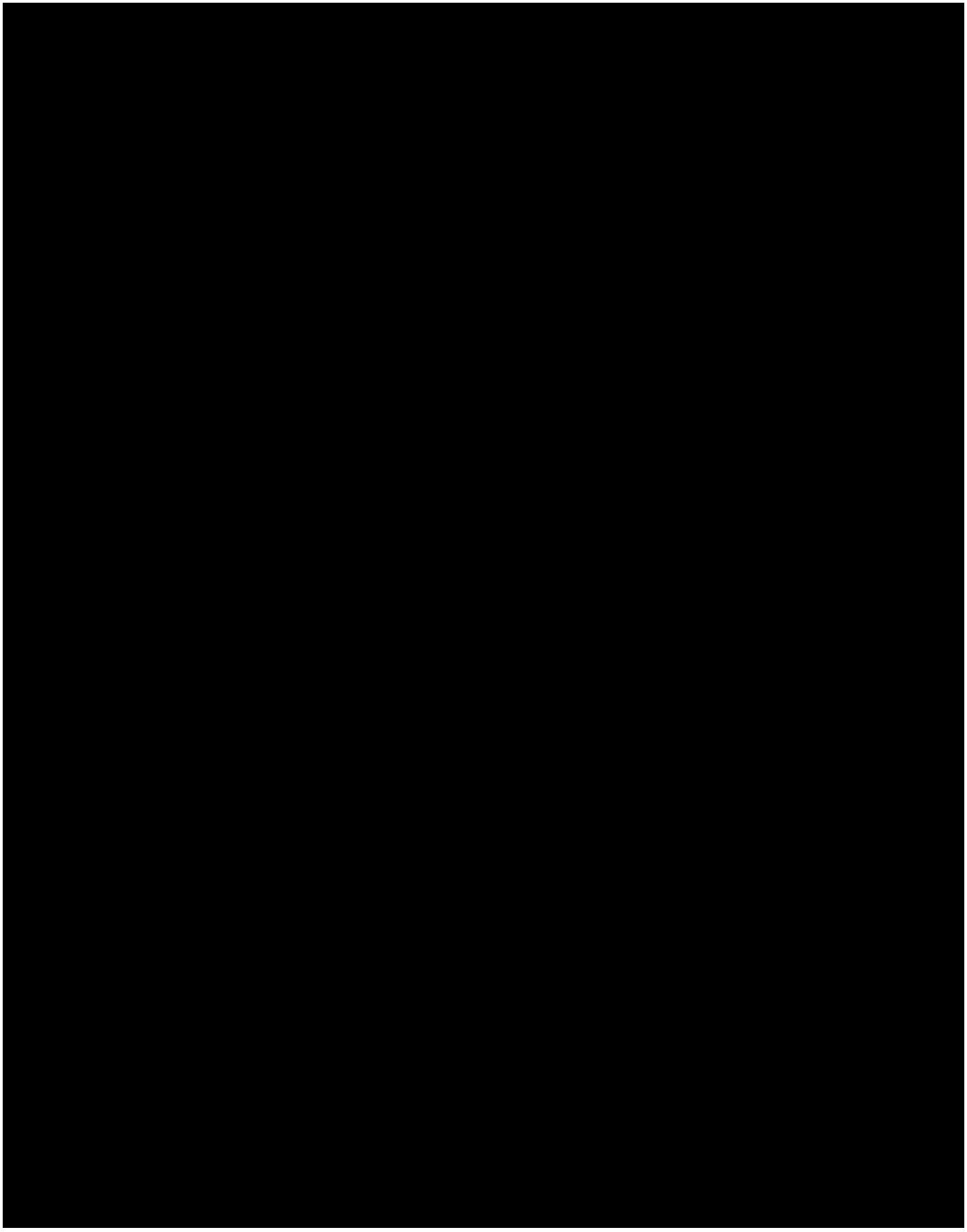

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Proposed Work Site for DDI Phase

RFP Reference: 50.2.4.1.1, Bullet 5, Page 274

EDS will continue its presence locally in Raleigh and will expand the current site at 2610 Wycliff Road, Raleigh, NC 27607. This will be the home of EDS' operations in support of the Replacement MMIS. This office is conveniently located within 15 miles of the State office at DHHS headquarters.

Our EDS facility will provide a professional business environment to facilitate a productive working atmosphere capable of accommodating required State personnel, EDS employees, and any supporting subcontractor staff. The facility will have the proper security, monitoring, and climate control capabilities that enable the North Carolina–based staff to fulfill their required technical and operational business functions.

The EDS facility will house portions of the required staff and data center supporting the DDI Phase of the Replacement MMIS project. This facility will provide the following:

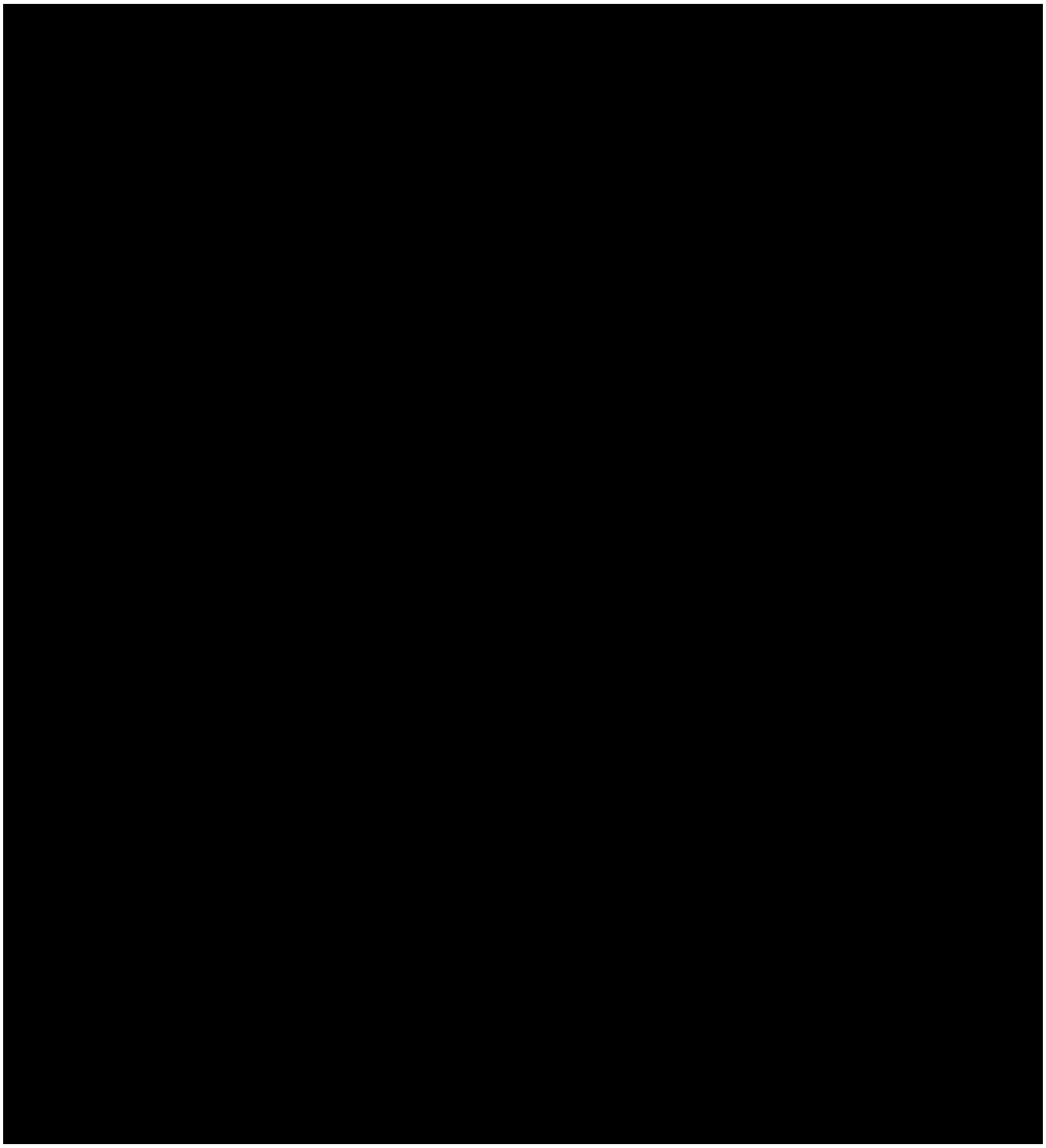
- Private office space reserved for three State employees with Internet access.
- A training room accommodating up to 50 attendees
- Space supporting 25 on-site and/or remote State testers
- A data center capable of supporting the processing needs with the following features:
  - Uninterruptible power supply (UPS)
  - Power conditioning
  - Internal environmental controls
  - Fire-retardant capabilities, smoke and electrical detectors, and fire alarms monitored by security personnel

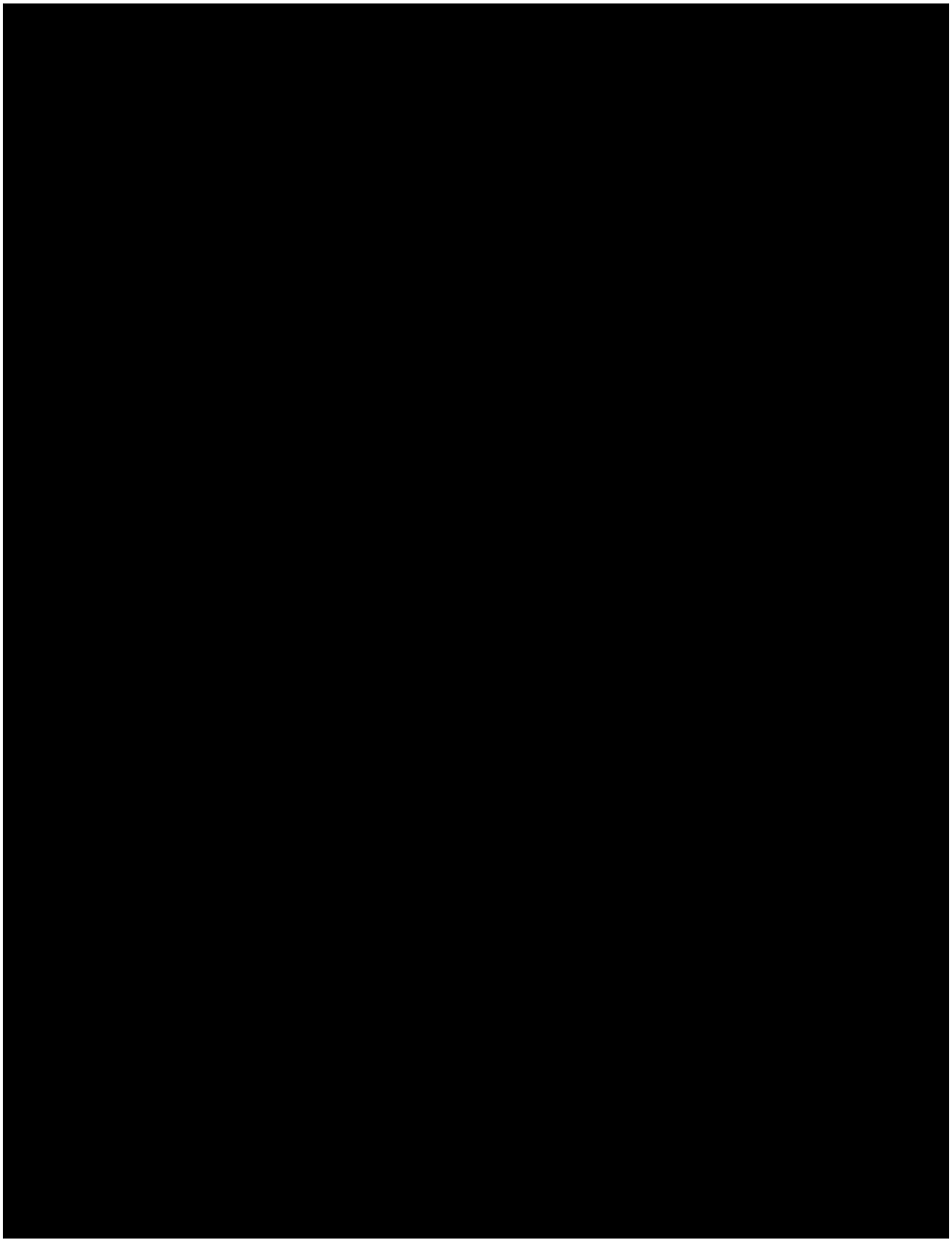
EDS has resources dedicated to the implementation of interChange throughout the United States, specifically in Plano, Texas; Vancouver, Wash.; and Herndon, Va. We also will use our leveraged applications delivery services teams across the United States, specifically in Lansing, Mich., and El Paso, Texas. These leveraged teams have been involved in our current and past MMIS implementations and are considered subject-matter experts for interChange, bringing their specialized skills to the overall team. Additionally, our Global

Testing Organization is primarily based out of Michigan but has resources across the United States. These EDS teams are located in facilities that provide the technical infrastructure capable of supporting the DDI Phase and are fully secured in accordance with the State's security policy.

Proposed Technical Architecture

RFP Reference: 50.2.4.1.1, Bullet 6, Page 274





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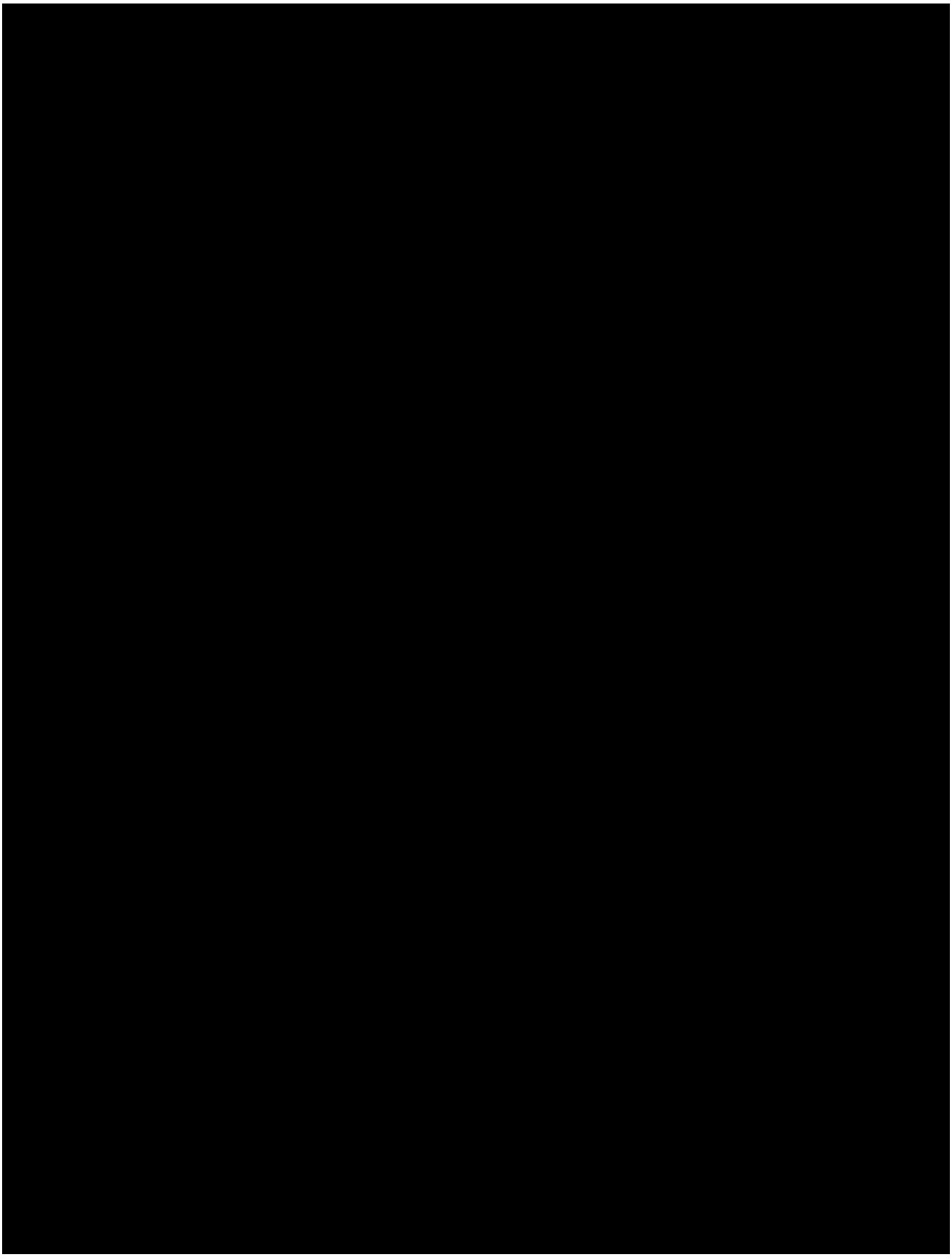

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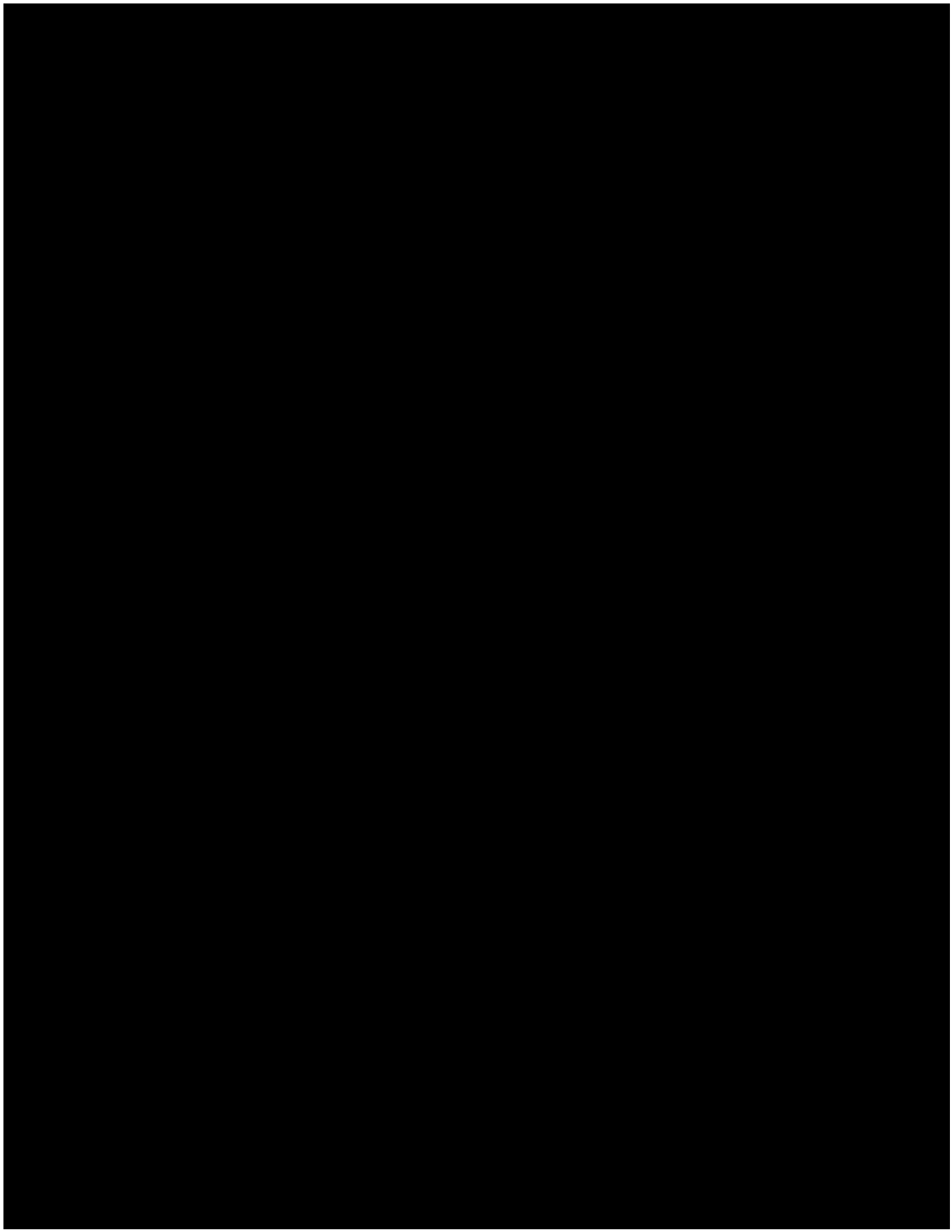

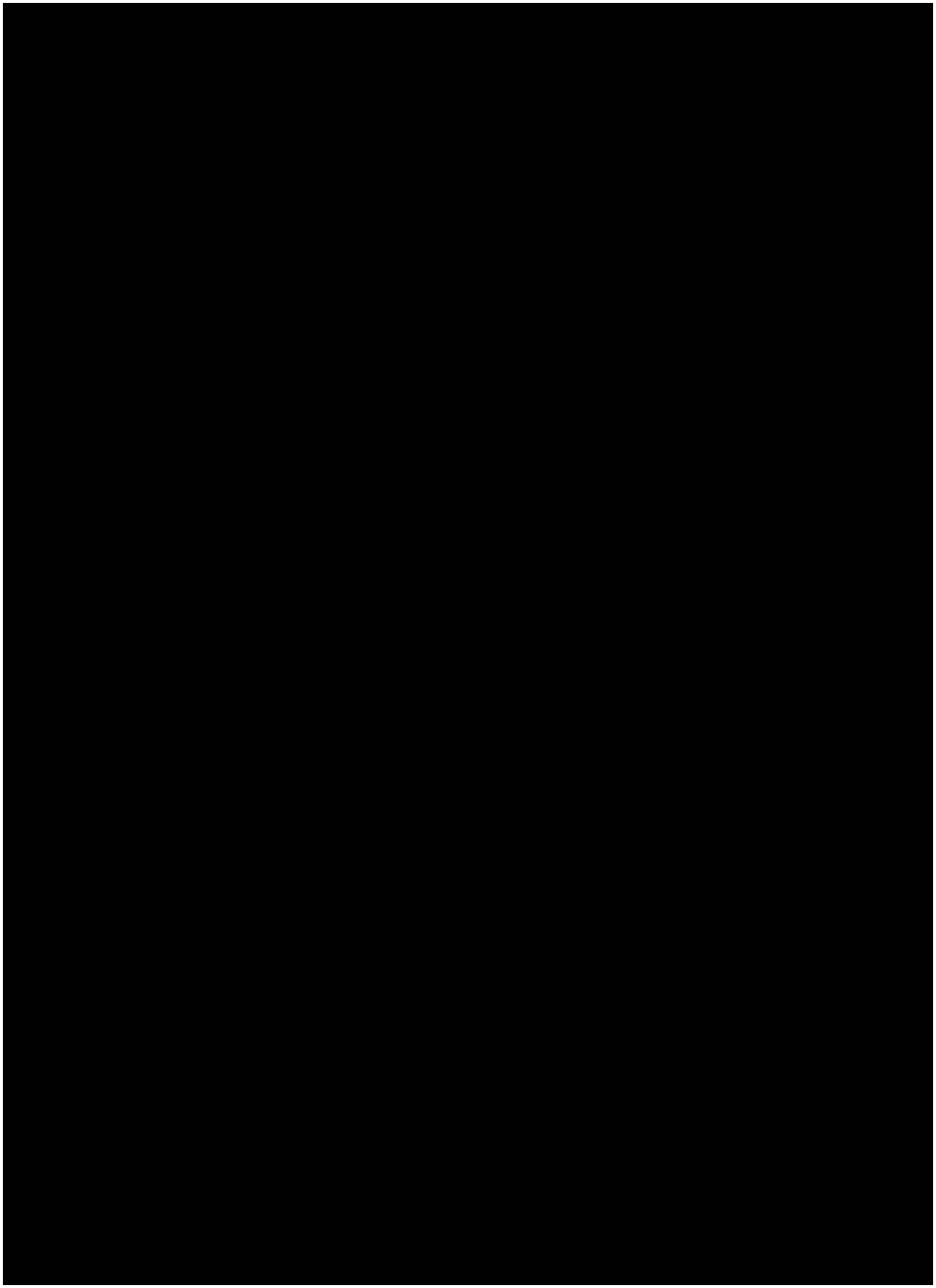

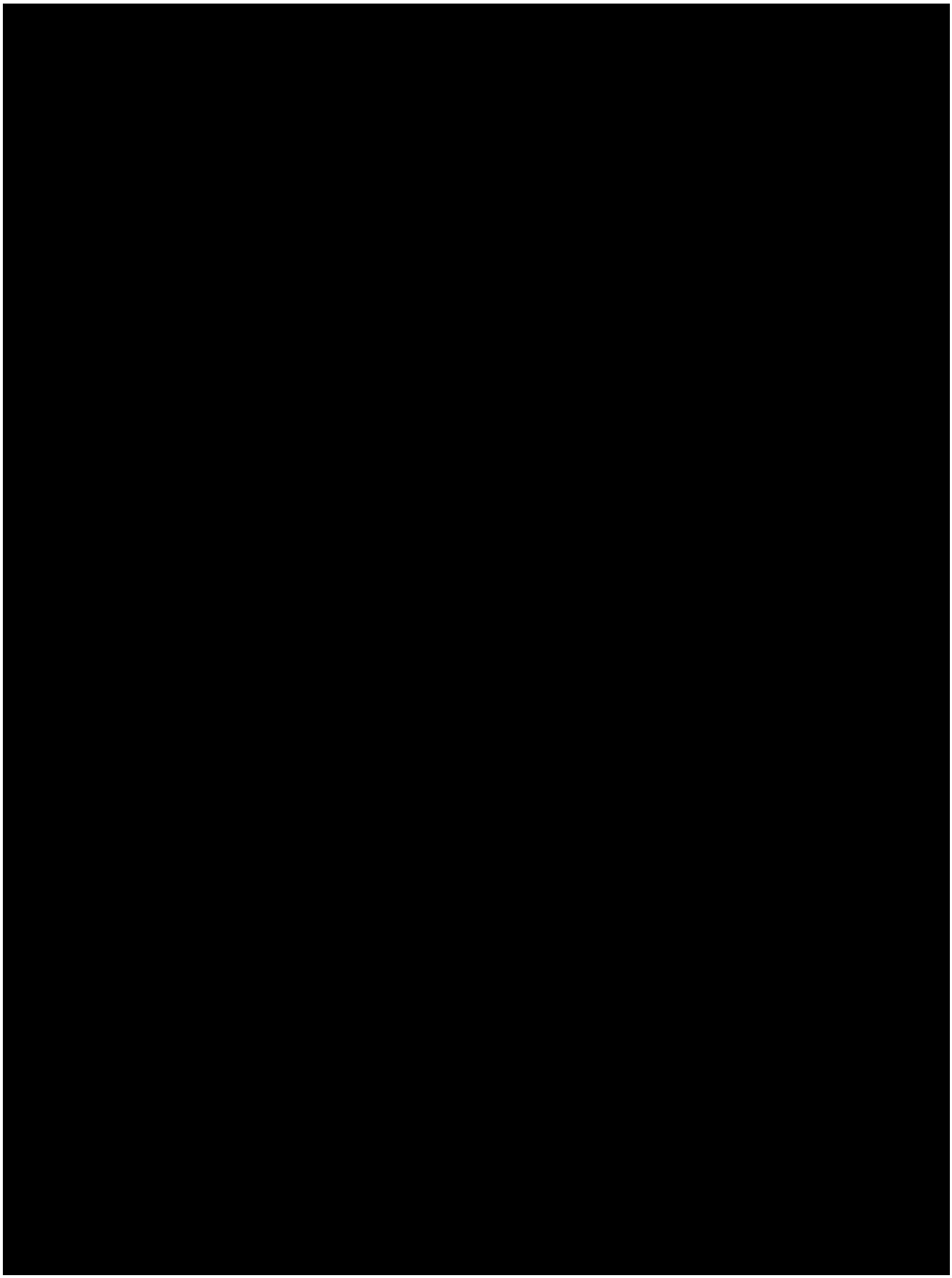

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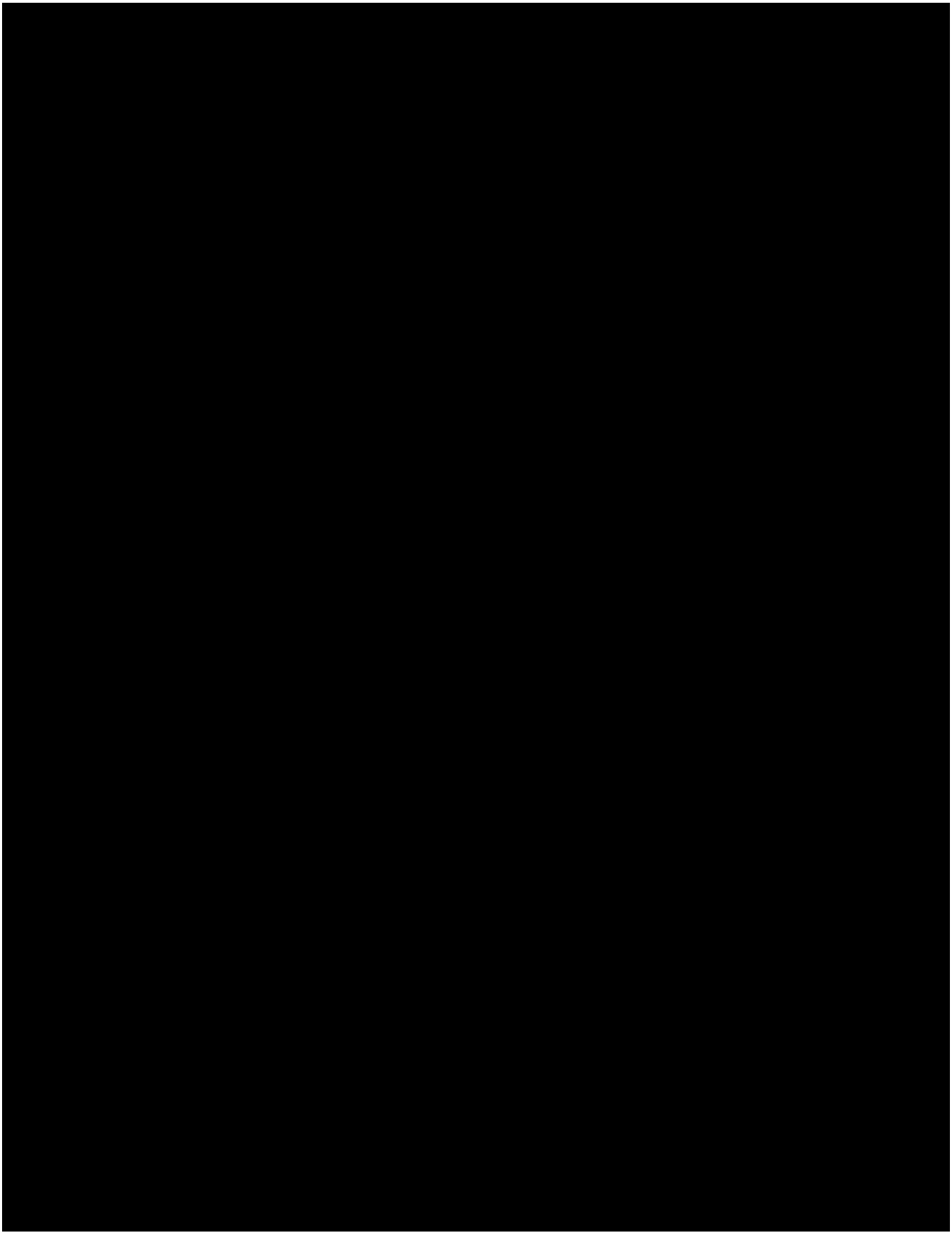

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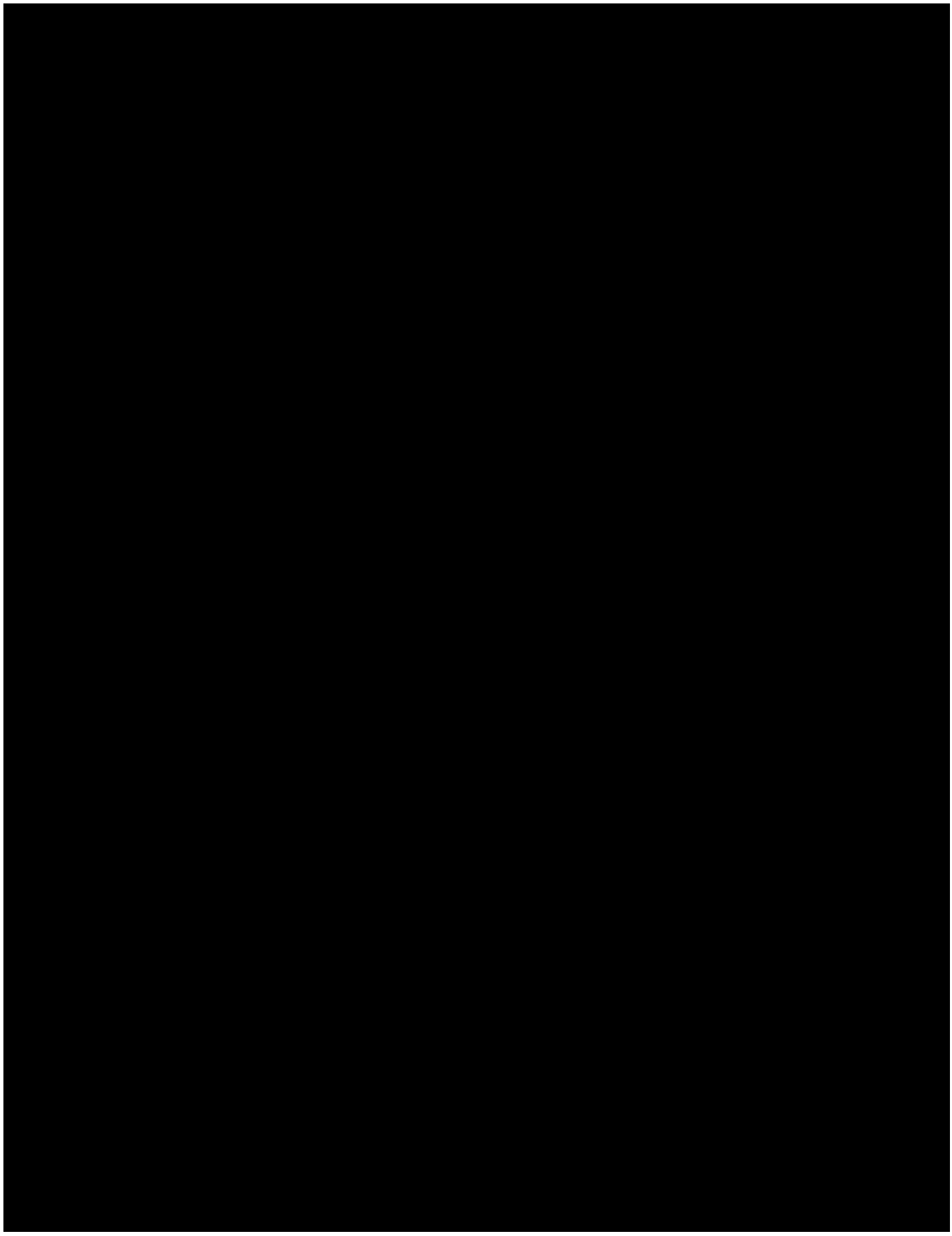

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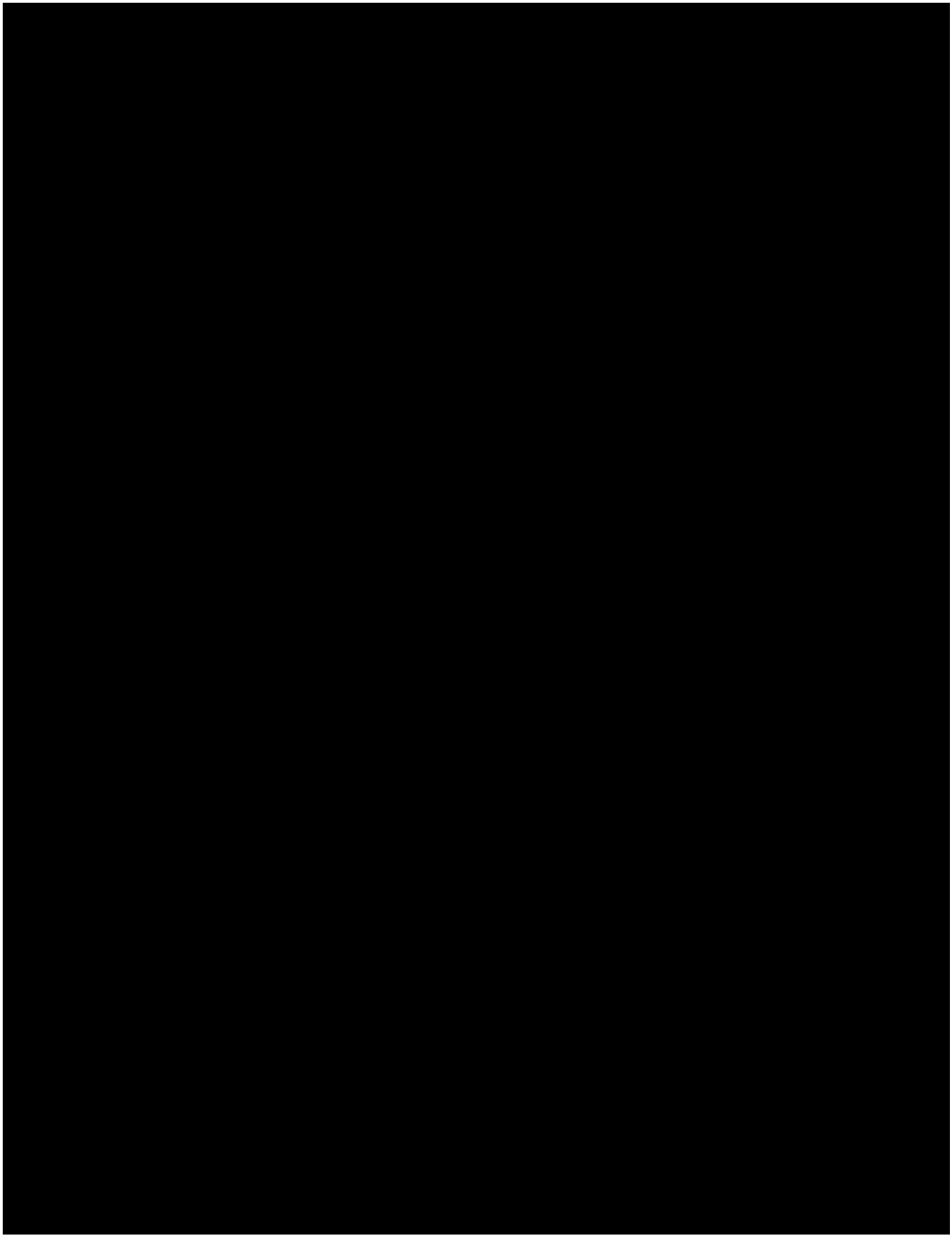

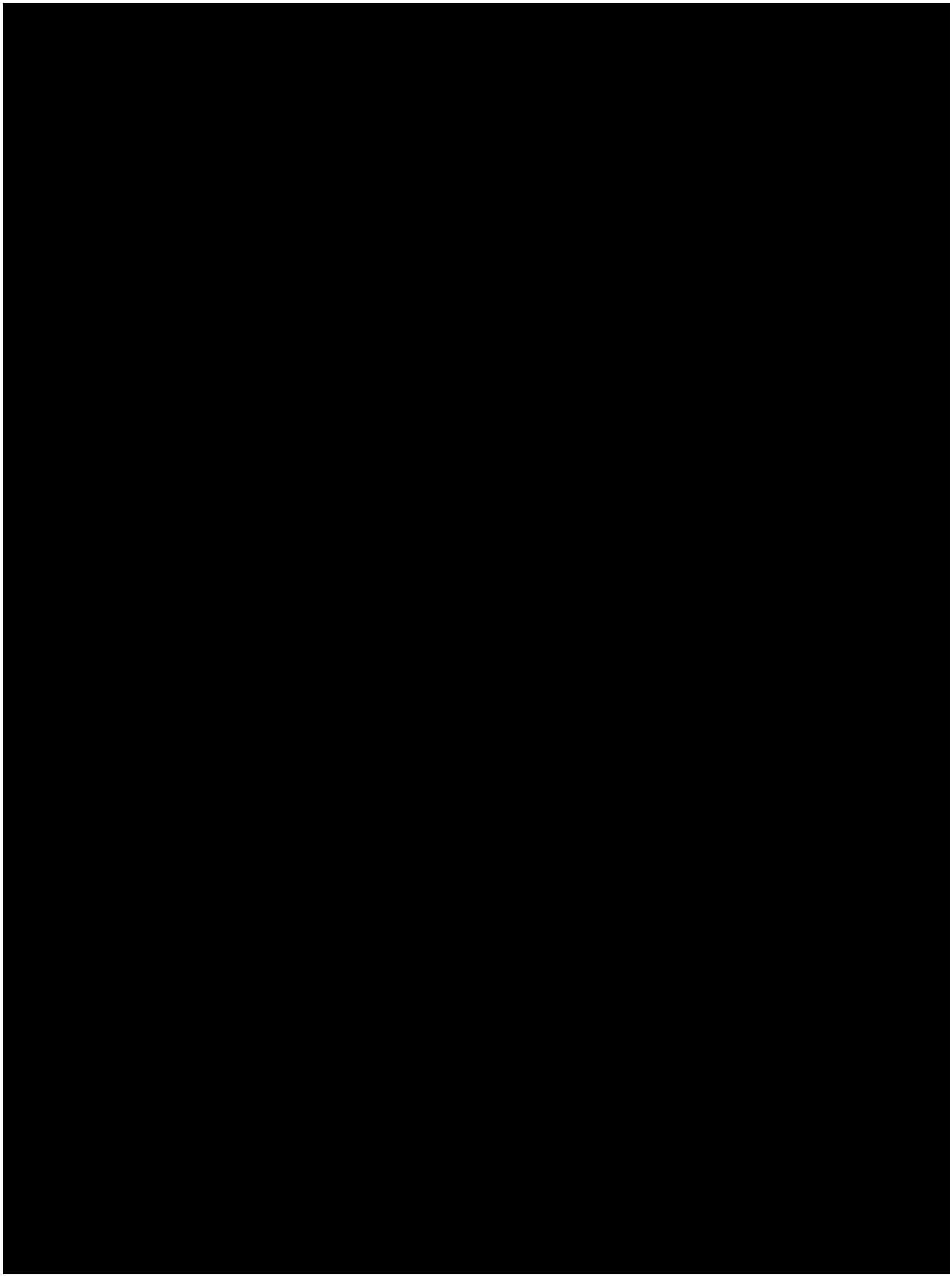

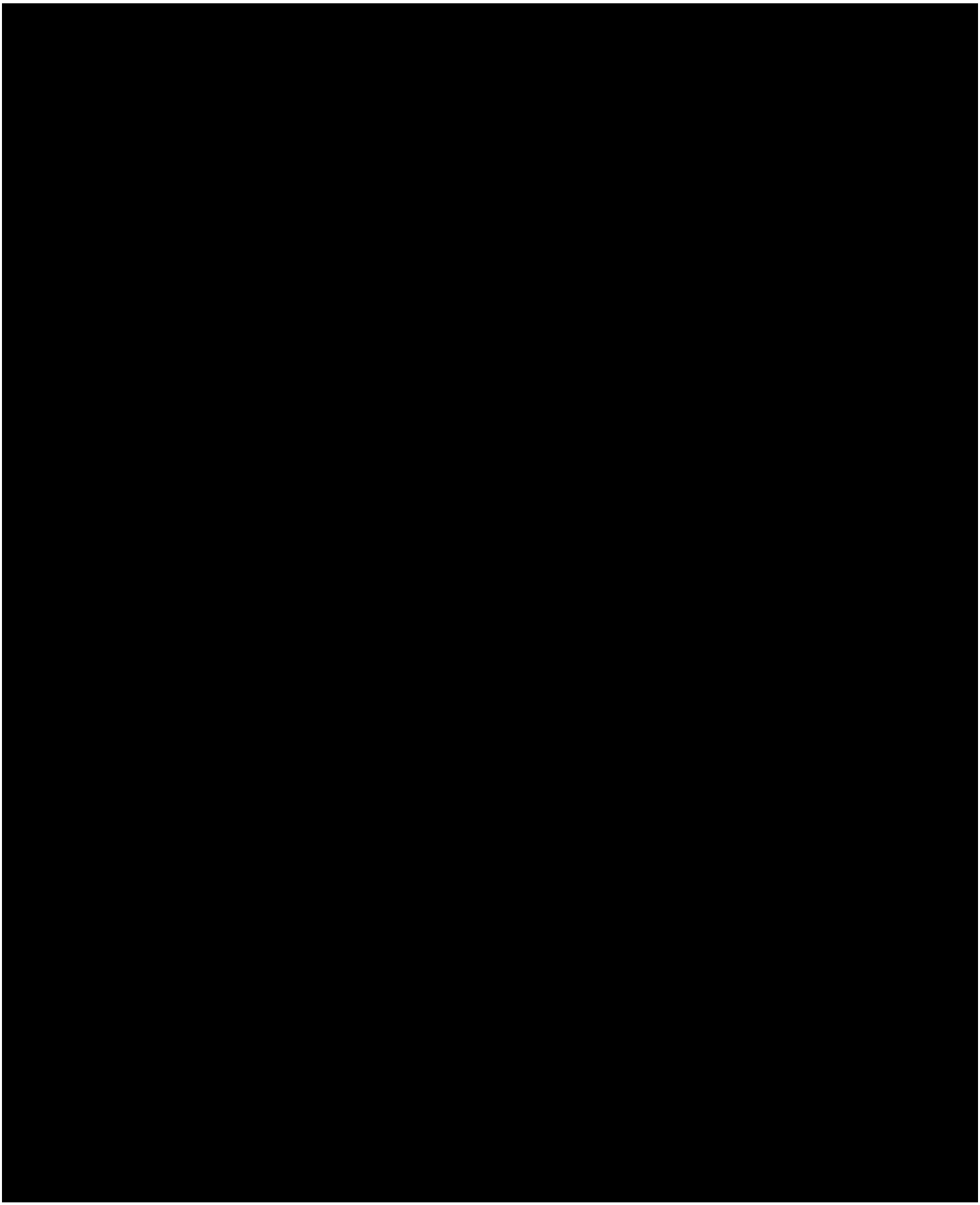

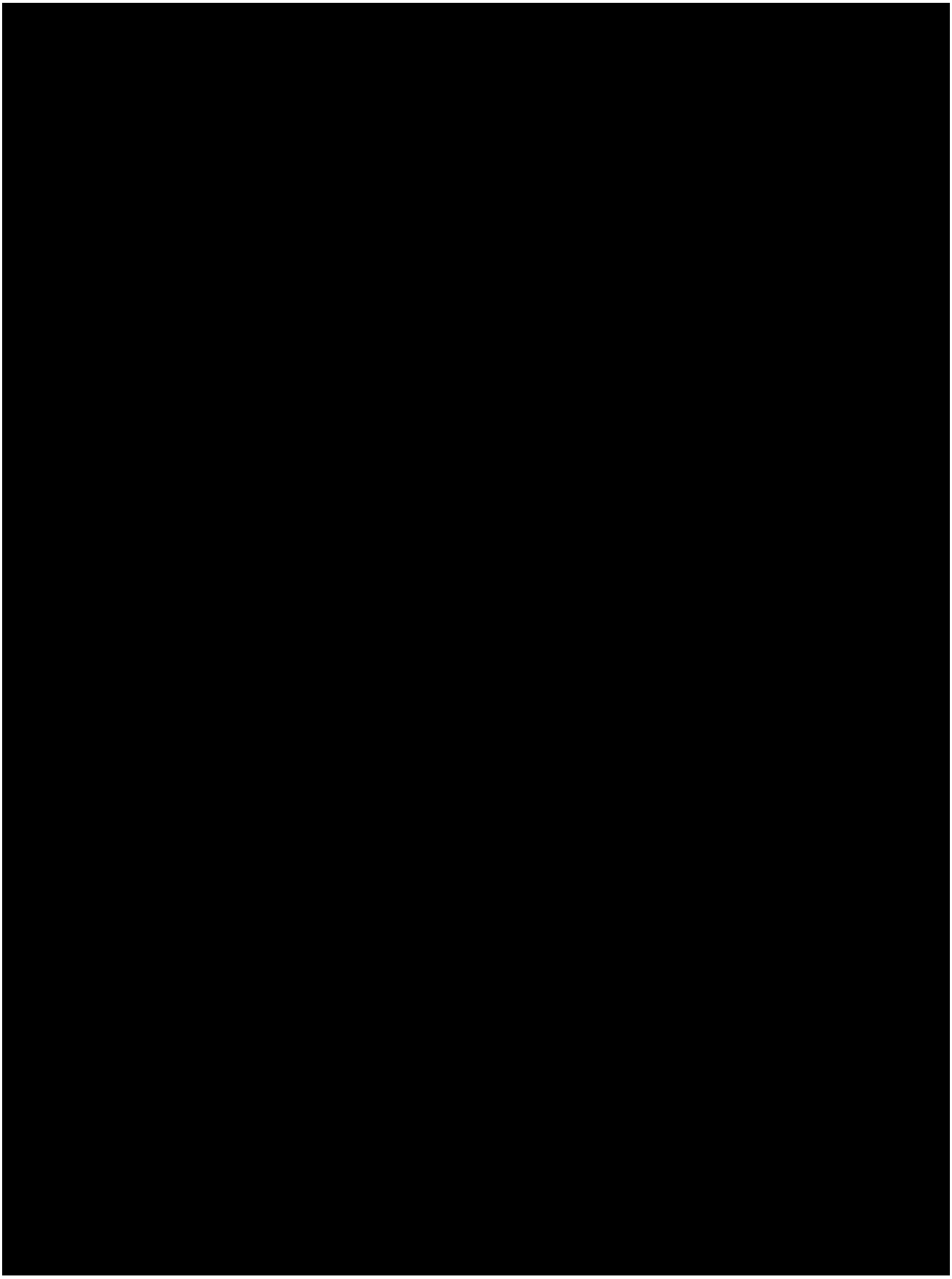

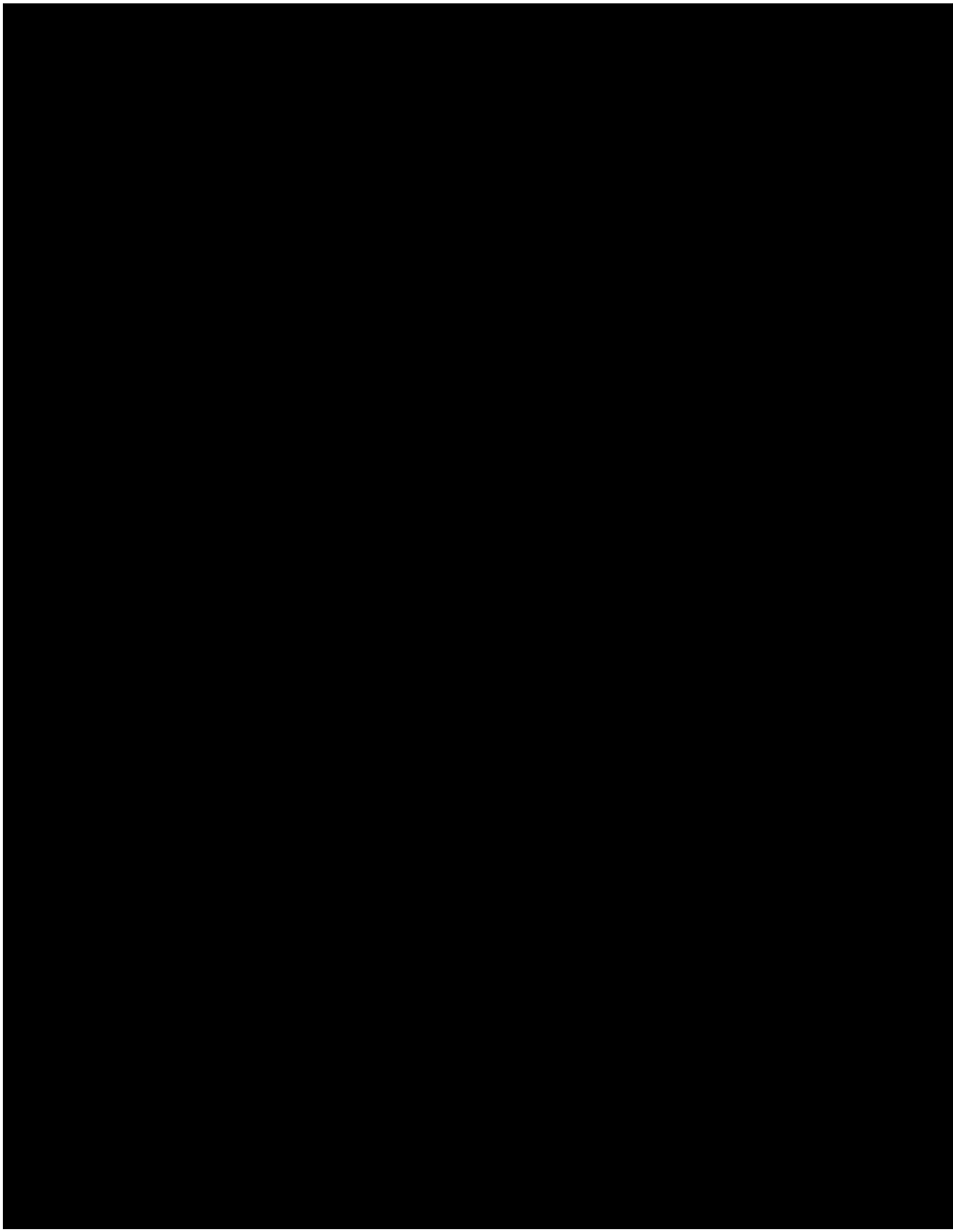

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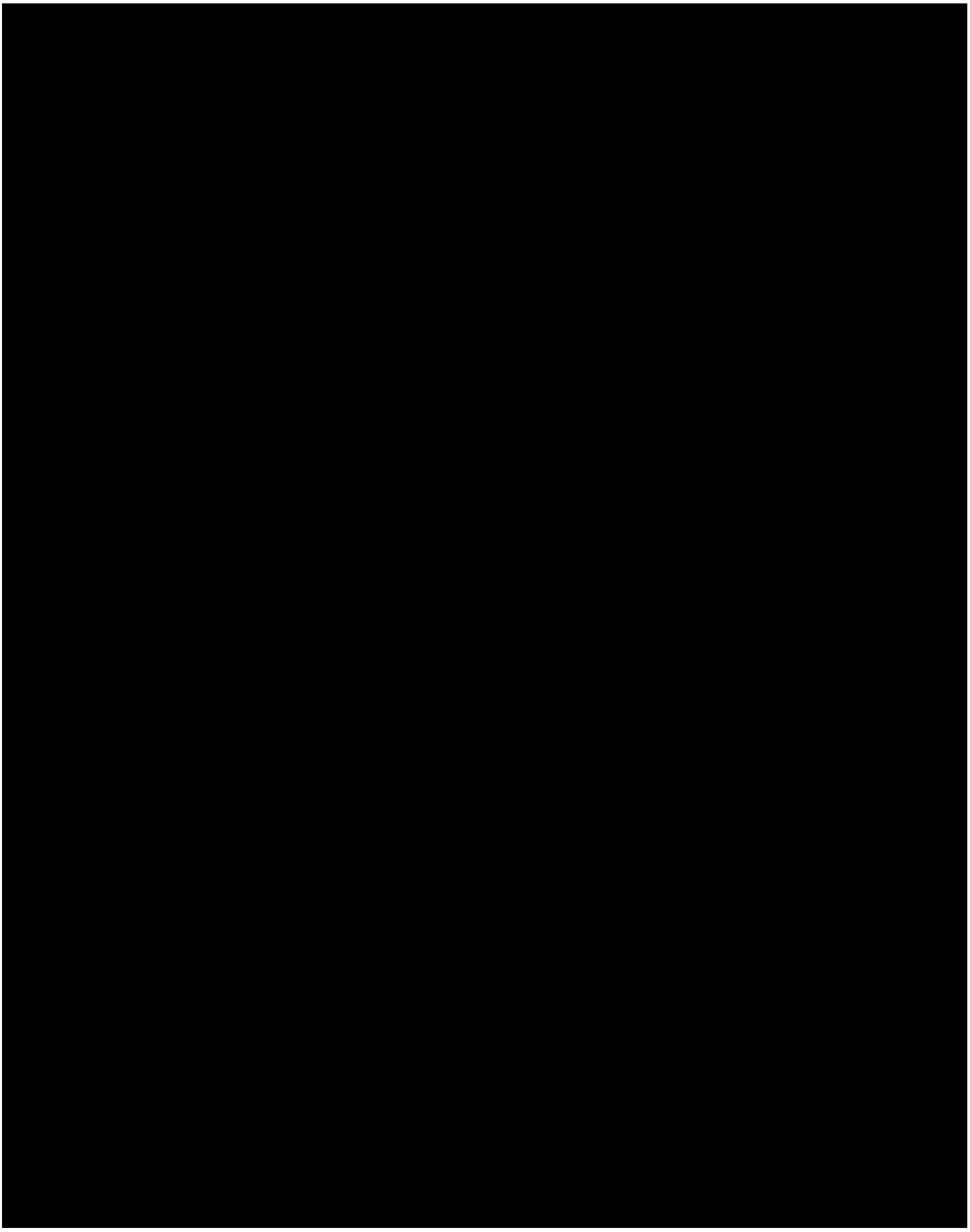

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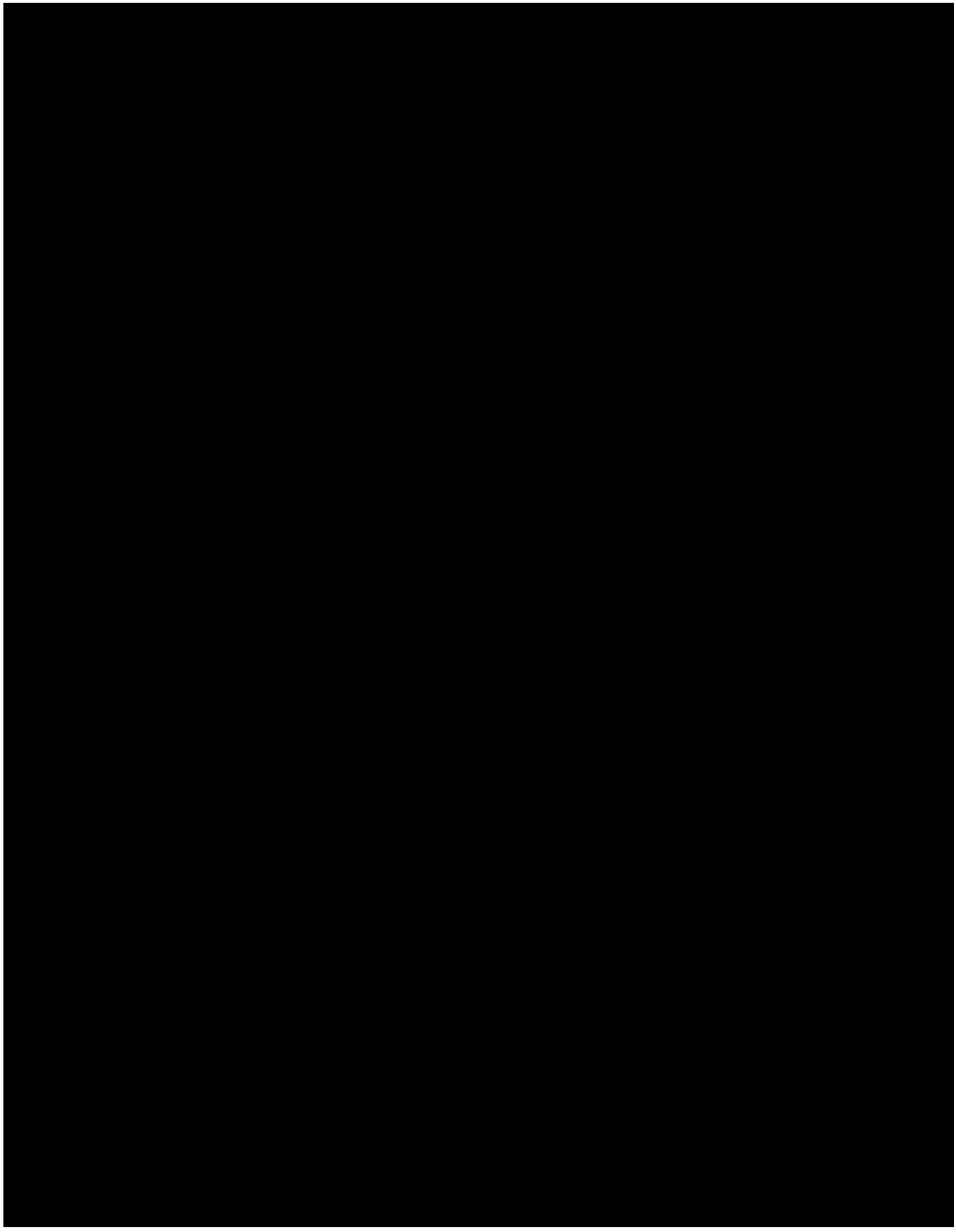

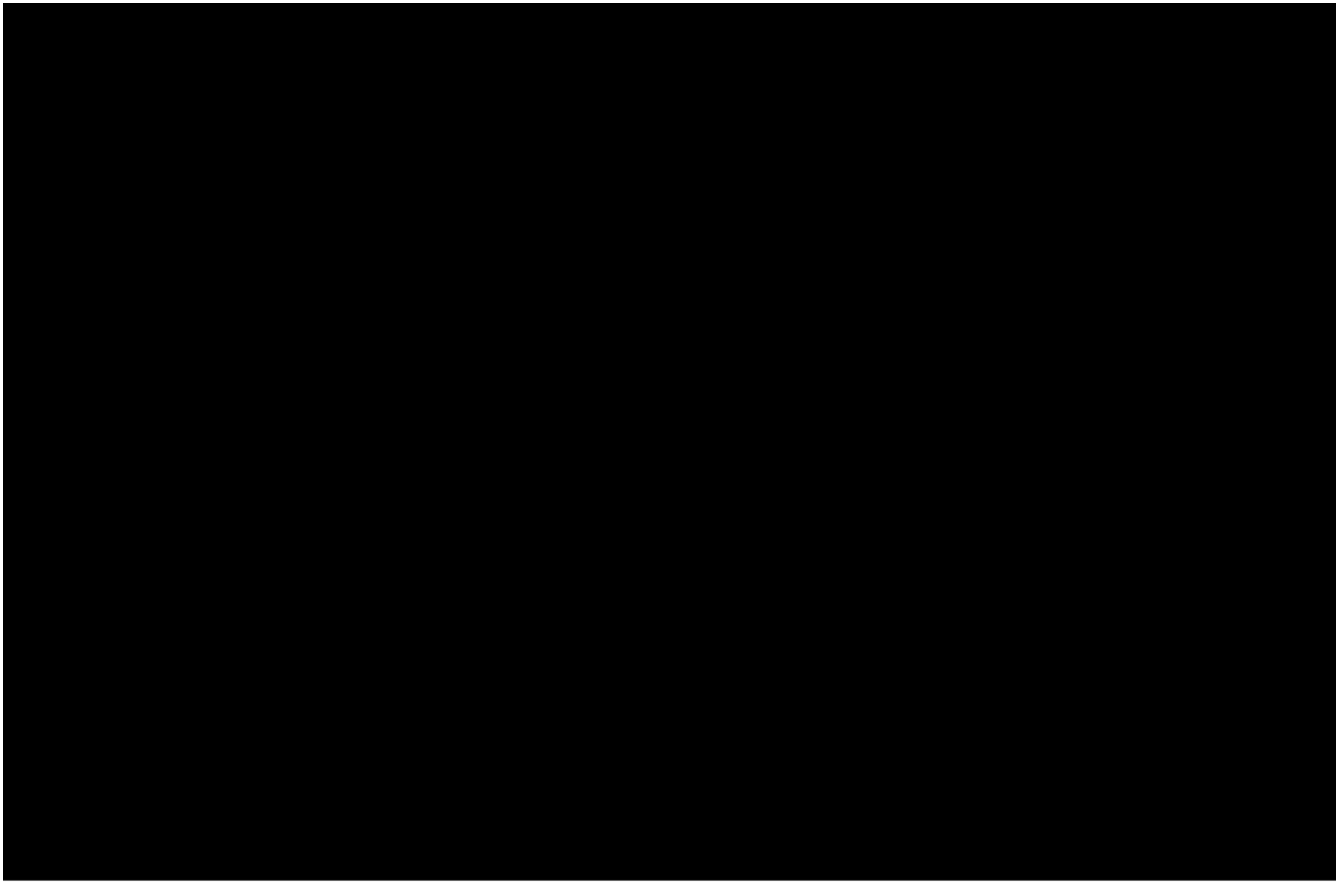

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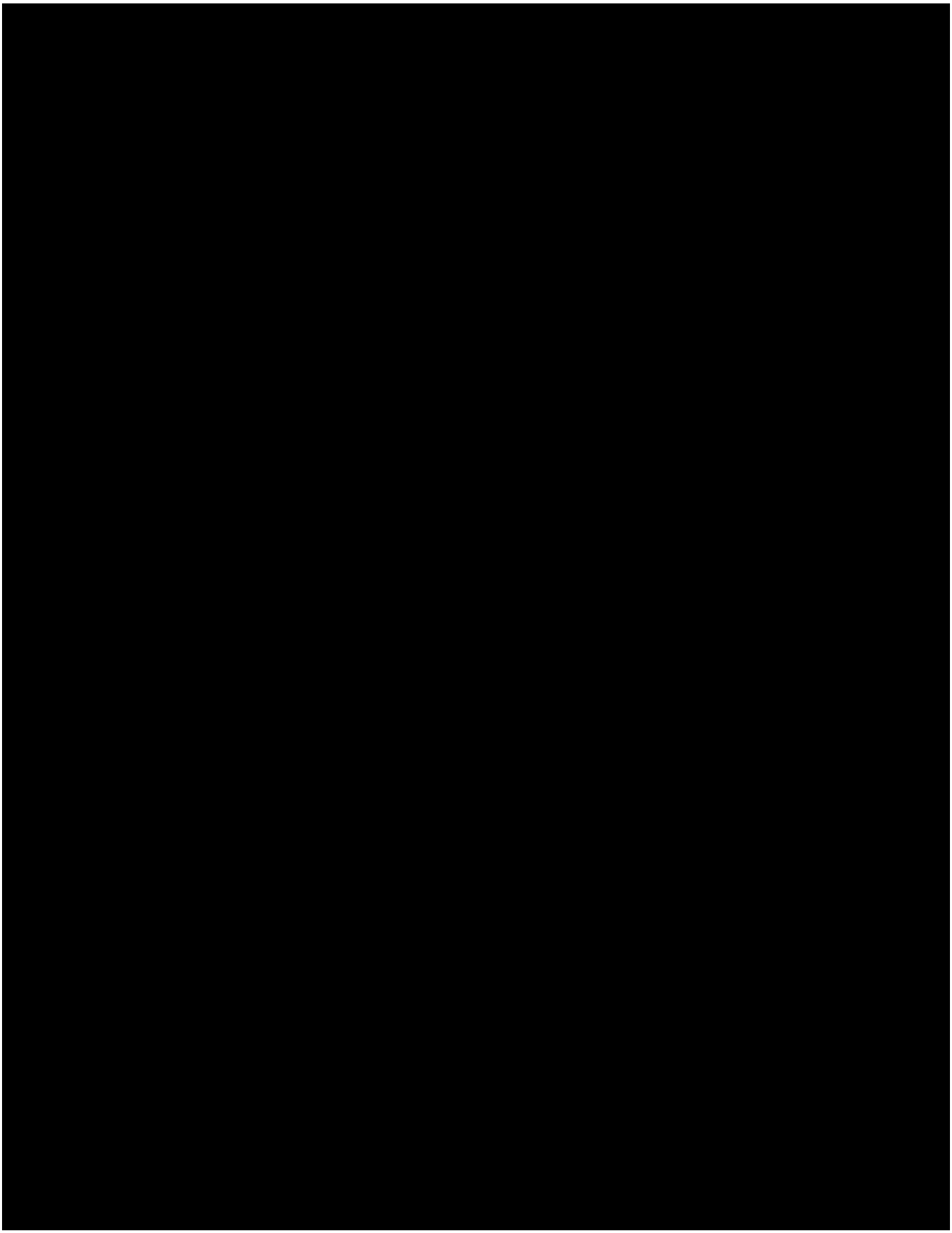

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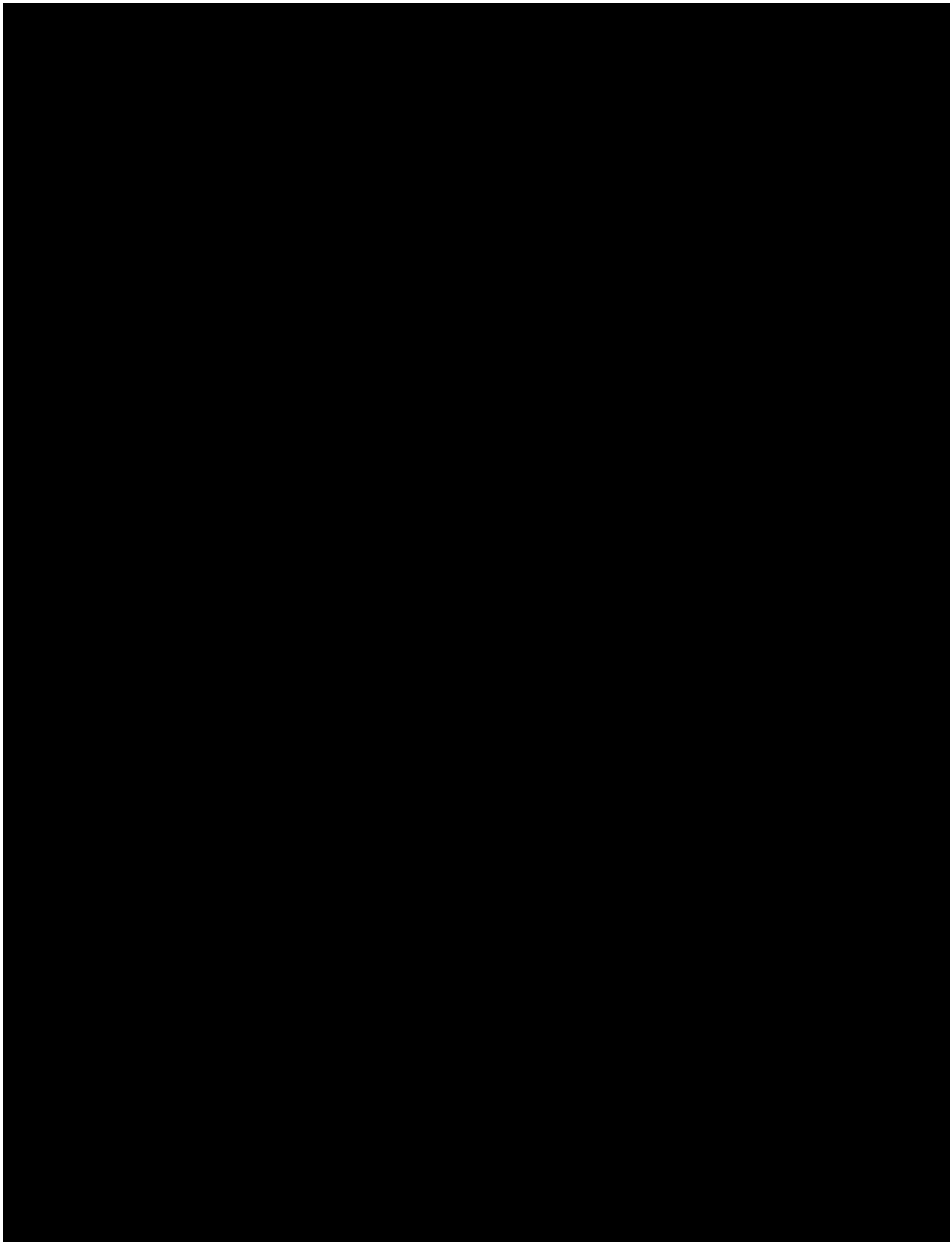

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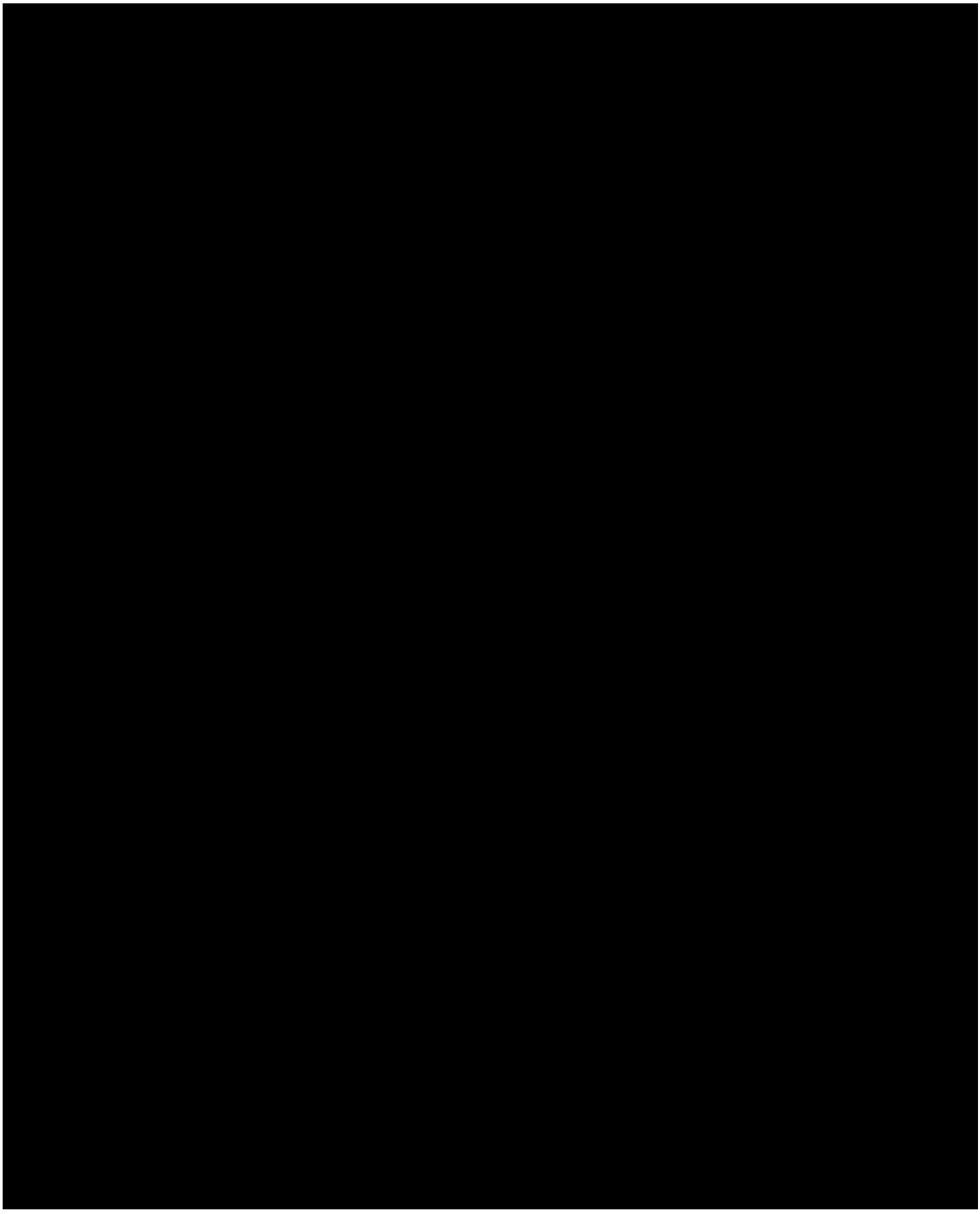

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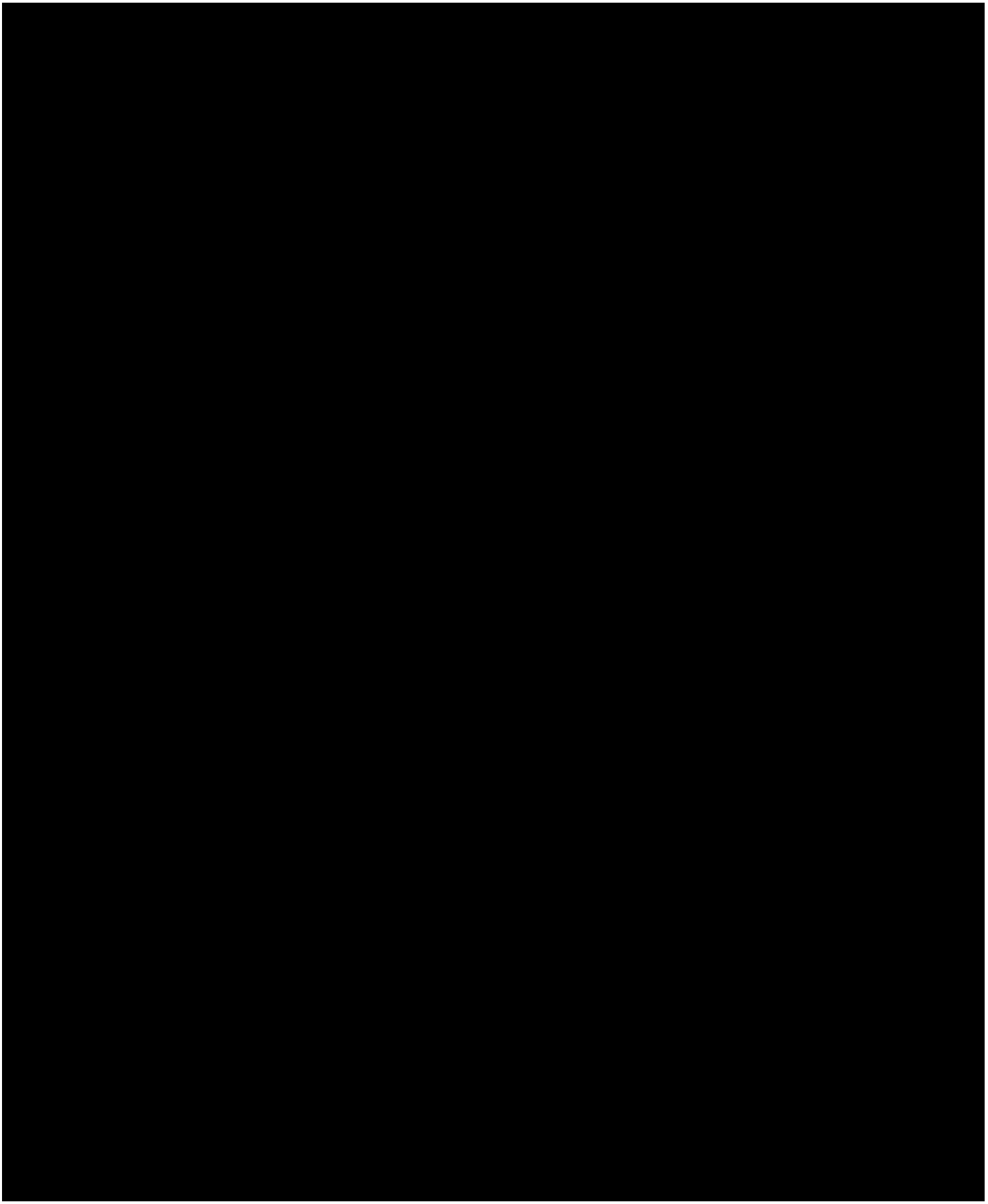

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Licensing and Third-Party Agreements

RFP Reference: 50.2.4.1.1, Bullet 7, Page 274

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How Proposed Solution Minimizes TCO

RFP Reference: 50.2.4.1.1, Bullet 8, Page 274

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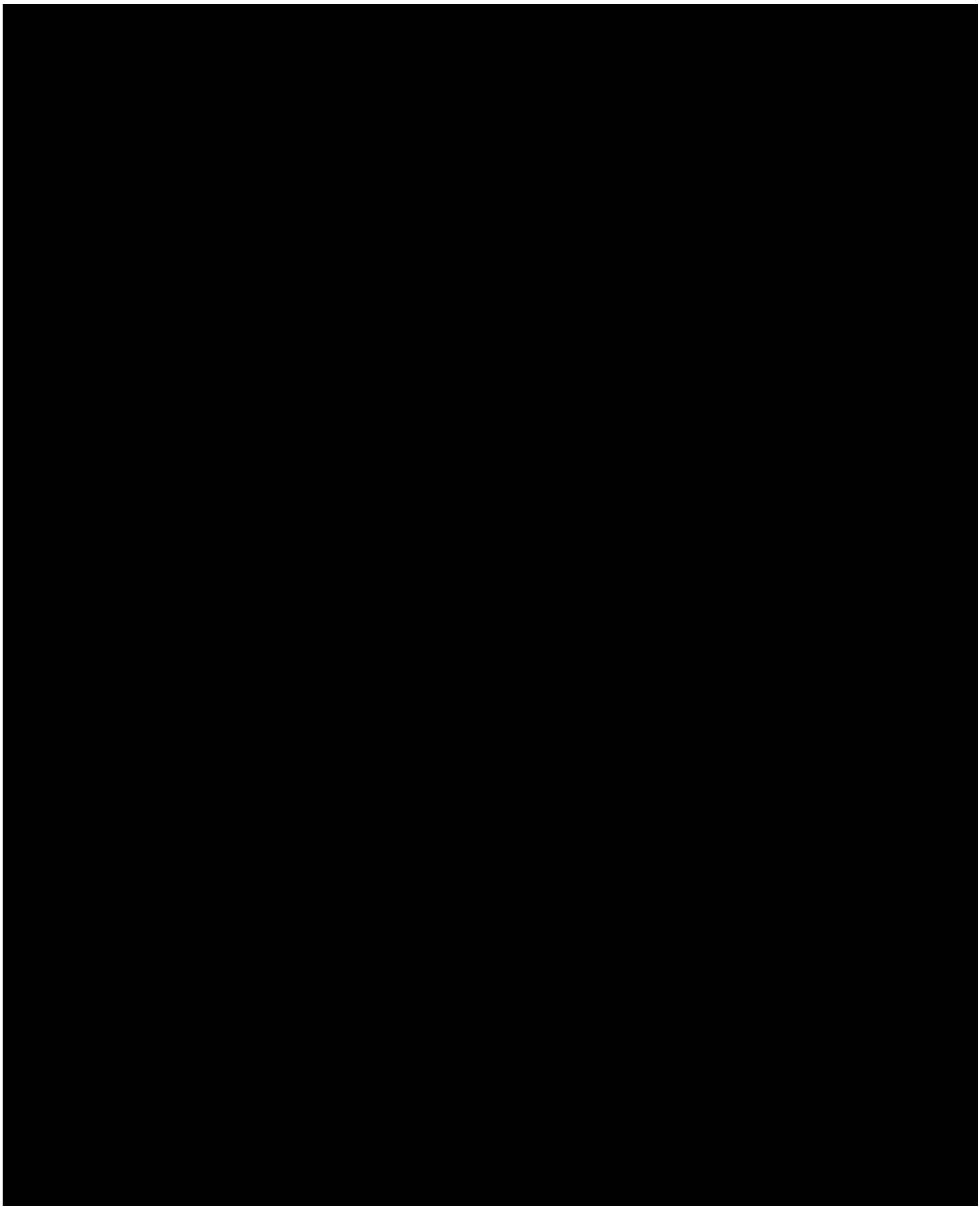

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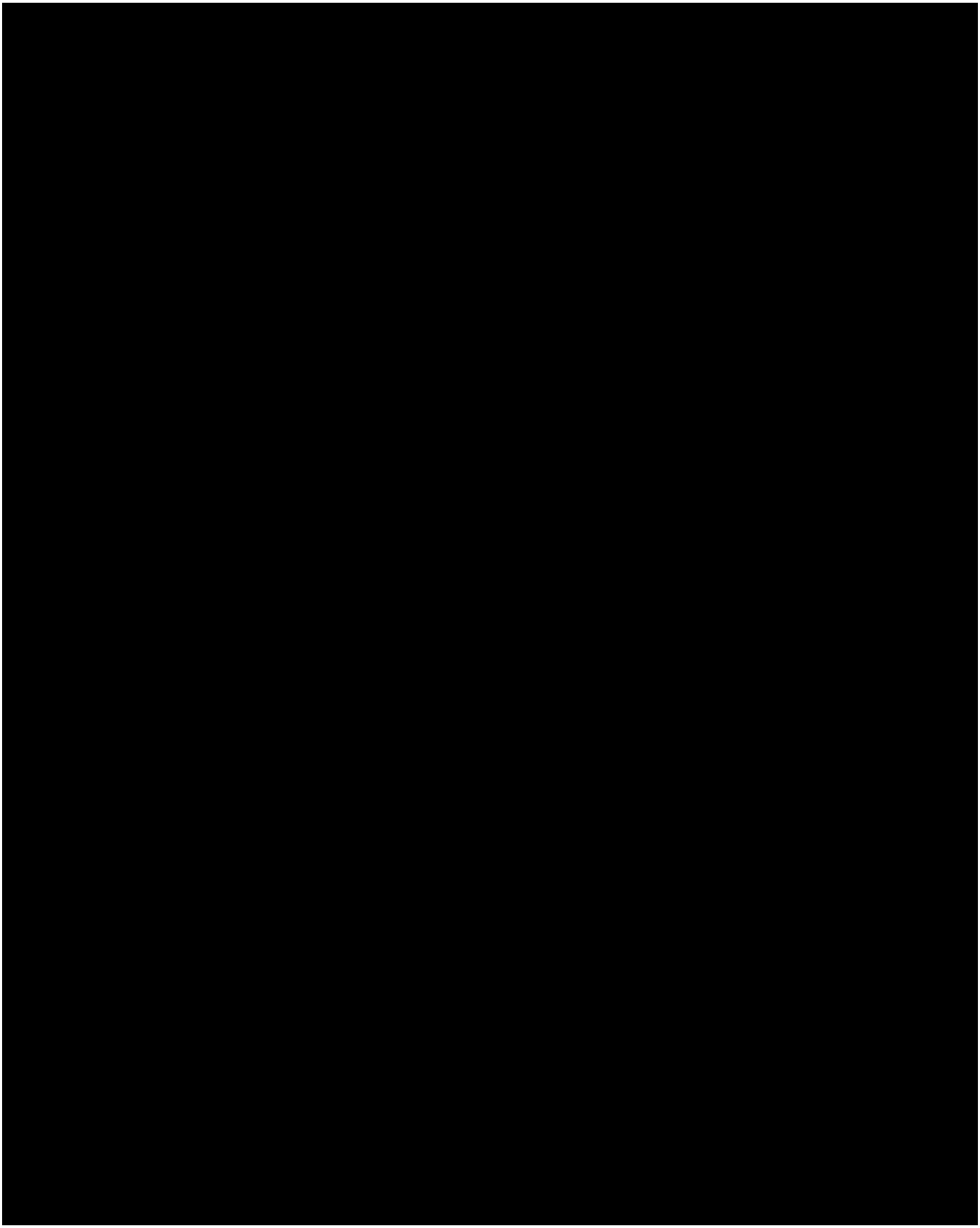

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Scope and Duration of Warranty

RFP Reference: 50.2.4.1.1, Page 274

EDS will provide an industry-standard six-month Replacement MMIS warranty, following the final delivery of the Replacement MMIS.

EDS' warranty covers repairs in defects in system and non-system deliverables during the warranty period. EDS will use technical staff to identify the root cause of such defects during the warranty period. We will use our information Tracking Repository and Collaboration Exchange (iTRACE) browser-based project management tool to track current defect status and progress toward defect resolution. With iTRACE, State personnel can check on the status of defects at any time. We also will report on defect status at the regularly scheduled project meetings with the State.

During this warranty period, any detailed system design changes implemented will be documented to incorporate modifications made as a result of correcting these defects. After identifying and reporting a problem or issue, we will develop and implement a corrective action plan. In the corrective action plan, we will document the issue or problem and research the situation to identify its root cause. We will develop alternative solutions and prioritize tasks in relationship to the work plan. We will evaluate the effect on the existing project schedule and look to any contingency plan activities, if needed.

When we have implemented the corrective action, we will update or correct corresponding documentation and revisit any affected training activities. We also will communicate the action taken with other areas of the project team.

We will have a formal change control process to document any discrepancies and their resolution and to manage changes to programs and libraries. If defects or issues are discovered, we will immediately have the responsible technical resource identify the cause of the problem, correct the problem, and complete retesting activities. We also will perform internal regression testing on the component to validate that no unintended changes have occurred to previously working functions. We will convene the change control board (CCB) to prioritize the repair and remediation work. This group will assign a priority based on defined project urgency levels and the consideration of both fiscal and program impacts. In response to emergencies, we will collaborate to resolve issues and address special needs.

Because some changes are driven by making corresponding changes in the rules engine and interChange tables, an advantage offered by the proposed solution is that we can address these changes quickly with an immediate update of a table that does not require technical intervention. The flexibility of the system and the quickness with which these changes can be applied and tested poses minimal risk to the implementation schedule and the start of operations.

50.2.4.1.2 Software Development and Systems Engineering Methodology

RFP Reference: 50.2.4.1.2 Software Development and Systems Engineering Methodology, Page 274; 10.9 Software and Systems Engineering Objectives, Paragraphs 1-2, Page 9

A project's success depends largely on using a methodology that provides a solid foundation for software development. It also depends on recognized tools and techniques used to effectively manage and control the project. EDS is committed to achieving project success by using a disciplined and proven approach to software development and system engineering processes.

State of North Carolina

A project's success depends largely on using a methodology that provides a solid foundation for software development. Project success also depends on a set of recognized tools and techniques that are used to effectively manage and control the project. EDS is committed to achieving project success by using a disciplined and proven approach to software development, system engineering processes, and project management.

We will use our Systems Life Cycle, Version 3 (SLC 3) and Project Management methodology, Version 2 (PM 2) methodologies to develop and maintain the Replacement MMIS for North Carolina. SLC 3 establishes a common development cycle for supporting orderly system development with client input and involvement. PM 2 reflects the industry standards and guidelines as outlined in the Software Engineering Institute's (SEI's) Capability Maturity Model (CMM) and the Project Management Institute's (PMI's) Project Management Body of Knowledge (PMBOK). These project tools are part of our corporate standards and have been used on our application implementations, regardless of industry, market segment, or project size. They have been enhanced over time by lessons learned and changes in the marketplace.

The State directly benefits from the EDS experiences in applying this development approach to similar projects. The EDS methodologies and project management principles were used successfully for previous interChange implementations; namely, Kansas, Oklahoma, Pennsylvania, Tennessee, and Kentucky. In addition, EDS is using SLC 3 and PM 2 in current implementations in Alabama, Connecticut, Florida, Massachusetts, Oregon, Wisconsin, and Ohio. Led by Implementation Manager Dean Taunton, the development team in North Carolina will use the knowledge and insight gained from these development projects as lessons learned are shared and subsequently used to improve our interChange development process.

The following table, Project Phases and Roles, outlines our software development approach.

Project Phases and Roles

Phase	Our Approach	EDS Role	State Role	Benefit
Requirements Analysis (Define/ Analyze)	Conduct requirements validation (RV) sessions with resources that have State business knowledge and interChange expertise	Conduct RV sessions with the State and document decisions and assumptions with the key project stakeholders	Meet with EDS to answer questions and clarify requirements and review and approve requirements analysis documentation	Clear understanding of the project requirements and expectations from the beginning of the project that lays the foundation for the following phases
Design	Match business and technical requirements with interChange functions or operational processes	Design configurable and customized changes and design business processes and technical solution	Review and approve business process and technical design documentation	Clear identification of the necessary modifications and establishment of reasonable time frames for deploying each type of change
Construction (Produce)	Apply proven construction processes, tools, and appropriate reuse of interChange components	Update configurable items, construct program changes, and perform unit testing for defined change orders	Provide input on configurable items and review progress of change orders	Increased speed and efficiency of constructing components by using existing tools and processes
Testing (Optimize)	Verify the interChange work product through multiple stages of testing	Execute test plans and verify individual and integrated components	Verify test results and approve product for implementation	Confirmation that the product delivered is accurate and acceptable for operations in a production environment
Deployment (Implement)	Create and maintain a detailed deployment/rollout work plan to transition	Prepare narrative plans and detailed task plans and maintain calendar to plan and track progress	Approve and execute transition plans with EDS	A successful transition from the Legacy MMIS+ to the Replacement MMIS that minimizes impact to project stakeholders
Documentation	Document standardized system and project documentation in a central repository, iTRACE	Create and maintain documents using standard forms and templates	Review system and business documentation	System and business documentation that is always current and easily available to authorized users
Quality Assurance	Conduct internal checkpoints and walkthroughs during each phase of the project and monitor current metrics through iTRACE	Perform work product reviews (WPRs) before State delivery, perform technical walkthroughs, and review key reports such as defect listings	Review and approve project deliverables during each development phase	Defects and anomalies that are identified early in the development process and resolved more efficiently than if they were discovered in later project phases

interChange

One important aspect to the software development approach for the Replacement MMIS is that the base version of the multi-payer interChange system already exists. After the infrastructure is established and interChange is installed, interChange will be available for configuration. At the start of the project, configuration of reference files will begin. Policy definition of provider contracts, recipient aid category groupings, and the defined benefit plans will indicate which recipient is available to receive services from which provider for a given agency. Each payer will be involved from the beginning of the development process in verifying the defined code sets and the policy rules configured in interChange. Additionally, modifications to interChange will be developed to meet the State-specific requirements to support the State's healthcare coverage programs.

As a result of having two different project work types, two types of software development will be used during the project life cycle. The following two types of changes are structured to follow the EDS SLC 3 methodology and managed using PM 2:

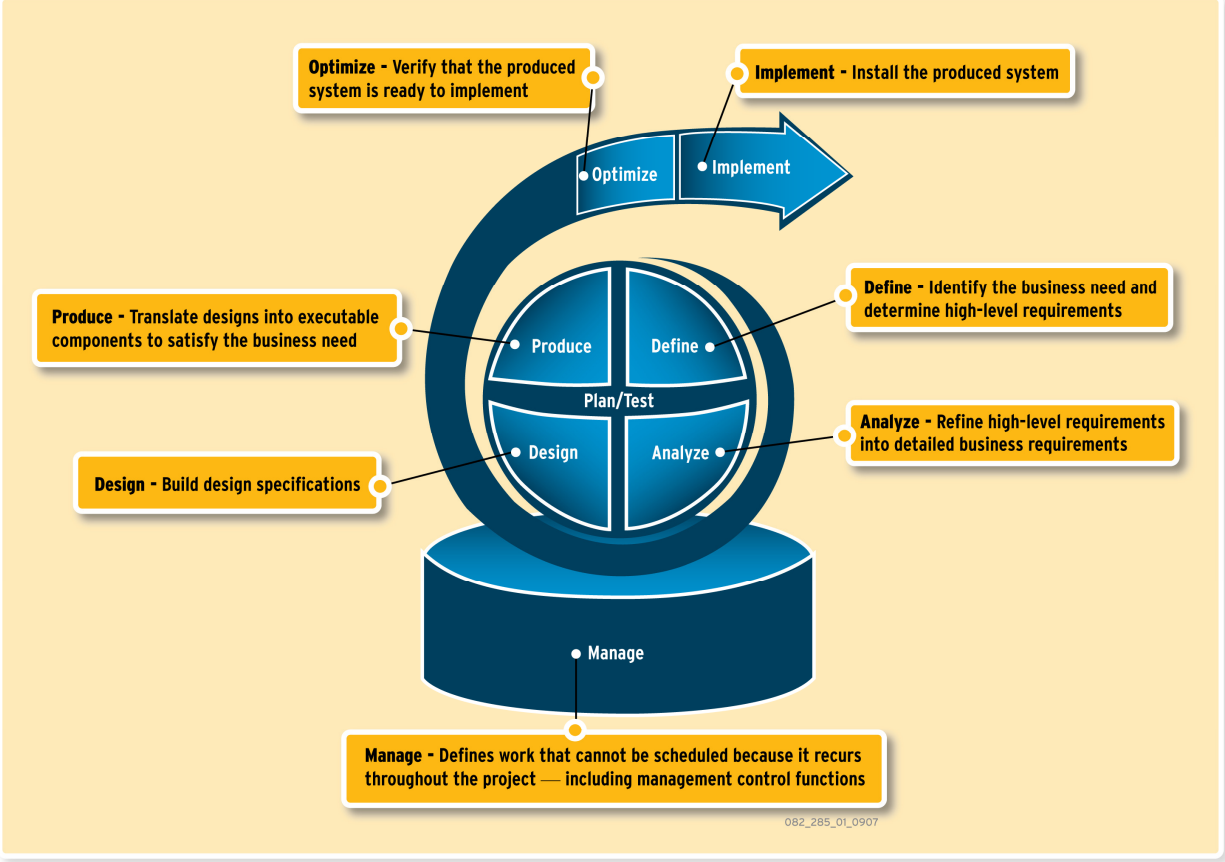
- **Configurable items—**System functions available in interChange and configured to meet State business requirements
- **Change orders—**System functions unique to the State and not currently in interChange, where interChange is customized to meet State business requirements

SLC 3

SLC 3 is the EDS systems engineering methodology that evolved from our collective systems engineering experience, academic knowledge, and industry insight. It closely follows the development approaches recommended by SEI. SLC 3 integrates with the CMM Integration (CMMI) framework by supporting the CMMI key process areas at the detail level.

The following exhibit, Systems Life Cycle, Version 3, summarizes the SLC 3 methodology.

Systems Life Cycle, Version 3



SLC 3 balances iteration with management control to develop solid business solutions.

SLC 3 consists of a six-phase spiral approach that blends planned iteration of phases with management control. The methodology provides the means to focus on the appropriate use of iteration to manage and mitigate risk and enable project success.

The six phases of the SLC 3 methodology are described as follows:

- **Define—**Identify the business needs and set project direction, determine high-level requirements, and secure agreement on the baseline project scope
- **Analyze—**Refine high-level requirements to address the business needs within the project direction; define, validate, and trace detailed business requirements; and collaborate with clients to define business processes and roles
- **Design—**Design solutions to satisfy detailed business requirements, create design specifications that support the business and technology solutions, and devise conversion and migration procedures

- **Produce—**Translate designs into executable components, make sure hardware and software configuration required for the testing and transition environment is functional, and execute and verify system testing
- **Optimize—**Achieve optimal system performance, verify that the produced system is ready to implement, and obtain formal acceptance from client and implementation approval
- **Implement—**Install the solution and complete the transition, verify that implementation plans are thorough and contingencies and risks are considered, and conduct project close-down, capturing feedback for continuous improvement

The six phases in SLC 3 are supported by the Manage component. This function emphasizes the importance of providing management control of the phases throughout the life of the project. A repository of common process sets organized in the EDS Global Applications Delivery Quality Management System (GAD QMS) supports this component. GAD QMS provides the team with detailed project information on processes, tools, roles, and responsibilities that have proven to be effective for the delivery of applications. The materials provide sufficient flexibility so that when they are leveraged for the State, they can be customized and still maintain their original value to the process.

Each phase and iteration also contains the Plan/Test components to verify and validate results as development progresses. This cycle repeats for each phase, as follows:

- **Plan—**Represents the preparation required to perform the objectives of the phase effectively
- **Do—**Represents the actual performance of defined work within each phase
- **Test—**Verifies that the work is performed as specified and the business need is properly addressed

SLC 3 emphasizes the iterative nature of application engineering to facilitate solutions that meet rapidly changing client business needs. SLC 3 lets us deliver value to the State by providing a strong combination of engineering discipline and flexibility. SLC 3 decreases systems engineering risks by using the State's active involvement throughout the process and using planned iterations to validate intermediate results. The methodology supports the participation of multiple stakeholders. In North Carolina, this is applicable with multiple agency involvement in the development process.

As shown in the preceding exhibit, the SLC 3 structure is logical rather than sequential. It provides the flexibility necessary for application configuration, customization and continuous process improvement during the systems life

cycle. Most of the development in SLC 3 occurs in the planned repetition of a series of the four phases described above: Define, Analyze, Design, and Produce.

Adherence to the SLC 3 methodology is supported on the following organizational levels:

- **By leader expectation—**Project leaders are accountable for the processes, procedures, and checkpoints.
- **By peer expectation—**The standard requirements and deliverables are communicated and reviewed for accuracy and completion by peer review.
- **By security permissions—**Software modifications cannot progress from testing environments to production environments without the specific approval of someone with the appropriate authorization.
- **By State review—**Checkpoints during the processes require review and approval from the State.

SLC 3 complements CMMI and PMBOK principles and other EDS methodologies such as those that establish business direction, identify business process change opportunities, and set technology direction at an enterprise level.

GAD QMS consists of project management tools, including PM 2, and a best practices repository from EDS organizations around the globe. GAD QMS enables the project team to employ increasingly mature processes consistent with those required of the SEI CMMI levels.

Iteration

SLC 3 balances iterative development, the repetition of certain phases, with management control to develop business solutions. The appropriate use of iteration evolves the business solution, thereby providing the State with opportunities to clarify expectations and anticipate changing business needs. Iteration allows the project team to selectively perform a portion of work, verify and validate results with key stakeholders, then have those results available to support the next portion of work.

In SLC 3, there are two iteration strategies. One approach is incremental iteration, where each iteration focuses on specific areas of functional capability. The second approach is called evolutionary iteration. In evolutionary iteration, the entire solution is within the realm of each iteration, but the levels of investigated detail and refinement increase in each successive iteration. Most projects will incorporate a combination of both approaches.

Incremental iteration may be used during interChange development when development may be focused on one system area such as the recipient management function during the first iteration and the eligibility verification system in a following iteration.

Evolutionary iteration is applied when setting up claim edit and audit criteria in interChange. The rules established can be constructed, tested, modified, and retested until the State and EDS are satisfied that the results will reflect current policy.

SLC 3 does not dictate how to use iteration in a project. The iterative strategy is based on the specific work involved. The number of iterations and the scope of each iteration are determined with the best information available early in the project. Many factors, such as the complexity of the application, understanding of the business needs, and the client's availability, are considered.

Iteration is managed to reduce project risks, anticipate and respond effectively to changes in project requirements, improve client communication, and confirm the usability of the final solution.

Iterative software development offers the following benefits to the State:

- Applying the learning from previous iterations creates the best overall solution.
- Providing a clearer concept of the intended solution as early as possible in the project life cycle verifies and validates the business solution.
- Using preliminary iterations validates decisions that may be based on major assumptions and other related decisions. Necessary adjustments can then be made before spending unnecessary time and resources.
- Using the results of intermediate iterations shows the State and other key stakeholders actual results and project progression.
- Involving key stakeholders at the right time throughout the project fosters client satisfaction and delivery of an effective solution.
- Focusing resources and management on appropriate portions of the solution improves both quality and productivity.

iTRACE

The SLC 3 and PM 2 methodologies are closely integrated within our browser-based information Tracking Repository and Collaboration Exchange (iTRACE) tool, which is based on industry-standard project management guidelines and quality assurance principles. The iTRACE tool provides the central location for project documentation, and it facilitates communication between project team members from EDS and the State. The iTRACE user interface is available through each authorized user's browser, allowing direct access to the latest in system development documentation that can be viewed the instant it is updated. The iTRACE repository of information is woven into our development methodology's work patterns, leading to consistent monitoring and management of how requirements are being met and the status of the DDI project effort. The tool has proven to be effective during previous MMIS projects in other states

where EDS has implemented interChange. Furthermore, each of the other states have continued to use iTRACE after they implemented interChange and recognize it as a valuable tool for maintaining the application during ongoing operations.

iTRACE tracks, manages, and reports work items for the following process areas and project workflows:

- Requirements
- Design specifications
- Walkthrough documentation
- Issues
- Risks
- Change orders
- System release schedules
- Test cases
- Test data examples
- Test results
- System objects (Web pages, panels, report, tables)
- System function documentation (workflow, processes)
- Data element dictionary
- Publications (training documentation, user manuals, HIPAA guides)
- Meeting minutes
- Sign-off/approval documents
- Quality metrics

iTRACE is used in each phase of the development life cycle. Because it is integral to the development work patterns, it is always up to date, presenting the most current project documentation and application information. At the beginning of the project, EDS will record initial project requirements into iTRACE to establish a requirements baseline. In fact, the requirements submitted by the State in the RFP have already been loaded into a North Carolina iTRACE instance.

Requirements were assigned a gap analysis categorization to assist in understanding the interChange function that is already in place and the customization that will be required to meet each of the State's business needs. The values defined for the requirement type include the following:

- Met by interChange
- Met by interChange with configuration
- Met by customization code
- Met by COTS
- Met by operational process
- Met by interChange and operational process
- interChange exceeds requirement

- Informational
- Cancelled

As part of requirements validation, and as changes are identified, the changes will be associated to the original requirements in iTRACE. Likewise, as a detailed design is performed, requirements are linked to each system component or object. When test cases are created, they are linked to the requirements and system components as well.

The process of associating work items facilitates change management and supports the impact assessment process performed during the analysis and approval phases. iTRACE tracks, manages, and reports the changes made to a customer service request (CSR), including identifying the changes made, the individuals making the changes, and the dates and times of the changes. The State can easily track the history of change orders initiated for a CSR, the individual who made the request, and the time and date of the request. Historical information also includes the estimated and actual cost and duration for any change order, as well as cumulative cost and schedule impacts for any change for any period the State specifies.

Complete and thorough documentation will be maintained in iTRACE and available for review by the State and the Centers for Medicare & Medicaid Services (CMS). State staff can see the current status of virtually any aspect of the project by simply linking to the appropriate page in iTRACE.

For ongoing operations, iTRACE will assist the State and EDS in establishing reasonable completion dates and setting priorities of projects. The State and EDS management staff also will review current priorities and time lines, change priorities by adding new tasks and target dates, and immediately see the effect of the new priorities on pre-existing priorities and their target dates.

Potential and approved change orders will be entered and tracked within iTRACE. This information will support the prioritization process because it allows the State to review the existing work yet to be completed and the cost/benefit of the change requested. Change requests that are not approved will have their status changed to cancelled.

The following sections describe each of the processes during software development and how iTRACE is used to effectively manage and control these phases of the project.

Requirements Analysis

The requirements analysis process is performed during the Define and Analyze phases of the SLC 3 methodology. The result of these phases is to determine detailed technical and business requirements that are clear, complete, appropriate, and verifiable. EDS places emphasis on this process by assigning

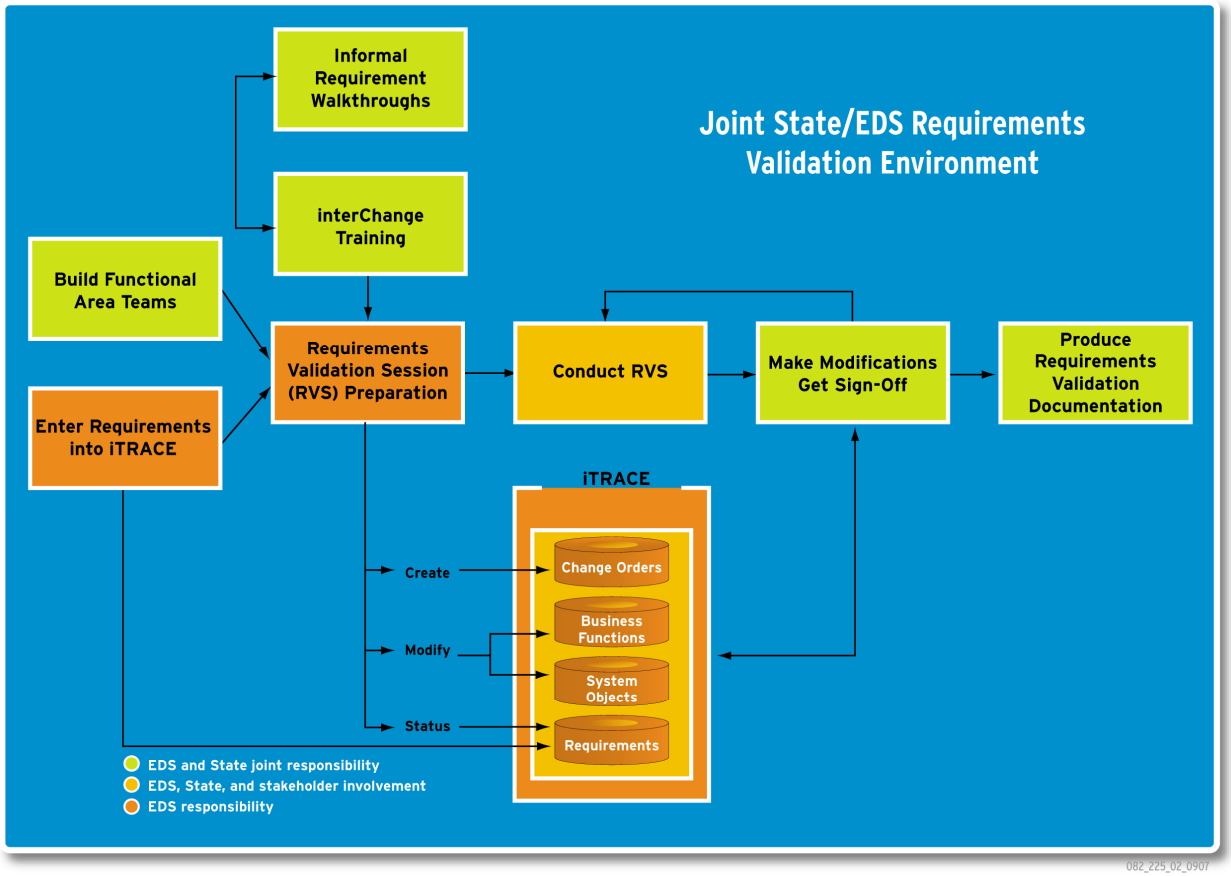
people with business knowledge of North Carolina healthcare programs and expertise in interChange functions and configuration.

During this time, requirements validation (RV) sessions are conducted with the State staff members. These sessions are designed to define the specific technical and business process requirements for the State. They focus on clarifying requirements for the system and reviewing how both system and business processes are needed to meet the requirements.

Documenting the effect or non-effect of requirements on each payer in the State is an important part of this process. The input from each payer is critical to the success of this phase. This will be our opportunity to confirm the evaluations that were performed as part of the gap analysis that occurred in responding to the RFP. The assigned requirement type is used to assist with understanding the interChange function already in place and the customization that will be required to meet each of the business needs.

The following exhibit, Requirements Validation Work Pattern, depicts the work pattern that EDS follows for medium and large projects so that stakeholders have a common understanding of the requirements.

Requirements Validation Work Pattern



Requirements validation builds a common understanding and agreement for interChange.

The steps in this work pattern are further described as follows:

- **Build functional area teams—**Successful requirements validation requires dedicated participation from DMA, DMH, DPH, ORHCC, and EDS. In addition, other key stakeholders may be identified that will provide constructive input to the process. The functional area teams are built from business and technical staff members that have strong familiarity with the business requirements and the technical system objects.
- **Enter requirements into iTRACE—**Every requirement for the Replacement MMIS has been entered into a database and will be available online in iTRACE for authorized users from DMA, DMH, DPH, ORHCC, and other State users to see. Information includes RFP requirement text, proposal questions and answers, EDS' proposal response, requirement status and notes, system objects, links to other related requirements, and test case information.
- **Prepare for RV sessions—**Preparation for validating requirements occurs when the functional area team members review the requirements information stored in iTRACE. Documentation is available from previous reviewers that may contain assumptions or notes about the requirement.
- **Conduct informal requirements walkthroughs—**The informal requirements walkthrough sessions are used to gain a mutual understanding of the requirements for a functional area and how interChange meets them. These reviews provide an opportunity for project stakeholders to collaborate on requirements, discuss potential solutions, and resolve issues early in the development process.
- **Conduct interChange training—**Training sessions are held so that project stakeholders can gain knowledge of how interChange operates and gain an initial understanding of the functions already present within the base interChange application.
- **Conduct RV sessions—**The purpose of the RV session is for each functional area team to confirm each team member's understanding of the requirement disposition. Requirements are assigned a type based on whether interChange meets the RFP. Subject-matter experts (SMEs) from each functional area participate in the RV sessions. These resources collaborate with the team members to focus on the requirements that will result in change orders.
- **Make modifications and obtain sign-off—**As a result of the RV sessions, requirements that require system modifications will be either met by configuring interChange or met by customizing interChange. The modifications are documented and tracked through change orders in iTRACE. State sign-off is obtained after each type of requirement is in an acceptable status.

- **Produce RV documentation—**RV documentation is generated from the iTRACE database of requirements. Documentation is created by extracting the content of iTRACE for the functional area and delivering it to the State as a single deliverable. The deliverable is a culmination of approvals for each requirement during the review sessions.

Every project requirement is loaded into the iTRACE database for tracking purposes. Each requirement is associated with other key elements such as technical area, system objects, and test cases. The status and status history of each requirement also are maintained.

As shown in the following exhibit, Sample Requirements Analysis Page, the activities during requirements analysis are managed and controlled in iTRACE.

Sample Requirements Analysis Page

Every project requirement is loaded into the iTRACE database for tracking purposes. The Requirements Analysis page displays the most current project information and provides links to related documentation such as the associated use and test cases.

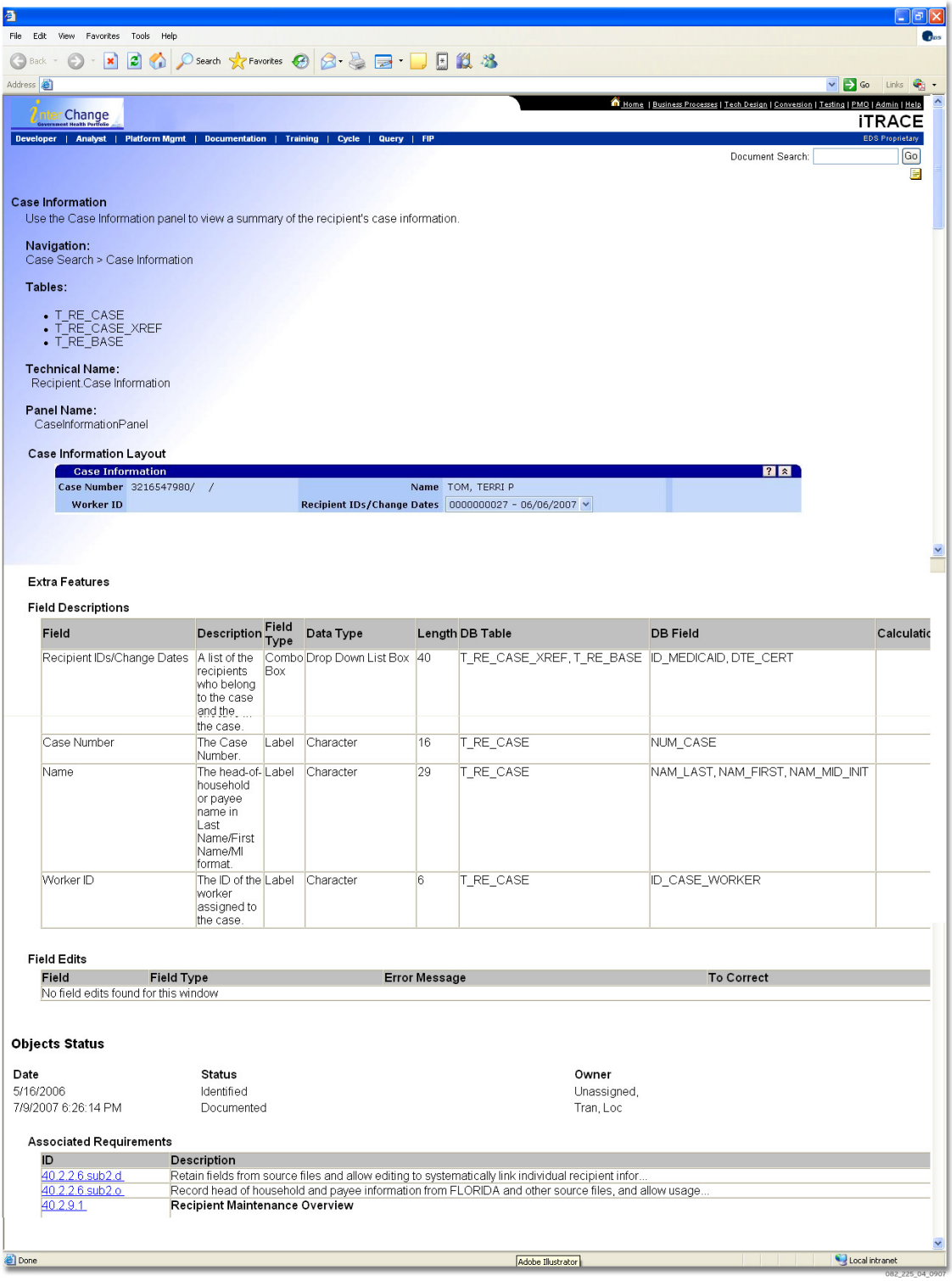
The Requirements Analysis Phase also includes two related work efforts that are critical to the success of the project. Data conversion tasks are performed that analyze each payer's files and data sources so that EDS can accurately and efficiently transfer required data from the legacy files to the Replacement MMIS files. In addition, the specific policy rules are researched and configuration tasks are performed to extract and document the State's edits and audits for each payer.

Design

The purpose of the design process is to build design specifications that will be used to produce and implement a system that satisfies the requirements. Both business and technical components are considered during the Design phase. During this time, EDS will match the existing interChange functions with the requirements that were defined during the Define and Analyze phases. The activities during Design are managed and controlled in iTRACE. iTRACE provides a place to store, link, and access design artifacts and documentation. It supports the traceability of requirements.

The design of each functional area is organized in iTRACE, as demonstrated in the following exhibit, Sample Design Artifacts Page.

Sample Design Artifacts Page



Case Information

Use the Case Information panel to view a summary of the recipient's case information.

Navigation:
Case Search > Case Information

Tables:

- T_RE_CASE
- T_RE_CASE_XREF
- T_RE_BASE

Technical Name:
Recipient.Case Information

Panel Name:
CaseInformationPanel

Case Information Layout

Case Information

Case Number	3216547980/ /	Name	TOM, TERRI P
Worker ID		Recipient IDs/Change Dates	0000000027 - 06/06/2007

Extra Features

Field Descriptions

Field	Description	Field Type	Data Type	Length	DB Table	DB Field	Calculatic
Recipient IDs/Change Dates	A list of the recipients who belong to the case and the... the case.	Combo Box	Drop Down List Box	40	T_RE_CASE_XREF, T_RE_BASE	ID_MEDICAID, DTE_CERT	
Case Number	The Case Number.	Label	Character	16	T_RE_CASE	NUM_CASE	
Name	The head-of-household or payee name in Last Name/First Name/MI format.	Label	Character	29	T_RE_CASE	NAM_LAST, NAM_FIRST, NAM_MID_INIT	
Worker ID	The ID of the worker assigned to the case.	Label	Character	6	T_RE_CASE	ID_CASE_WORKER	

Field Edits

Field	Field Type	Error Message	To Correct
No field edits found for this window			

Objects Status

Date	Status	Owner
5/16/2006	Identified	Unassigned,
7/9/2007 6:26:14 PM	Documented	Tran, Loc

Associated Requirements

ID	Description
40.2.2.6.sub2.d	Retain fields from source files and allow editing to systematically link individual recipient infor...
40.2.2.6.sub2.o	Record head of household and payee information from FLORIDA and other source files, and allow usage...
40.2.9.1	**Recipient Maintenance Overview**

iTRACE provides a place to store, link, and access design artifacts and documentation. The technical details used to design modifications are provided, including file and data field attributes. In addition, the associated requirements are displayed.

Construction

The construction process is performed during the Produce phase of the SLC 3 methodology. The purpose of this phase is to translate design specifications into automated and nonautomated components that meet the client's requirements. These components are tested both as independent units and as an integrated system.

For interChange, there are two different types of Produce activities. In some cases a requirement can be met by configuring parameters or rules that already exist in interChange. In other cases, components are constructed as a result of change orders (CO) that are created during the Business and Technical Design phases of the project.

iTRACE provides a central location for interChange developers to produce their components. The Developer section provides documentation on the processes and tools for making changes in each environment. In addition, iTRACE is valuable in managing the COs. COs are grouped by system area, where each modification is estimated and actual effort is tracked, as shown in the following exhibit, Sample Change Order Management Page.

Sample Change Order Management Page

iTRACE is valuable in managing the COs, which are grouped by system area. The CO pages provide valuable information to project members, including solution information, requirement references, status history, and estimated and actual hours for the associated modifications.

Testing

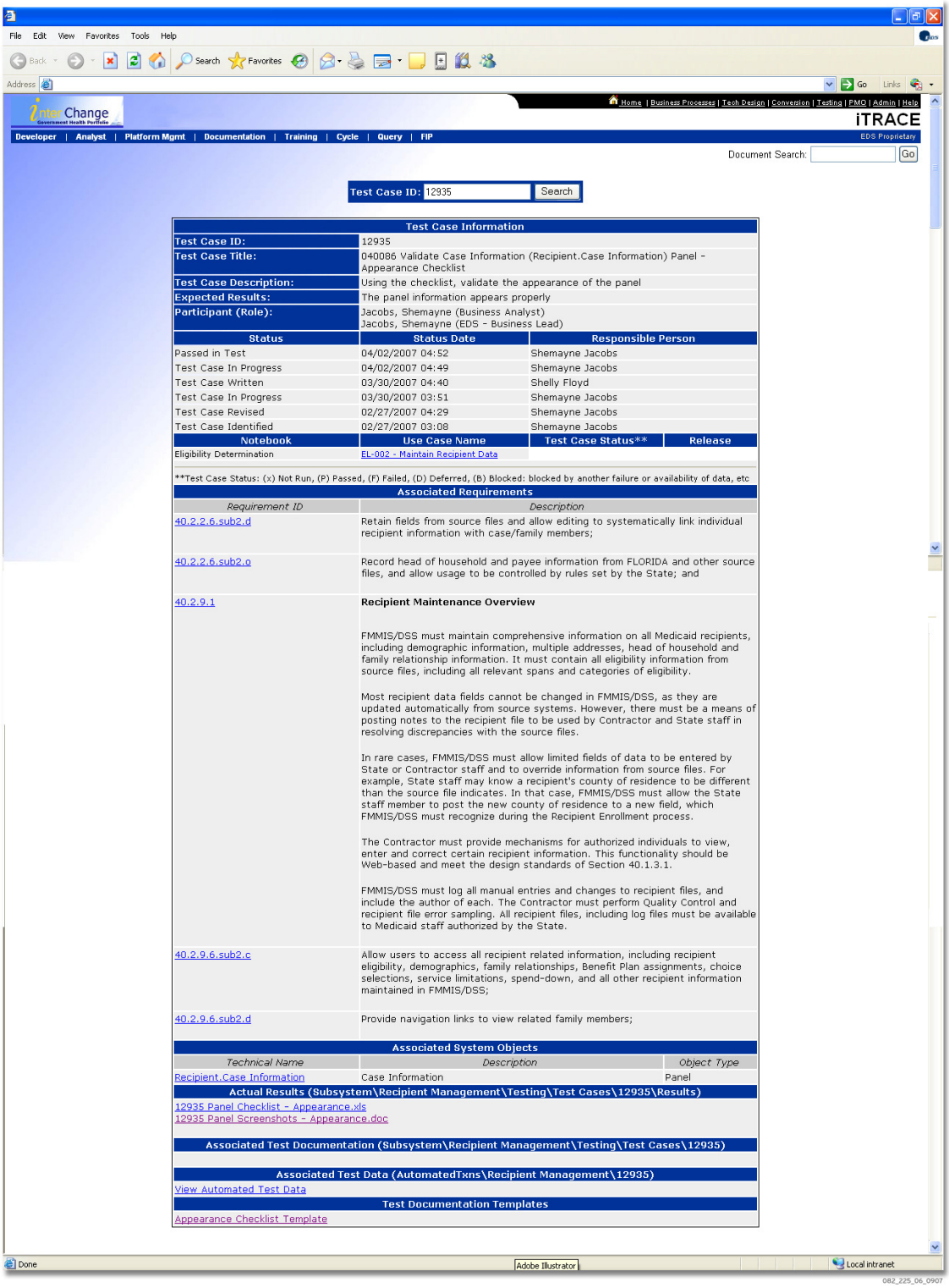
The testing process occurs during the Produce and Optimize phases of the SLC 3 methodology. Various levels of structured testing are performed throughout the systems life cycle. More than 16,000 test cases will be executed to validate the interChange application. In summary, the following stages of testing are used for successfully implementing the Replacement MMIS with interChange:

- **Unit testing—**Individual component testing performed and verified by the EDS development team
- **System testing—**Combined component testing performed and verified by EDS
- **Inter-system testing—**Testing performed for the major components and interfacing systems and verified by EDS, the State, and external application testing teams
- **Data conversion testing—**Converted data from the existing legacy systems to the Replacement MMIS structure verified by EDS and the State
- **User acceptance testing—**User-defined test cases executed and verified by the State with EDS assistance
- **Parallel testing—**Test cases that validate the accuracy of claim adjudication between the existing system and the Replacement MMIS
- **Volume/stress/performance testing—**High volumes of claim transactions executed to identify possible performance issues
- **Regression testing—**Test cases executed to validate that subsequent system changes do not adversely impact previously working functions

A set of powerful, industry-standard tools are used during several stages of testing. The suite of HP testing tools is used for automating test cases and tracking test progress. HP LoadRunner will be used for performance testing. Additionally, Critical Logic's Right From The Start (RFTS)/TMX tools are used for automated test case generation and execution during unit and system testing. The approach to testing is described in detail in proposal section 50.2.5.3 Master Test Process and Quality Assurance Approach, where the V Model shows the testing-related activities that occur in each development phase of the project.

The common tool used to manage each of the testing artifacts is iTRACE. iTRACE supports the testing and verification process efforts by providing an organized structure to testing. The following exhibit, Sample Test Case Page, shows how a test case is documented in iTRACE.

Sample Test Case Page



File Edit View Favorites Tools Help

Back Search Favorites

Address

Go Links

Home | Business Processes | Tech Design | Conversion | Testing | PMO | Admin | Help

iTRACE

Developer | Analyst | Platform Mgmt | Documentation | Training | Cycle | Query | FIP

EDS Proprietary

Document Search: Go

Test Case ID: 12935 Search

Test Case Information

Test Case ID:	12935
Test Case Title:	040086 Validate Case Information (Recipient.Case Information) Panel - Appearance Checklist
Test Case Description:	Using the checklist, validate the appearance of the panel
Expected Results:	The panel information appears properly
Participant (Role):	Jacobs, Shemayne (Business Analyst) Jacobs, Shemayne (EDS - Business Lead)

Status	Status Date	Responsible Person
Passed in Test	04/02/2007 04:52	Shemayne Jacobs
Test Case In Progress	04/02/2007 04:49	Shemayne Jacobs
Test Case Written	03/30/2007 04:40	Shelly Floyd
Test Case In Progress	03/30/2007 03:51	Shemayne Jacobs
Test Case Revised	02/27/2007 04:29	Shemayne Jacobs
Test Case Identified	02/27/2007 03:08	Shemayne Jacobs

Notebook	Use Case Name	Test Case Status**	Release
Eligibility Determination	EL-002 - Maintain Recipient Data		

**Test Case Status: (x) Not Run, (P) Passed, (F) Failed, (D) Deferred, (B) Blocked: blocked by another failure or availability of data, etc

Associated Requirements

Requirement ID	*Description*
40.2.2.6.sub2.d	Retain fields from source files and allow editing to systematically link individual recipient information with case/family members;
40.2.2.6.sub2.o	Record head of household and payee information from FLORIDA and other source files, and allow usage to be controlled by rules set by the State; and
40.2.9.1	**Recipient Maintenance Overview** FMMIS/DSS must maintain comprehensive information on all Medicaid recipients, including demographic information, multiple addresses, head of household and family relationship information. It must contain all eligibility information from source files, including all relevant spans and categories of eligibility. Most recipient data fields cannot be changed in FMMIS/DSS, as they are updated automatically from source systems. However, there must be a means of posting notes to the recipient file to be used by Contractor and State staff in resolving discrepancies with the source files. In rare cases, FMMIS/DSS must allow limited fields of data to be entered by State or Contractor staff and to override information from source files. For example, State staff may know a recipient's county of residence to be different than the source file indicates. In that case, FMMIS/DSS must allow the State staff member to post the new county of residence to a new field, which FMMIS/DSS must recognize during the Recipient Enrollment process. The Contractor must provide mechanisms for authorized individuals to view, enter and correct certain recipient information. This functionality should be Web-based and meet the design standards of Section 40.1.3.1. FMMIS/DSS must log all manual entries and changes to recipient files, and include the author of each. The Contractor must perform Quality Control and recipient file error sampling. All recipient files, including log files must be available to Medicaid staff authorized by the State.
40.2.9.6.sub2.c	Allow users to access all recipient related information, including recipient eligibility, demographics, family relationships, Benefit Plan assignments, choice selections, service limitations, spend-down, and all other recipient information maintained in FMMIS/DSS;
40.2.9.6.sub2.d	Provide navigation links to view related family members;

Associated System Objects

Technical Name	*Description*	*Object Type*
Recipient.Case Information	Case Information	Panel

Actual Results (Subsystem\Recipient Management\Testing\Test Cases\12935\Results)

12935 Panel Checklist - Appearance.xls
12935 Panel Screenshots - Appearance.doc

Associated Test Documentation (Subsystem\Recipient Management\Testing\Test Cases\12935)

Associated Test Data (AutomatedTxns\Recipient Management\12935)

View Automated Test Data

Test Documentation Templates

Appearance Checklist Template

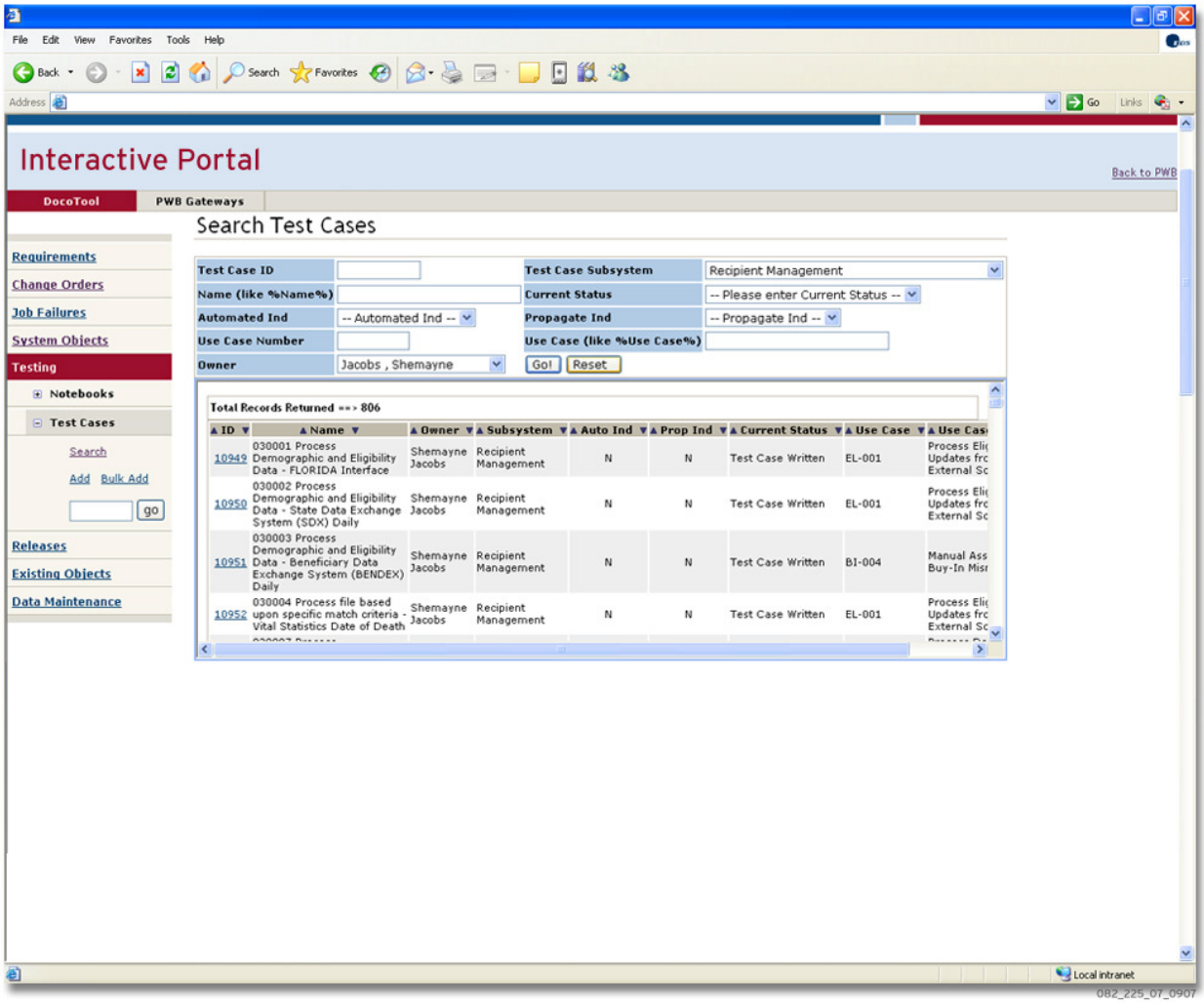
Done Adobe Illustrator Local intranet

082_225_06_0907

iTRACE supports the verification process efforts by providing an organized structure to testing. Each test case is displayed with its status history. In addition, iTRACE provides convenient links to detailed information such as the associated requirements, associated system objects, test data, and test results.

The status of testing is easily obtained through simple queries against the iTRACE data, as shown in the following exhibit, Sample Search Test Cases Page.

Sample Search Test Cases Page



Users can conduct queries against iTRACE data to check the status of testing. Users can easily click on the iTRACE links to access the current details of a test case.

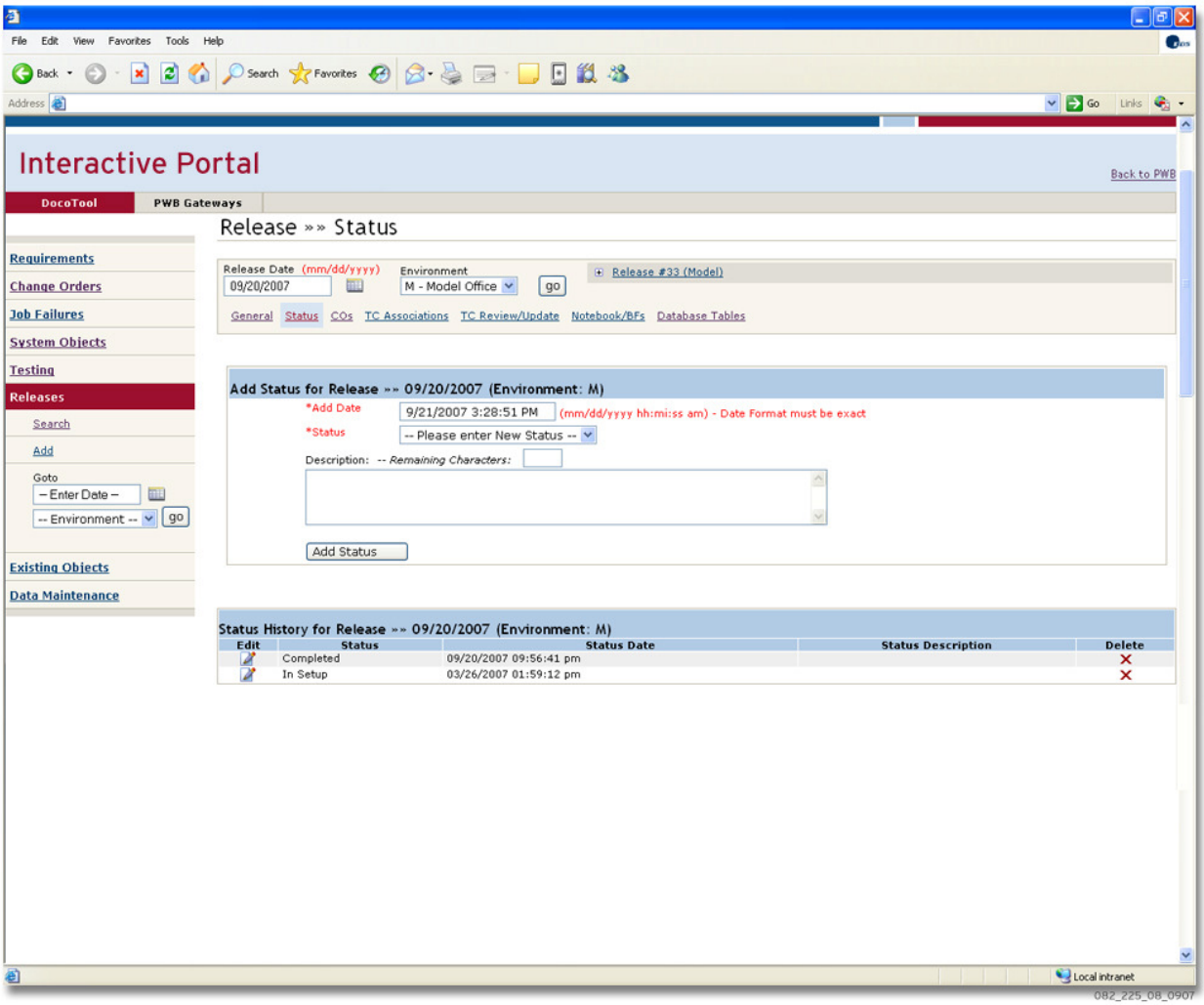
Deployment

The deployment process occurs during the Implement phase of the SLC 3 methodology. EDS will create and maintain a Deployment/Rollout work plan that will detail the processes and planning activities that are necessary for a successful transition from the Legacy MMIS+ to the Replacement MMIS. Our 30 years of experience supporting the State and the variety of North Carolina stakeholders gives us the insight into scheduling the cutover activities that will minimize impact to affected areas.

The detailed deployment/rollout plan prepared by EDS will use narrative plans, detailed task plans, and a daily calendar of activities to plan for and track progress toward the final implementation date.

Modifications are organized by software release. The specifics of each release are documented in iTRACE, and detailed information is easily accessed, as shown in the following exhibit, Sample Release Status Page.

Sample Release Status Page



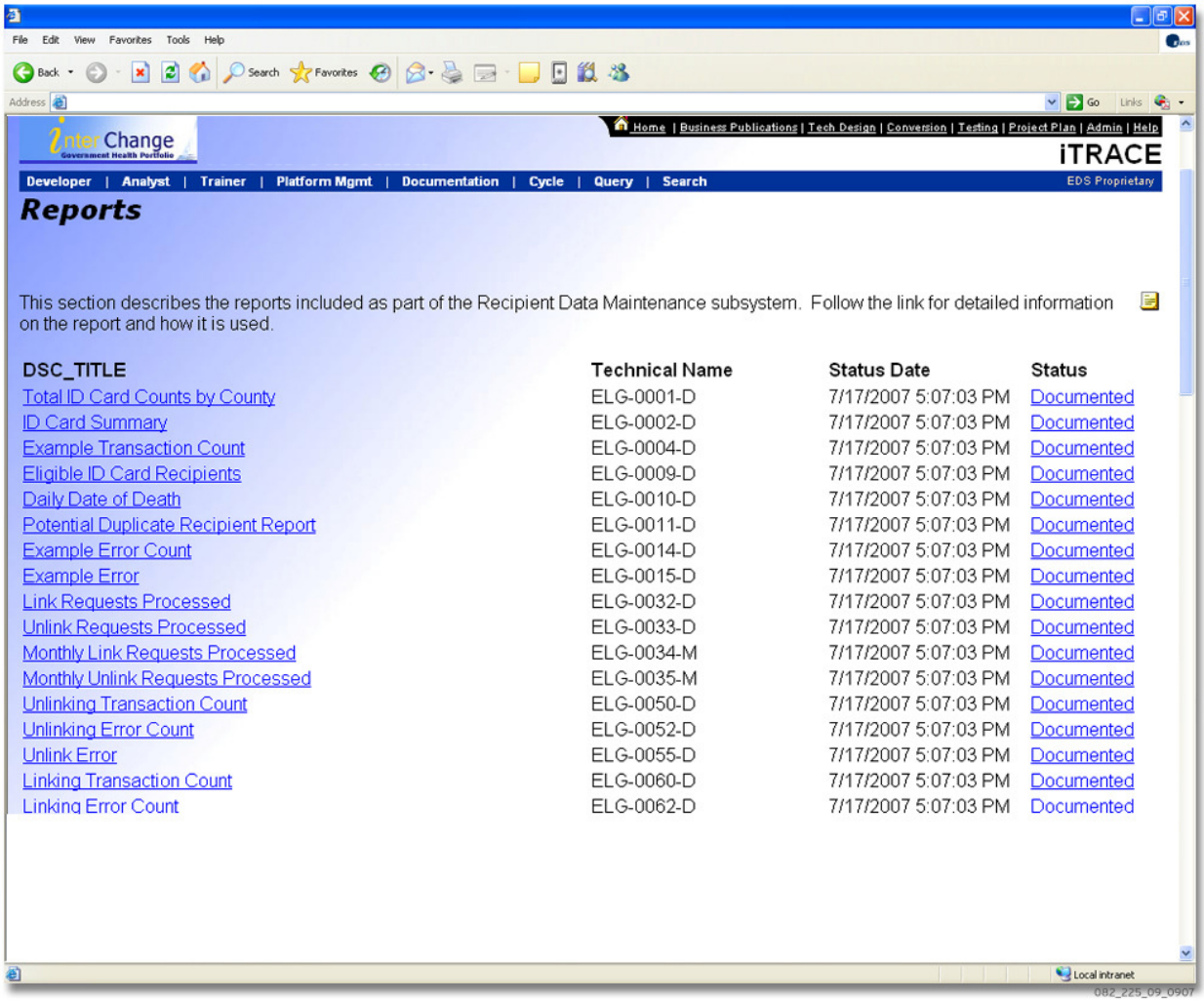
iTRACE is used to document the specifics of each software release, such as status history and environment, and provides links to related information such as requirements, COs, job failures, system objects, and the testing artifacts.

Documentation

Documentation is critical to the success of developing and maintaining the Replacement MMIS. Additionally, it is critical for accurate communication with stakeholders at the State. Documentation is finalized during the Deployment/Rollout Phase.

iTRACE is the central repository of project and system documentation. System documentation is organized by functional system area. Each system area contains reports, job streams, panels, data models, data element definitions, and more. The following exhibit, Sample Reports Page, shows how iTRACE provides access to report documentation.

Sample Reports Page



iTRACE is the central repository of all project and system documentation. The links in the Reports page provide users quick access to the most current system information.

Quality Assurance

The processes supporting quality assurance are integrated throughout the SLC 3 methodology. EDS will develop and maintain a quality plan for the project, which will define the processes to be used to validate conformance by the type of work product. Each phase of the SLC 3 contains an informal or formal checkpoint review of the outputs or deliverable. For example, during Requirements Analysis and Testing phases, the work product for each process

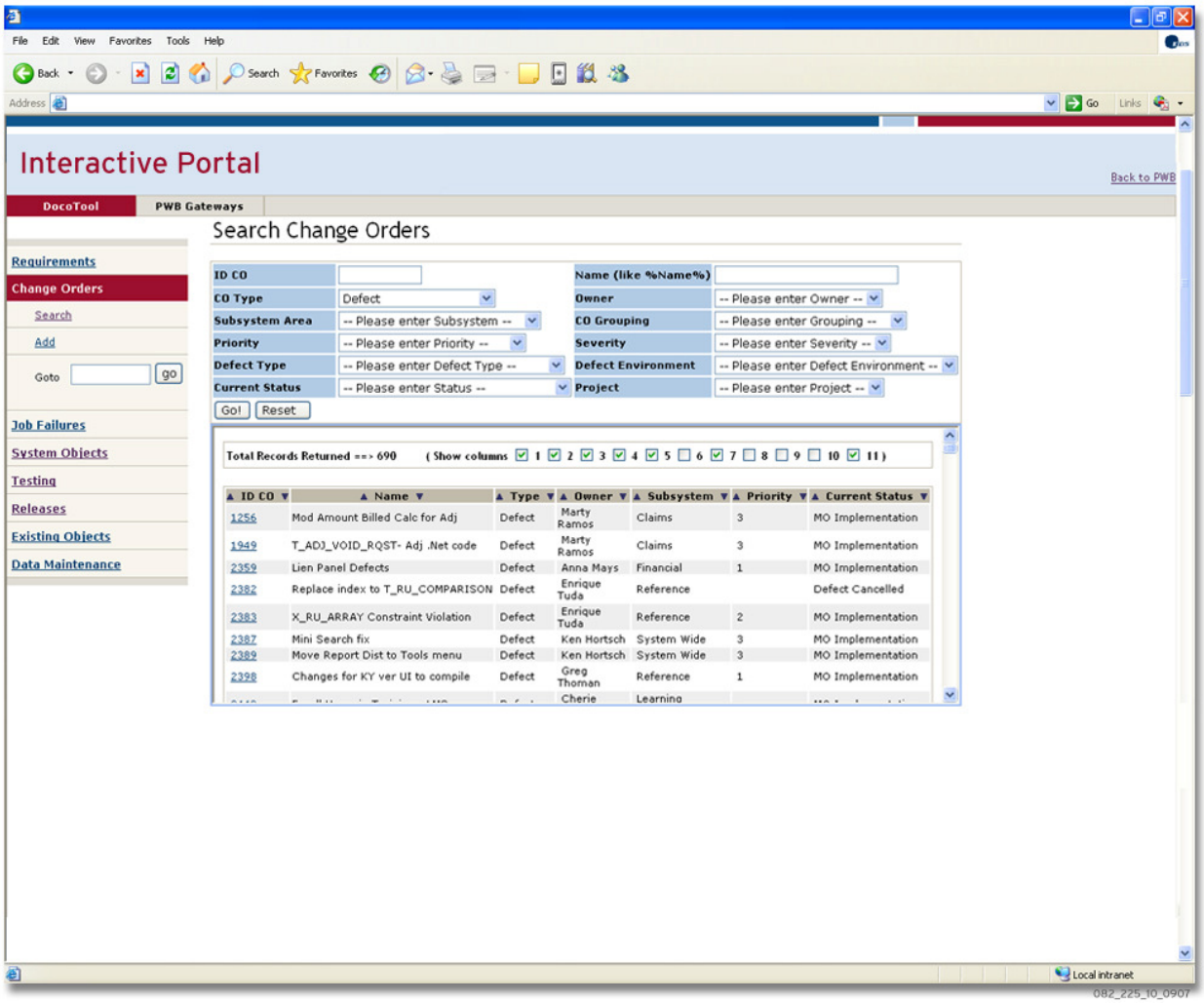
area will be examined through a work product review (WPR) before delivery to the State. During construction, a technical walkthrough is performed with developers to review components and unit testing results.

Defects identified during testing are managed through TestDirector and iTRACE so that issues can be resolved as efficiently as possible. Defects are assigned a severity, status, and owner so that issues can be appropriately managed. Quality metrics can easily be produced using the information contained in the Metric Reporting Suite in iTRACE. The following are examples of reports that are set up in iTRACE:

- Defects Outstanding Listing
- Defects by Status
- Defects by Subsystem
- Defects by Owner
- Defects by Developer
- Defect Age Listing

Additionally, customized queries can be executed to provide insight into defects. The results are used to verify that issues are being addressed and will help to assess the quality of the product at various levels. The results of the queries can be logically displayed on the page or exported to Microsoft Excel. The following exhibit, Sample Query Results, shows the results of a sample query of defects.

Sample Query Results



Query results can be logically displayed on the page or exported to Microsoft Excel. Users can easily sort the results and focus their attention on specific areas, knowing that they are viewing the most current project data.

Quality assurance assessment reports are easily created using iTRACE. The metrics in these reports are critical in identifying areas that need improvement. Because the project data is maintained and associated in iTRACE, processes are examined at many levels; for example, by system area, error type, or resource. The metrics information on these reports is closely examined to identify trends and problem areas and take corrective action.

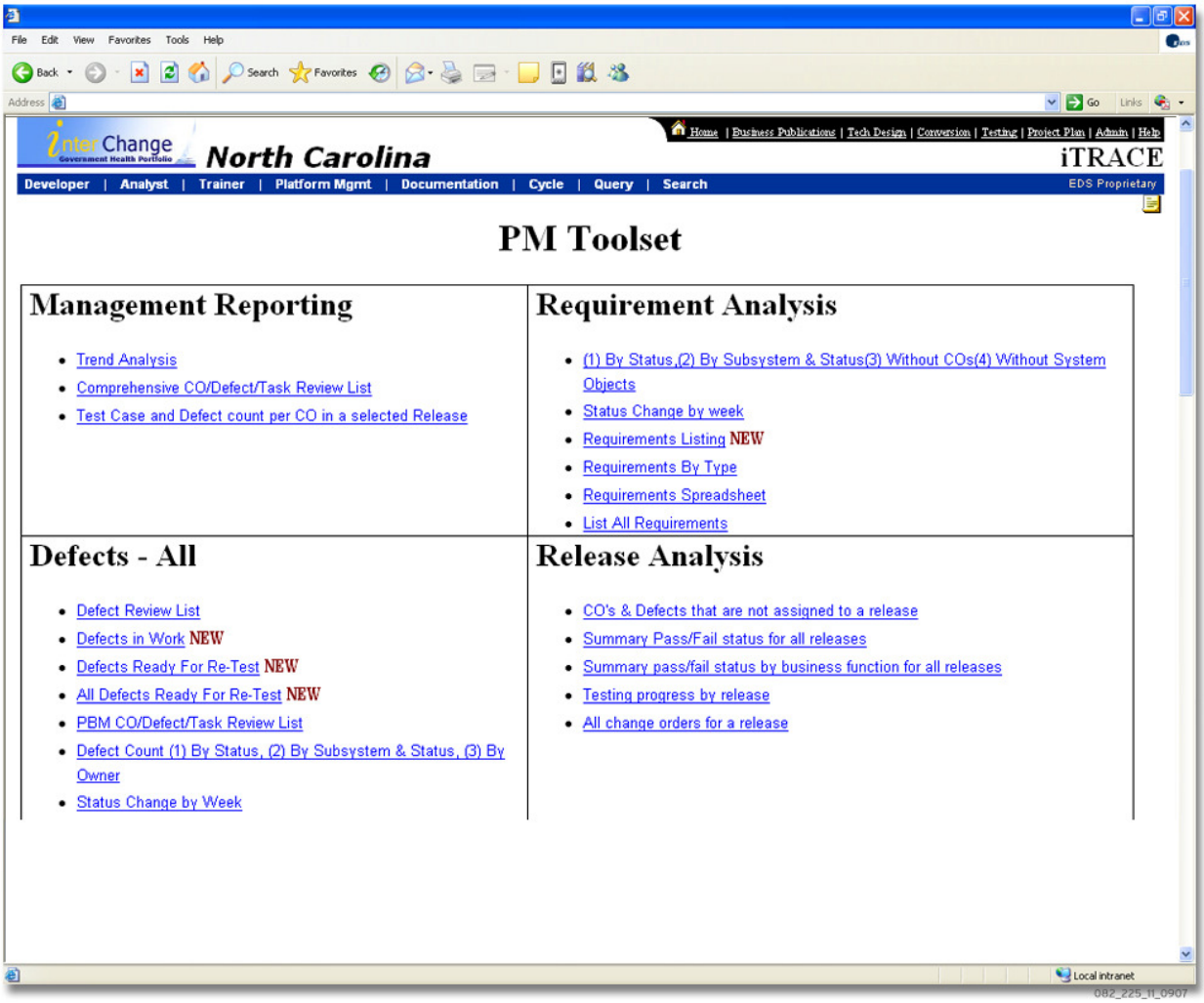
Risk and Issue Management

The management of project risk and issues is effectively performed during the entire project life cycle following the processes defined in the PM 2 methodology. Project managers have a set of tools in iTRACE to identify, document, mitigate, and monitor risk during each phase of interChange development. Risk

information is documented in the project's risk identification log (risk log) and is easily accessed by the risk management work group and other authorized users through iTRACE. The risk log contains complete information on the identified risks and links to associated materials, such as the risk response plan.

The inputs project managers use to evaluate risk are the tools available in iTRACE. These and other project management functions are available in the PM Toolset in iTRACE, as shown in the following exhibit, Sample PM Toolset.

Sample PM Toolset



Project managers have a set of tools in iTRACE to identify, document, mitigate, and monitor risk.

EDS Development Methodologies

The following table, EDS' Development Methodology Differentiators, summarizes the EDS software development methodologies and the differentiation of our methodologies from other vendors.

EDS' Development Methodology Differentiators

Methodology	Description	Differentiation
SLC 3	SLC 3 is a systems engineering methodology that has evolved from EDS' collective systems engineering experience and from industry insight. SLC 3 can be customized to support various work types, such as maintenance, minor enhancements, new development, or systems integration. SLC 3 also provides the flexibility to support systems engineering on various platforms and tools, from mainframe to desktop. SLC 3 balances iteration within six phases, the repetition of certain phases, with management control to develop the business solution. The appropriate use of iteration evolves the business solutions, thereby providing clients with early opportunities to clarify expectations and anticipate changing business needs.	SLC 3 has evolved over time, taking the best practices for iterative development into consideration. It is used every day, globally, to deliver thousands of projects to thousands of clients. While the SLC 3 is prescriptive in nature, it is also customizable to meet the needs of a project.
PM 2	EDS PM2 establishes a standard approach to managing projects, thereby providing a solid foundation that enables project managers to create project plans and effectively manage change. EDS bases its approach to project management on work by PMI. PM2 follows guidelines of SEI's CMMI. It is a defined, systematic process for planning, directing, monitoring, adjusting, and controlling a series of interrelated activities. The methodology provides proven techniques and practical tips and suggests job aids to help the project manager achieve defined objectives while faced with constraints of budget, time, resources, and technology.	PM 2 follows the SEI CMMI processes, and allows for iterative systems life cycle management. PMI standards are included. We can supplement the methodology with client-specific practices without losing the PM discipline. There are global project management communities within EDS for collaboration.
GAD QMS	GAD QMS is a common integrated global process set used to manage every aspect of applications delivery. It is based on corporate tools, methods, and best practices, and it complies with recognized industry standards. The GAD QMS framework is built on the objectives of the EDS' Global Delivery Model, addressing critical business functions and core application development activities.	GAD QMS provides time, effort, and cost reduction through efficiencies and productivity gains and common global processes followed around the world. It can be tailored to client-specific needs, improving quality based on defined quality assurance tools and methods. It can be transported across multiple EDS locations globally to facilitate smooth delivery, and continuous process improvement suggestions can be offered by organizations from around the globe.

SLC 3 and PM 2 Benefits

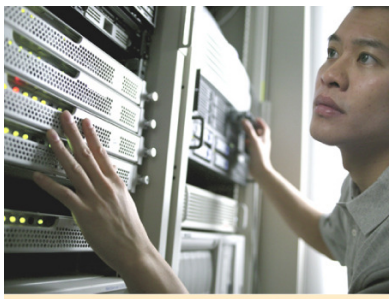
In summary, the SLC 3 and PM 2 methodologies provide the following benefits to the State:

- Align IT with the State's business and policy needs
- Support communication between EDS and each division
- Use best practices for software development
- Use best practices for project management
- Reduce risk by applying appropriate iteration to validate results
- Facilitate customization to meet needs across the State
- Reinforce consistent, repeatable processes
- Facilitate continuous improvement as we develop new processes, standards, and technologies throughout EDS

Our software development and system engineering methodology is designed to support the creation of quality product deliverables and effectively manage the risks associated with projects of this size. The SLC 3 and PM 2 methodologies have a proven track record of success in developing and maintaining systems for multiple industries and technologies, and specifically for projects similar to the Replacement MMIS. EDS has intimate experience in applying these methodologies and will use them to enable the successful deployment and maintenance of the interChange-based Replacement MMIS in North Carolina.

50.2.4.1.3 Data Conversion and Migration Approach

RFP Reference: 50.2.4.1.3 Data Conversion and Migration Approach, Page 274-275; 10.9 Software and Systems Engineering Objectives, Paragraph 9, Page 10



We have used our data conversion and migration process with great success on all of our interChange implementations. We will build on this success by applying our experience and knowledge of your current systems to develop a plan that manages a timely and accurate data conversion for your new multi-payer Replacement MMIS.

State of North Carolina

Our approach to the State's data conversion is based on a mature process that we have enhanced over the past few years using lessons learned and improved tool sets from previous interChange implementations. In fact, the process we propose to use for North Carolina has been successfully used on all other interChange implementations. For example, this process supported the successful conversion of more than 600 million claims in Pennsylvania, 500 million in Tennessee, and 440 million in Kentucky.

Working with the State, we will apply our experience and knowledge of the current systems to develop a plan that addresses the size, complexity, resource requirements, testing protocols, and management of the State's timely and accurate data conversion, which is critical to the successful implementation of the multi-payer Replacement MMIS. It is expected that the size and complexity of the conversion effort will be above average because of the inclusion of data from the individual and unique systems used to support the four divisions: the Division of Medical Assistance (DMA), Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (DMH), Division of Public Health (DPH), and the Migrant Health Program in the Office of Rural Health and Community Care (ORHCC).

The conversion process will include the identification and cross-walk of data necessary for the continued application of edits, audits, and prior approvals (PAs) and precertifications, including units used, drug exception requests, rebates, and calculations. It also must verify that we can meet the data requirements of the external systems that interface with the Replacement MMIS. This detailed and methodical process must be applied to the required data and stated interfaces of the four divisions that will be using the Replacement MMIS.

The State's participation and review is critical in every step of the process. Our careful, rigorous approach and understanding of the technology, data, and processes will enable the State and EDS to meet the data conversion objectives and minimize risk during implementation of our solution.

In the following subsections, we provide our data conversion approach:

- Formal Data Conversion Plan
- Approach to Data Conversion

The approach described in this section is reflective of the data conversion and migration plan, a deliverable submitted during the DDI Phase. The proposed first submission date for the data conversion and migration plan is December 12, 2008.

Formal Data Conversion Plan

Conversion planning starts early in the DDI Phase. The first step is to create a global conversion plan with the State. We will provide a formal data conversion plan that addresses the conversion requirements and processes before the Requirements Analysis Phase is complete. We recognize that complete and accurate data conversion is critical to the successful implementation of the Replacement MMIS. We also recognize that each data conversion is unique. Gaining a complete understanding of the source data is critical to the overall success of the conversion. EDS will take advantage of the deep knowledge and experience of the current EDS North Carolina staff to provide an effective data conversion plan for the DMA and DMH programs. We also look to the cooperation of the State in helping us understand the current data structures and business policies of the DPH and ORHCC programs so we can formulate an effective data conversion plan for those programs.

We describe our formal data conversion plan in the following subsections:

- Data Conversion Management and Experience
- Data Conversion Scope

Data Conversion Management and Experience

Our experience managing large-scale data conversions from legacy MMISs to relational systems will translate into a high-quality, low-risk conversion for the State. In recent years, EDS has successfully managed many unique and complex data conversions from legacy systems to interChange. Each of these conversions involved the migration and transformation of data from 10 to 14 different business functions with multiple data sources.

EDS will use the resources, processes, and North Carolina MMIS–specific experience for a low-risk, successful conversion for the Replacement MMIS. Besides system implementations, EDS has extensive experience in converting and integrating systems to be HIPAA-compliant as a result of HIPAA remediation of MMISs in 17 states.

EDS will convert data from the identified existing MMIS sources to the Replacement MMIS. We will convert 10 years of historical data from the existing MMIS. During the Operations Phase, the database will hold at least 10 years of history.

A key feature of our conversion approach for the State is the identification of data integrity issues using analysis tools before executing the conversion. This feature of our approach is the result of our experience gained in other state Medicaid programs with different MMIS hardware platforms and system architectures.

Analysis tools profile and map the data for validity and accuracy. Data anomalies will be dealt with early, reducing the likelihood of problems during final conversion.

The integrity of the data converted from the State's current data systems is critical to minimizing service interruptions for a successful implementation. Our processes, as described in the following sections, will deal with issues common in these environments, such as potentially redundant data, code values being possibly altered over time, and data corruption. Our processes will confirm the following:

- No data is lost or otherwise missing.
- Discrepancies are resolved before the new system goes live.
- Data is properly transformed and synchronized with the Replacement MMIS relational database and business practices.

Our success in converting data is the result of many years of experience with different system platforms and architectures and our expertise in converting them to relational models. In most of our implementation states, this experience includes traditional mainframe virtual sequential access method (VSAM) file conversions. Recently, in Connecticut, it also included relational-to-relational conversions. As will be the case in North Carolina, EDS has experience in Wisconsin, Kentucky, Connecticut, and Oregon with converting data from multiple input source systems into a single target system.

Data Conversion Scope

The following table, Boundaries of the Data Conversion Effort, shows the expected tasks in a conversion project, our approach, and where in this section details can be found.

Boundaries of the Data Conversion Effort

Boundary	Description
Conversion objectives, impact, and resources	Our conversion plan addresses the objectives, impacts, and resources in the Global Conversion Plan section.
Files and data that will be converted or linked to the new system as an interface	The handling of files and data to be converted and interfaces are addressed in the Analysis and Data Conversion Plan sections.

Boundary	Description
Plans for normalization of data to be converted	The normalization of data to be converted is addressed in the Analysis and Data Conversion Plan sections. In this context, normalization means making sure we do not have redundant data in the database. For instance, a provider's address may be in both the claim and in the provider reference data. In the Replacement MMIS, there will be only one provider address record.
Processes that will be used to complete the conversion, including verification procedures and acceptance responsibilities	The processes used to complete the conversion, including verification procedures and acceptance responsibilities, are discussed in the Global Conversion Plan, Data Conversion Development and Testing, and Final Data Conversion sections.
Conversion support requirements, including use of the system, policy issues, and hardware	The conversion support requirements, including system use, policy issues, and hardware, are discussed in the Global Conversion Plan section.
List of conversion tools	A list of conversion tools is provided in the Global Conversion Plan and Conversion Tools sections.
Schedule for completing the conversion processes	The schedule for completing the conversion process is discussed in the Conversion Development and Testing and Final Data Conversion sections.
Conversion preparation task outline	The conversion preparation task outline is discussed in the Global Conversion Plan and Final Data Conversion sections.
Plans for necessary manual conversion and data cleanup activities	The need for manual conversion and data cleanup is addressed in the Data Conversion Plan, Data Conversion Development and Testing, and Post-Implementation sections.
Approach to validate the accuracy of the converted data	The approach to validating the accuracy of converted data is discussed in the Global Conversion Plan, Conversion Development and Testing, Parallel Testing, Final Data Conversion, and Post-Implementation sections.
Plans for conversion of data from the existing image storage system	The Technical Conversion team will be responsible for the assessment, planning, and execution of this conversion activity.

Approach to Data Conversion

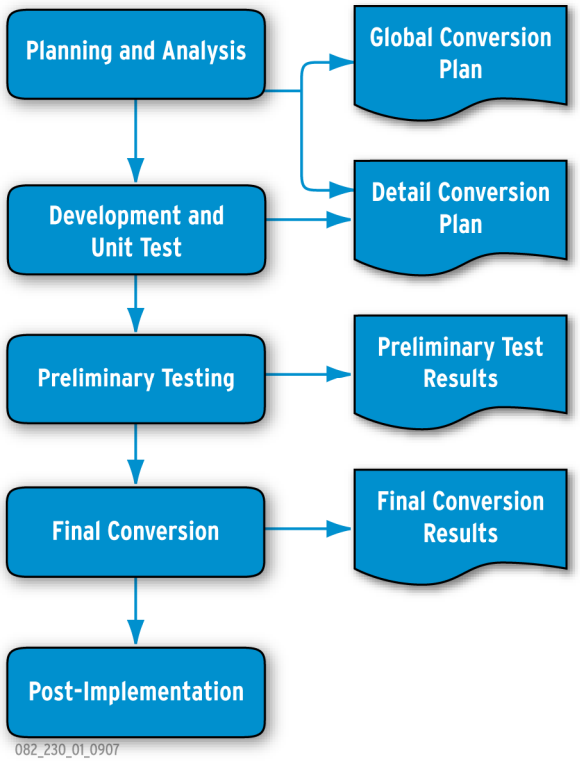
The EDS conversion strategy is an approach that is proven and has matured during multiple implementations with improved processes and tools. We base our conversion strategy on a proven method that has been successful in previous interChange implementations, which included conversions from older, legacy MMISs. We continually improve our strategy as we incorporate the lessons learned from each project to enhance the process.

In our conversion strategy, we will provide a detailed explanation of the conversion process and methods to be used, a description of how the conversion deliverables will be met, and the assumptions that will govern the Replacement MMIS data conversion process.

The data conversion manager will lead the team responsible for converting data from the existing MMIS used for DMA and DMH and from the current DMH and OHRCC systems to the Replacement MMIS. Data required to effectively operate the Replacement MMIS will be managed within the data conversion effort. Our conversion strategy will confirm that the data needed to support business functions will be present in the Replacement MMIS.

The following exhibit, Conversion Process Overview, shows a high-level flow of the process and the outputs of those processes.

Conversion Process Overview



Our conversion strategy and process will confirm that the Replacement MMIS contains accurate and complete data required to meet the State's needs.

We discuss our approach to data conversion in the following sections:

- Data Conversion Activities
- Data Conversion Planning and Analysis
- Data Conversion Development and Testing
- Preliminary Test Results

- Final Data Conversion
- Post-Implementation

Data Conversion Activities

During the data conversion task, the Conversion team will work with the State to meet the following objectives:

- Plan, develop, test, and coordinate the conversion of data and files required to support the operation of the new Replacement MMIS
- Allow continued application of edits, audits, and service authorizations and precertifications, including units used, drug exception requests, rebates, and calculations to meet system processing requirements (data will cross-walk)
- Allow production of reports required for system operation, policy decision-making, and federal and state reporting requirements (data will cross-walk)
- Identify elements required to support the Replacement MMIS processes and those that need to be converted
- Identify files or data that will be linked to the Replacement MMIS as interfaces
- Identify the source of the data as manual, automated file, or primary data collection
- Secure the data
- Develop data conversion requirements
- Develop conversion software and manual procedures
- Test conversion programs and procedures
- Provide preliminary test results of files
- Provide for normalization of converted data during and after the conversion process
- Validate and correct, where applicable, referential integrity of the data in the Replacement MMIS
- Identify converted data as distinguishable from new data and make the converted data date-sensitive
- Demonstrate through comprehensive testing that data required to support the Replacement MMIS processing will be available and accurate
- Perform the final conversion and report the results

- Follow up during post-implementation on data discrepancies and make corrections as necessary

Data Conversion Planning and Analysis

Conversion planning starts early in the DDI Phase. The first step will be to create with the State a global conversion plan, which will be the guiding document for the conversion tasks. The document will set the ground rules and expectations for data conversions. The second step will be to determine the detail functional area requirements. To show that we are meeting the requirements, we will create the following artifacts: the list of files that need to be converted, the data element mappings, the default values, and the test plans.

We describe our data conversion planning and analysis in the following sections:

- Global Conversion Plan
- Analysis
- Conversion Tools
- Data Conversion Plan

Global Conversion Plan

The global conversion plan will comprise the following subsections:

- Conversion objectives
- Roles and responsibilities
- Description of the conversion process, including process and environment diagrams
- Status reporting standards
- Statistical and error-reporting standards
- Procedures for notification, tracking, and correcting conversion problems
- Conversion preparation task outline
- Procedures for verifying the integrity and accuracy of the converted files, including quality control and sampling verifications
- A narrative and plan for the management of the conversion effort, including strategies for dealing with delays, a backup plan, backup personnel, and any significant issues
- Conversion support requirements, including use of the system and hardware
- List of conversion tools
- Procedures to handle manual conversion and data-cleanup activities

- Conversion data volume considerations, including the size of the database and the amount of data to be converted
- Development schedule
- User work and delivery schedules and time frame for reports
- Conversion deliverable outlines

To facilitate a smooth State approval process, EDS will conduct a walkthrough of the global conversion plan before submitting it for State approval.

Analysis

EDS will identify detailed conversion requirements and sources of data for functional areas necessary to meet the specifications in the RFP.

Extraction and data analysis are the first and most critical steps of the conversion activity. Essential to this step is the participation of the State's and EDS' business and technical subject-matter experts (SMEs), who will work with our team to identify and understand the source and target data structures and data element content. Cooperation from the current Legacy MMIS+ Operations team and State staff also is required for this task. Data analysis tools will be used to quickly and efficiently perform a complete analysis of source data. Detailed knowledge of the values and anomalies in the data will be identified early in the conversion cycle and used to help prevent unexpected results later in the process.

During the Analysis Phase, we will perform the following activities:

- Conduct extensive analysis at the data element level to normalize the data model, confirm valid values, check data element integrity, validate business and technical rules, and determine field-level distinct values
- Analyze data content within key fields across records within the same file and records across different files
- Perform a gap analysis between the source data and the Replacement MMIS to determine data compatibility
- Identify and resolve differences in field-level data contents, valid values, field lengths, and field formats
- Match critical and key data elements from the source data to the Replacement MMIS and document elements for which a clear match is not identified
- Identify and resolve with the State key elements not accounted for in the source data

During the analysis process, files that will be linked to the system as interfaces will be identified. Interfaces will be managed through the functional areas in

which they are used. For example, an eligibility file from an external entity will be managed and documented by the recipient functional area.

Conversion Tools

Understanding how data is used to represent information is critical to a successful conversion; therefore, one of the most intensive tasks in data analysis is determining the meaning of the data. EDS has integrated into the conversion process the use of Informatica's Data Explorer to facilitate the Analysis Phase. Data Explorer will automate the manual data-profiling process to better understand the content, quality, and structure of source data and produce metadata that is complete and accurate.

The software also will automate the data-profiling process of the target data. This will facilitate the conversion verification process by analyzing the content and structure of the conversion results. It can import relational, VSAM, or flat file structures to extract data from a source system that will be profiled by Data Explorer. When the data is imported into the tool, automated data profiling can be performed.

The source-to-target data-mapping process will be documented in Data Explorer. During the mapping process, Data Explorer will identify and alert the user if there are issues with any assigned mappings, such as data-type conflicts. Data maps and transformation specifications are outputs of the tool that are used for reviews and to develop the conversion programs.

Data Conversion Plan

The data conversion plan will document how data required by the Replacement MMIS will get populated. It also will identify unused data items from the current system and how that data will be handled. The detailed conversion requirements will primarily reside in iTRACE and Data Explorer software, as described in the preceding Conversion Tools subsection. Additionally, the conversion functional area test plans will be determined in this phase.

The data conversion plan for each subsystem will include the following:

- A description of files to be converted and whether it will be a manual conversion, an automated conversion, or a combination of the two
- An understanding of the function of the data in the old system and the determination of whether the use will be the same or different in the new system
- An understanding of the order in which data is processed in the old system and how that affects the integrity of the data in the new system

- Data element mapping cross-walks (including values) of the old system data elements to the new system data elements and vice versa so that data elements are addressed
- Normalization of data from the old system into the new relational model
- Data transformation logic comprising special logic or functions needed to transfer the data into the Replacement MMIS
- Configuration and code table data cross-walks, such as provider type and specialty
- A function-specific plan for testing and verifying conversion programs and procedures to accommodate differences in functional areas
- Approach for organizing and presenting the conversion test results, including type of results to be provided
- Approach for handling obsolete or unused data that is not converted, to be archived subject to the retention periods specified

The detailed conversion requirements and test plan will be reviewed and approved by each State division leader and EDS functional area team leader before submission for State approval. This approach will allow the State and EDS to review the plan in components, easing the volume of material to review and approve. The review status and approval will be documented in the functional area conversion status reports available online in iTRACE. After the State approves each of the functional areas, EDS will submit a formal data conversion plan document summarizing the Requirements Phase results and noting any outstanding issues.

Data Conversion Development and Testing

During data conversion development and testing, our team will construct programs that facilitate the transformation of each data element from each input source file to the associated Replacement MMIS target table and column.

We will include input and output record counts into each conversion program. Statistics reports that track the number of records read, number of records considered for conversion, and the number of records converted will be part of each input source file. Counts for the number of records read and loaded into each Replacement MMIS target table also will be available. These balance counts will be our initial mechanism to account for records within each source file input into the conversion process.

The conversion programs will include error reports that track the number of records with errors that prevented the record's conversion. The key identifying information for the unconverted record and an associated error condition message also will be part of this report.

Data validation methods will be included in the programs. These validation methods may include such things as determining expected counts and valid value editing. Validations also may need to be performed between files (cross-validation relationships validation).

Unit testing will validate that each conversion program accounted for the data elements and transformation logic for those data elements. We will conduct unit testing using a sample of actual source data separately for each individual conversion program. Unit testing will be stand-alone testing intended to demonstrate that each individual conversion program functions as expected, independent of other conversion programs.

We discuss conversion development and testing in the following subsections:

- Accuracy of the Converted Data
- Test Plan
- Preliminary Testing Methods

Accuracy of the Converted Data

The Conversion team will review the unit testing results for completeness and accuracy. Before executing any further conversion steps, we will require approval by the conversion manager and Conversion team members for each program.

Our unit testing validation will be extensive and include the following:

- Record count balancing
- Validation of converted values for key fields using the Data Explorer data-profiling tools
- Validation of those fields with transformation logic

We may perform validation by full file review or by data sampling when the size of the converted data is too large. We will verify statistic and error reports from unit testing and review any input record in error.

Test Plan

The conversion test plan will be created during the detailed requirements validation process. The test plan is an agreement between the State and EDS on how the conversion will be tested and verified for each functional area. Data conversion routines will be tested and approved by the State before application.

Test data results will be presented in a format preapproved by the State and EDS. Because of the uniqueness of each functional area and division, test data verification methods will be determined by each area during the Analysis Phase and documented in the test plan.

We recommend the verification method of manually comparing data online in the Legacy MMIS+ and converting the data through the Replacement MMIS' online applications. Other methods available but not frequently used include manually reviewing sample data entered for "keyed" tables to validate data quality and reviewing selected or random samples of before and after versions of records and associated tables to validate converted records. In some cases, the data may not be available online and the raw data must be reviewed.

Preliminary Testing Methods

EDS will conduct extensive preliminary testing to verify the accuracy of the data. The test plan is first created to set expectations and goals for the testing effort. Two testing initiatives are undertaken: mock conversion and parallel testing.

Mock Conversion

Mock conversion is an iterative test of real production data that will be run through pilot cycles to verify the quality of the converted data. To prepare for the final conversion, EDS will execute the mock conversion in a production-ready environment with full file data. Further, we will execute multiple iterations of the mock conversion so the final conversion cycle is smooth and efficient. We will validate the conversion results of each iteration of mock conversion and send them to the State for approval before final conversion.

The mock conversion cycle schedule will reflect the chronology in which the conversion must occur to maintain data and referential integrity within the Replacement MMIS database. We will present error records from the mock conversion to the State so we may resolve these errors before final conversion. Data converted within the mock conversion will facilitate systems and acceptance testing within the Replacement MMIS implementation project.

From the mock conversions we will determine the approximate run times, space requirements, and record counts for the final conversion. This step also will be important for determining whether the data content in the production files is the same as expected. We will correct and retest any discrepancies uncovered in the mock conversions before final conversion.

At the conclusion of the mock conversion, the following tasks will occur:

- The preliminary test results deliverable will be submitted to the State for approval.
- The final conversion cycle schedule will be included in the implementation plan. The cycle schedule will include specific start dates, start times, end dates, end times, dependencies, and the responsible person for each step of the conversion cycle.

Parallel Testing

As required by the RFP, EDS will include parallel testing as an additional method to verify data quality. In this phase, a high volume of claims will be run against the converted data. The input claims will be generated from converted claims history files. The claim output will be compared to preconversion history to verify that reference, provider, or recipient data conversions produce the expected results. This evaluation will be part of our comprehensive parallel test and provide a valuable analysis of the converted data for the Replacement MMIS. Output from the claims volume testing will be made available to the back-end processes, such as management and administrative reporting (MAR) and third-party liability (TPL), which rely on the output from claims to perform individual business function analysis and testing.

Preliminary Test Results

Results from the mock conversion will be documented in the functional area conversion status report. The status report will include statistics and errors found during the conversion. The errors will be tracked with the responsible party and target date in the status report until resolution.

The time line for resolution of errors depends on the party responsible for correction and the overall conversion schedule. For example, it may be necessary for bad data to be manually corrected in the current MMIS. This would be noted in the status report with a target date for completion. Errors discovered in parallel testing will be forwarded to the Conversion team and documented in the status report.

We further discuss preliminary test results in the following subsections:

- Verification Procedures and Acceptance Responsibilities
- Preliminary Converted Files/Conversion Test Results

Verification Procedures and Acceptance Responsibilities

The conversion status reports will include the following detail regarding errors and statistics:

- Number of MMIS records considered for conversion
- Number of MMIS records not considered for conversion
- Number of MMIS records converted
- Percentage of MMIS records considered for conversion that were converted
- Number of errors encountered

- Number of Replacement MMIS database rows, by table, created by the conversion

More specific statistics may be created by each functional area to further validate the output data. For example, field-level validation and dollar amounts, where applicable, will be summed and compared. Paid or billed amounts for claims within a specific time frame, receivable, or other dollar amounts will be captured from source and target data and compared for accuracy.

EDS suggests balancing standards by comparing input record counts with output record counts for automated conversions so the counts are the same or are explainable. If one file is responsible for record additions to multiple tables, counts for each output table will be generated and verified.

The report will list any errors encountered during the conversion process. Information includes the following:

- Record key
- Data error
- Error message that describes the field in error and the error situation
- Number of MMIS records considered for conversion
- Number of records with errors
- Percentage of MMIS records with errors
- Number of total errors reported

The State team will perform verification to manually compare counts from the current MMIS to the Replacement MMIS. The State will receive a report of input records that will not be selected for conversion because of data problems and a report of errors that occurred during conversion.

EDS will keep the State fully informed of the conversion status. We will track issues and progress against the conversion schedule and share this information with the State regularly and promptly through iTRACE and project status meetings.

We will provide status reporting, as outlined previously, on each preliminary file conversion within one business day of the completion of each scheduled file conversion. It will include test results and problems encountered. Test results will be provided as agreed to in the documented test plan. We also will provide a semiweekly summary of the status of the overall conversion, including schedule progress, significant outstanding issues, and the effect of any findings on the implementation schedule.

The process for resolution of errors will be as follows:

- Modification to conversion program and reconversion
- Modification of individual data records through previously developed applications

- Automated or manual insertion of corrected data
- Addition of new default values to the conversion program
- Acceptance of the record as an error and not allowing the record or data to be converted because of the inappropriateness of the data

If an error or omission is detected that causes a significant change in the resultant data to that point, the program will be updated and the data reconverted until it is accepted. The accurate definition, analysis, and initial testing before executing conversion programs will serve to prevent these occurrences.

EDS will conduct ongoing individual functional area status meetings and walkthroughs of conversion test results with the State to review the results and converted data. A walkthrough will promote an accurate understanding of the initial file conversions before acceptance testing activities.

EDS will determine and conduct the required reconversions if discrepancies or nonconformances are identified with the preliminary conversions. With State approval, we will make any resulting modifications to the implementation schedule. Additionally, we will make available versions of manually and automated converted files for review online, where appropriate.

Preliminary Converted Files/Conversion Test Results

During conversion development and testing, reports will be made available using the status-reporting channels. These status reports will be used to document the results of the initial file conversions, indicate discrepancies between actual and expected results, and identify problems encountered during the conversion process. Versions of the converted files will be made available online or formatted for review by nontechnical personnel, as agreed to in the test plan.

The formal deliverable will include two sections. The first is a summary of the cumulative results of functional area tests and the approval that the final conversion can commence as scheduled, which will include the following:

- Summary of the conversion plan results and status of the conversion software
- Identification of any significant outstanding deficiencies or limitations
- Effect of any outstanding deficiency on the remainder of the conversion schedule and recommended solutions for correcting the deficiency
- Assessment of how the test environment may differ from the operational environment and how this may affect the test results

- Recommendations for improving the design, operation, or testing of conversion software

The second section is a detailed report of the conversion plan and results, which will include the following:

- Results of the conversion testing formatted as defined in the conversion plan and approved by the State
- Completion status of each test case of the testing plan
- Identification of test cases where the result was not as expected, an explanation of the problem that occurred, and the procedure in which the problem occurred
- Chronological record of the testing covered by the conversion test results report, including dates, times, and locations of testing
- Identification of the hardware and software configurations used for testing
- Log of dates and times of testing activity, including the individual performing the testing

Before final conversion, the State will approve conversion for each functional area. State sign-off will indicate that the test plan and preliminary conversion for a specific functional area are complete and accurate. This will be documented in the sign-off section of the status report.

Final Data Conversion

Final data conversion will commence as specified in the outlined conversion tasks and detailed on the overall project schedule and implementation plan. The implementation plan for the Replacement MMIS will not require a phased approach that requires data to be fed back to the Legacy MMIS+.

Our approach involves implementing a step-by-step implementation plan. Components of the system, such as provider enrollment and eligibility, will be implemented before the core claims processing system. Doing so will enable key values to be used in subsequent conversions and enhance the referential integrity of the conversion data.

These implementations will be independent of the Legacy MMIS+. Any data maintained within both systems will be independently processed in each system.

EDS will conduct final Replacement MMIS file and data conversion as scheduled in the implementation plan. This conversion will include files and any pending inventories. We will complete conversion of claims-related files and data as smoothly and efficiently as possible, which will minimize risk and save the State time and effort.

As discussed in the preceding Preliminary Test Results subsection, the timing and duration of the production conversion tasks will be determined during the testing phase. Because of the large volume of data that needs to be converted, specifically historical claims and encounters, these conversions will need to start well before the system cutover. EDS will perform preliminary production-level conversions of files needed to support the early start of claim and encounter conversion.

The files will be converted again at final conversion and will maintain key values used in the preliminary final conversion. The detailed conversion tasks will be planned within the detailed implementation plan. During the final weeks of cutover, there will be times that limited access to data may be required. We will work with the State so limited access will be minimized and kept within acceptable time frames as approved by the State.

After each functional area conversion, the conversion results will include the following:

- Problems encountered and the impact on the remaining conversion schedule
- Final results formatted as agreed to and documented in the status report

State personnel will be notified of the completion of the final conversion to enable timely final review before the go-live date.

After final file conversion, EDS will prepare a final conversion results report, including the appropriate statistics and balance totals. We will correct any problems identified during the final conversion.

Post-Implementation

EDS will continue to work with the State to resolve data cleanup issues identified during final conversion by tracking them through the processes defined in the global conversion plan. Post-implementation data cleanup will be resolved through the following methods:

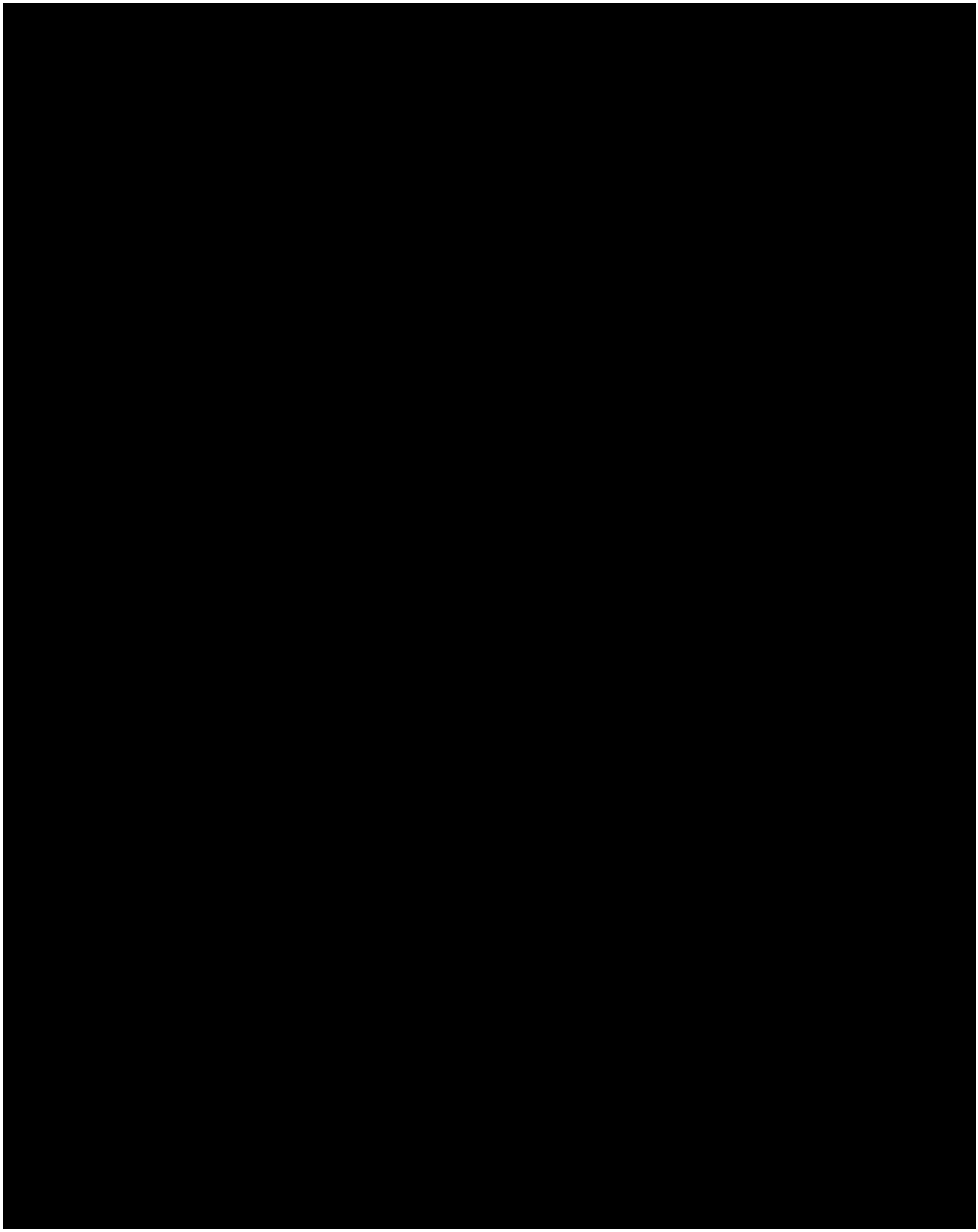
- **Online manual—**If there are only a few data items to fix or if there is no pattern to the bad data, an online manual fix may be used.
- **Batch programmatic—**If there are many data items to correct, programs can be created to correct the data in a batch mode.
- **Reconvert—**If the situation is such that a reconvert of the data is the best solution, the conversion programs can be corrected and rerun to replace the bad data without affecting the current data that may have been established since go-live.

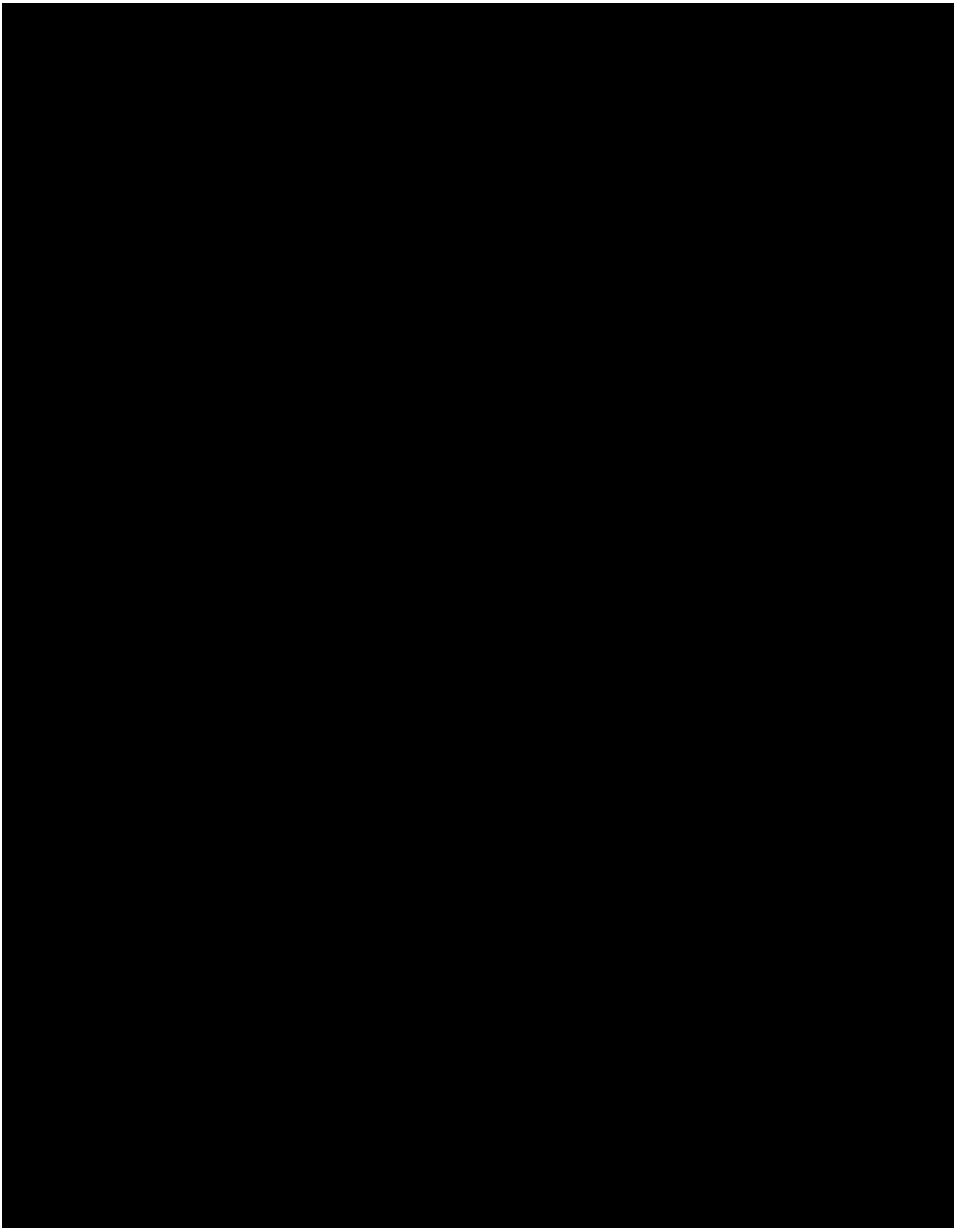
If post-implementation problems arise, EDS will correct any problems identified during the final conversion and resubmit final conversion results reports,

including the appropriate statistics and balance totals. We will continue to work with the State to resolve any problems identified.

EDS possesses the North Carolina people and the North Carolina knowledge, processes, and conversion experience to successfully complete the conversion tasks. The State's support and participation from strategy planning through testing and final conversion will enable the successful implementation of the Replacement MMIS.

To demonstrate our successful approach to data conversion, we provide a sample excerpt from the Kentucky MMIS Global Conversion Plan following this page. As stated in RFP section 50.2 Technical Proposal Requirements, this sample does not count toward any page limit.





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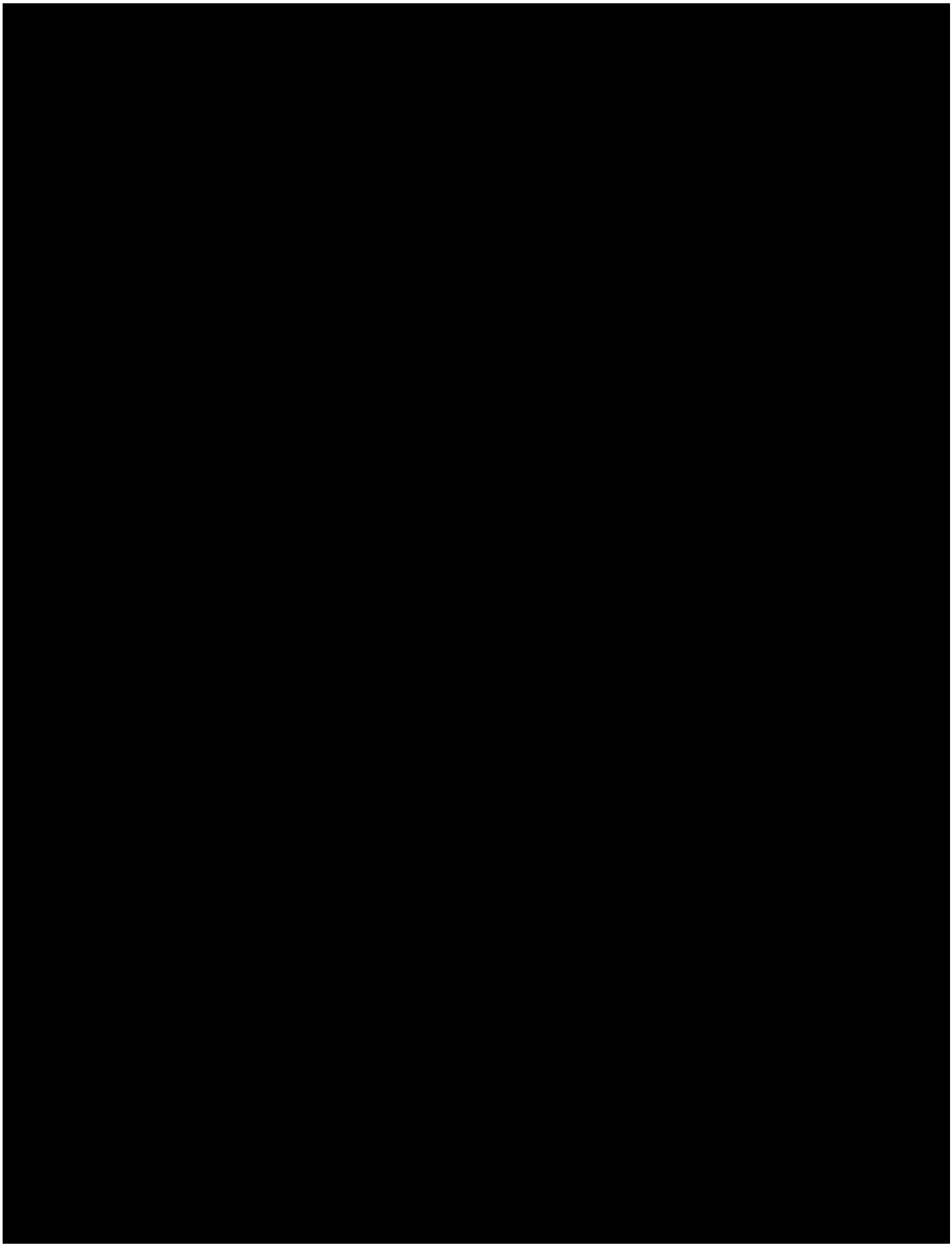
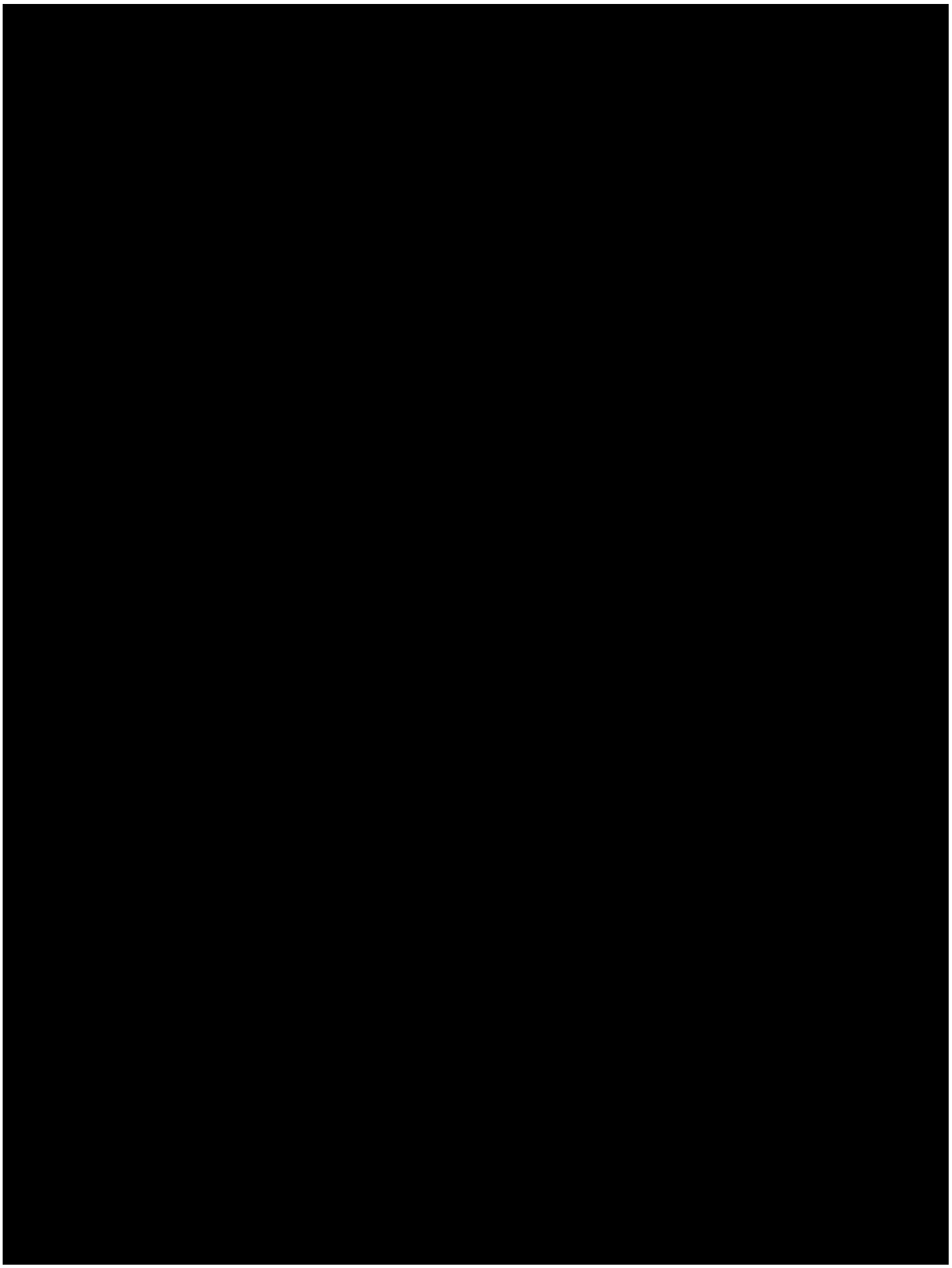
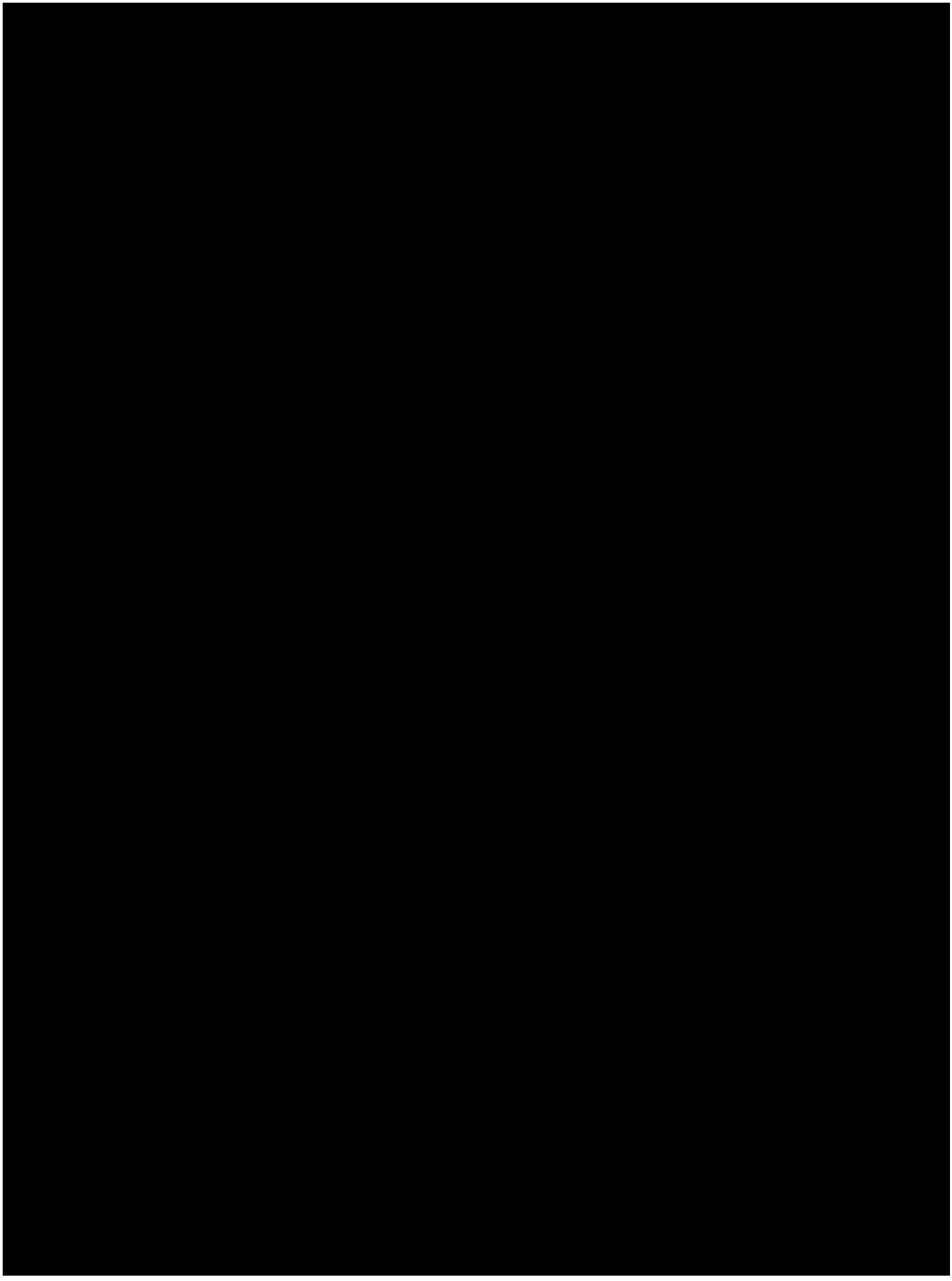
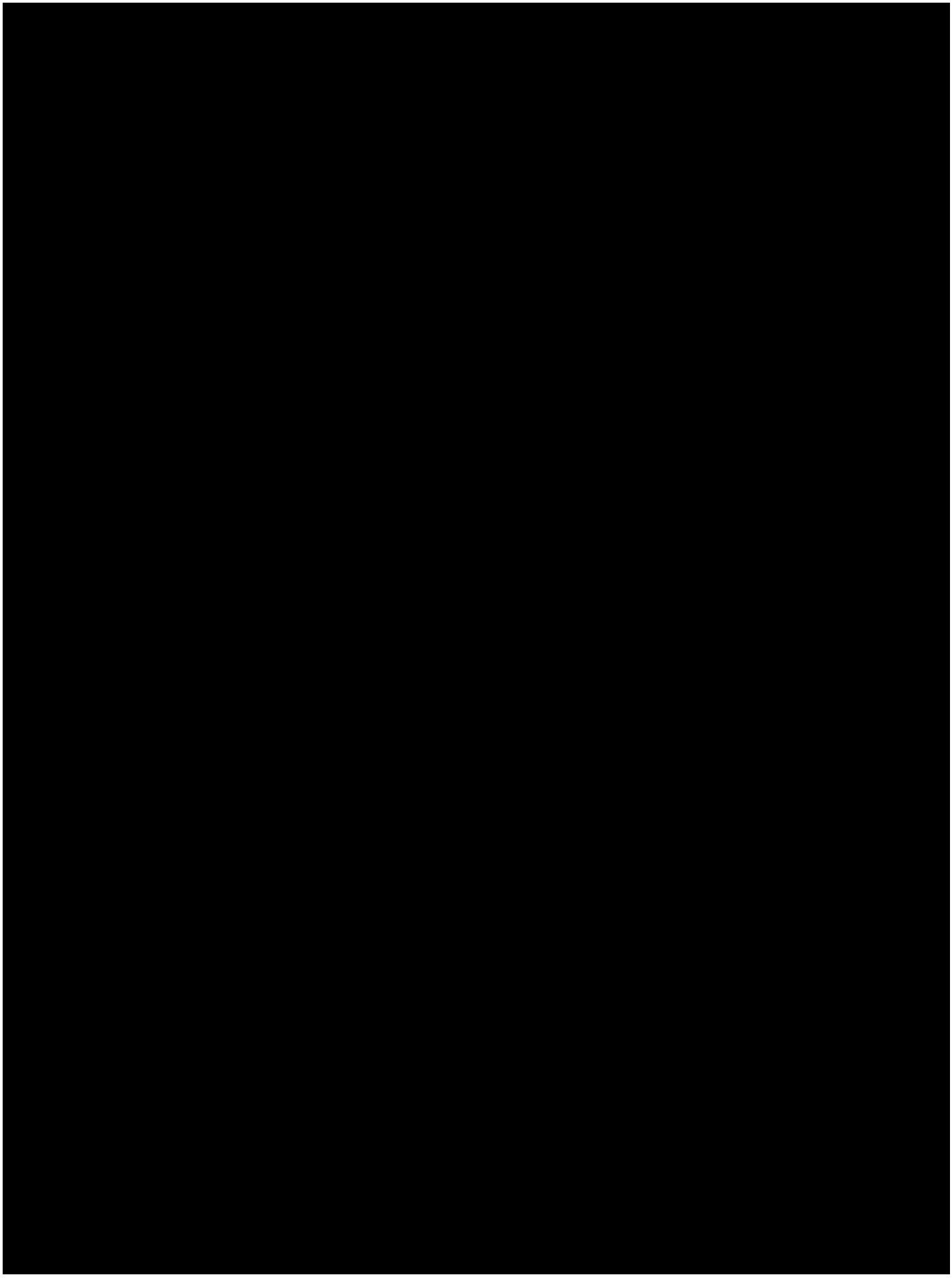
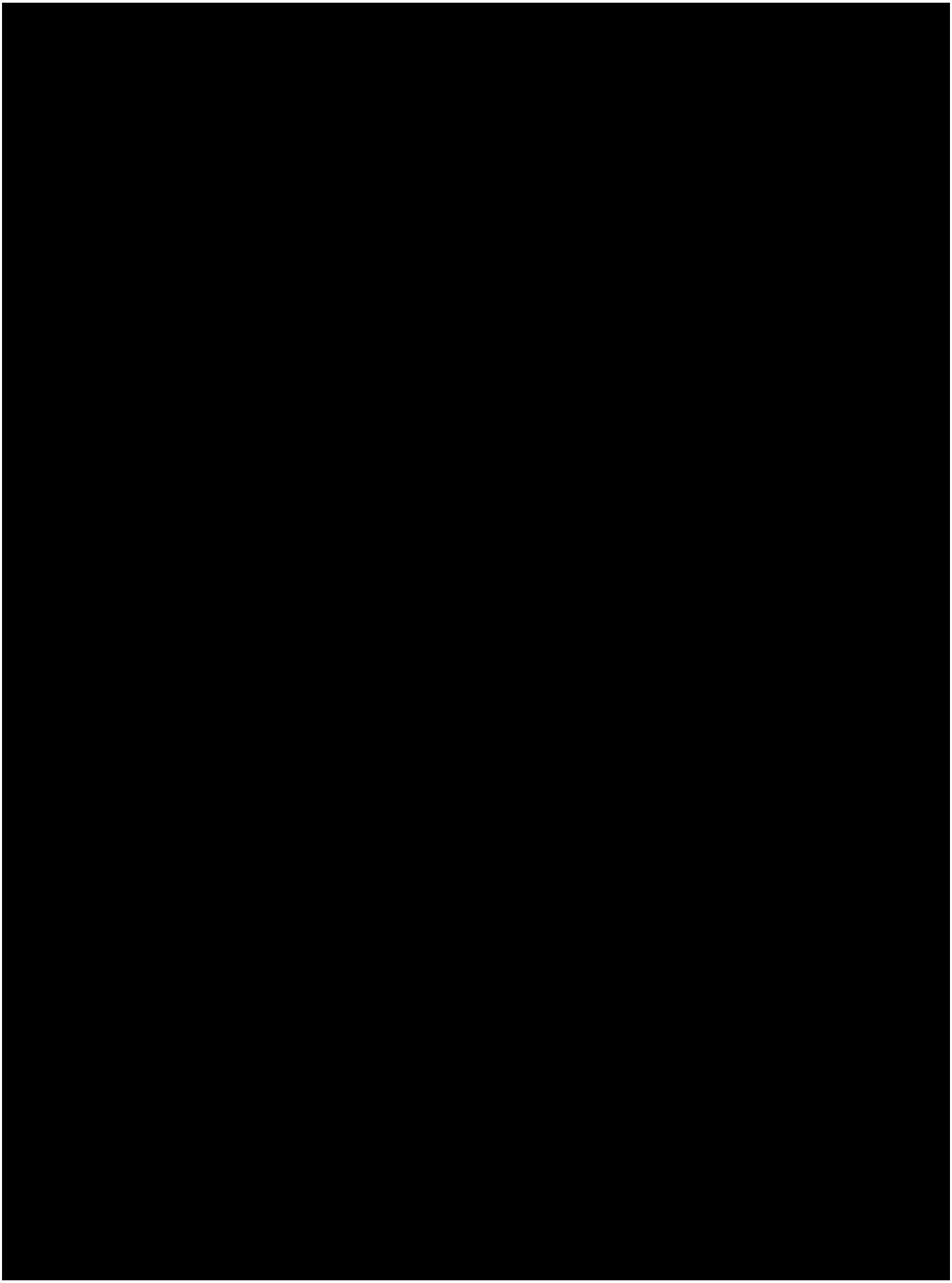
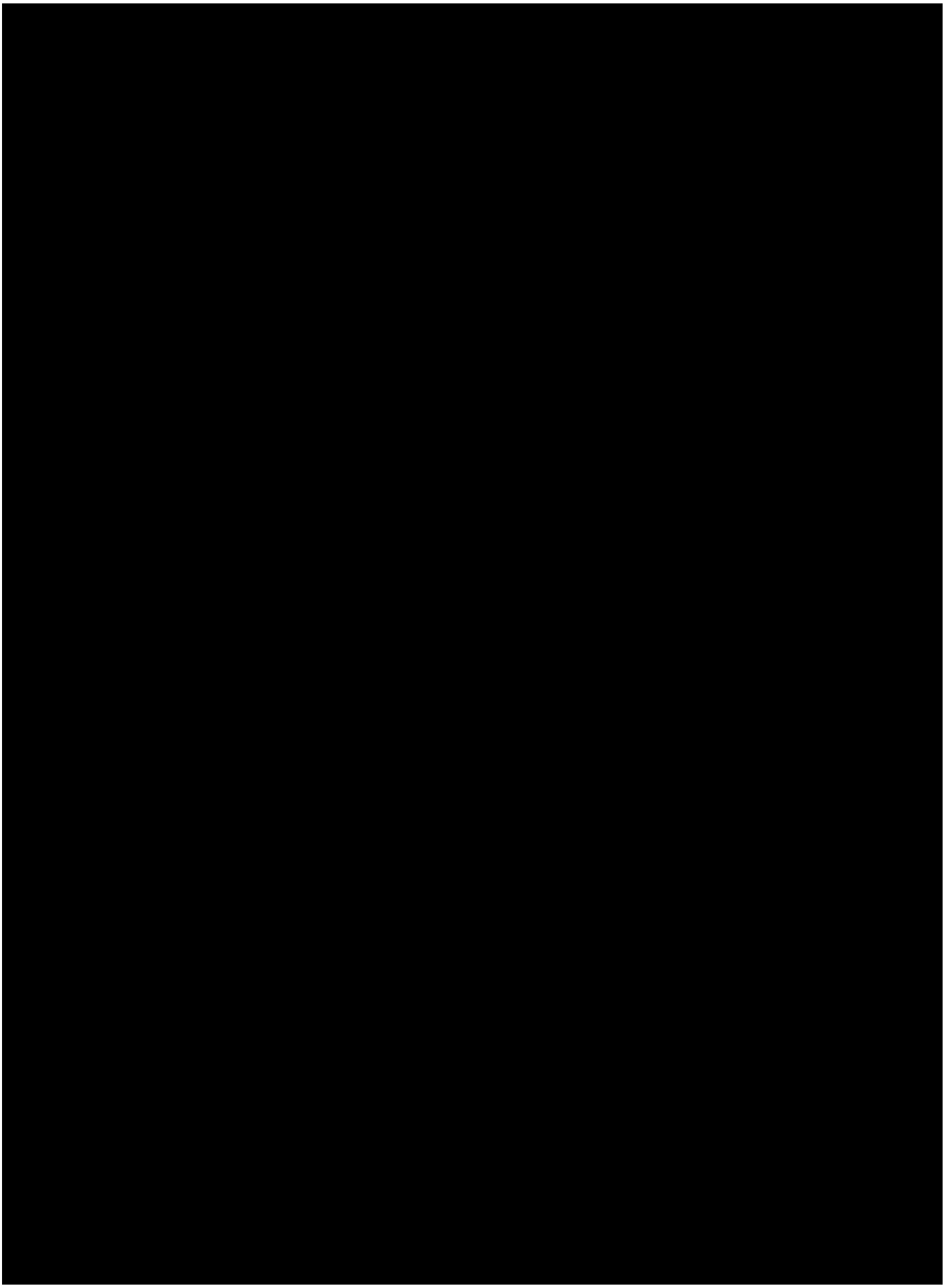


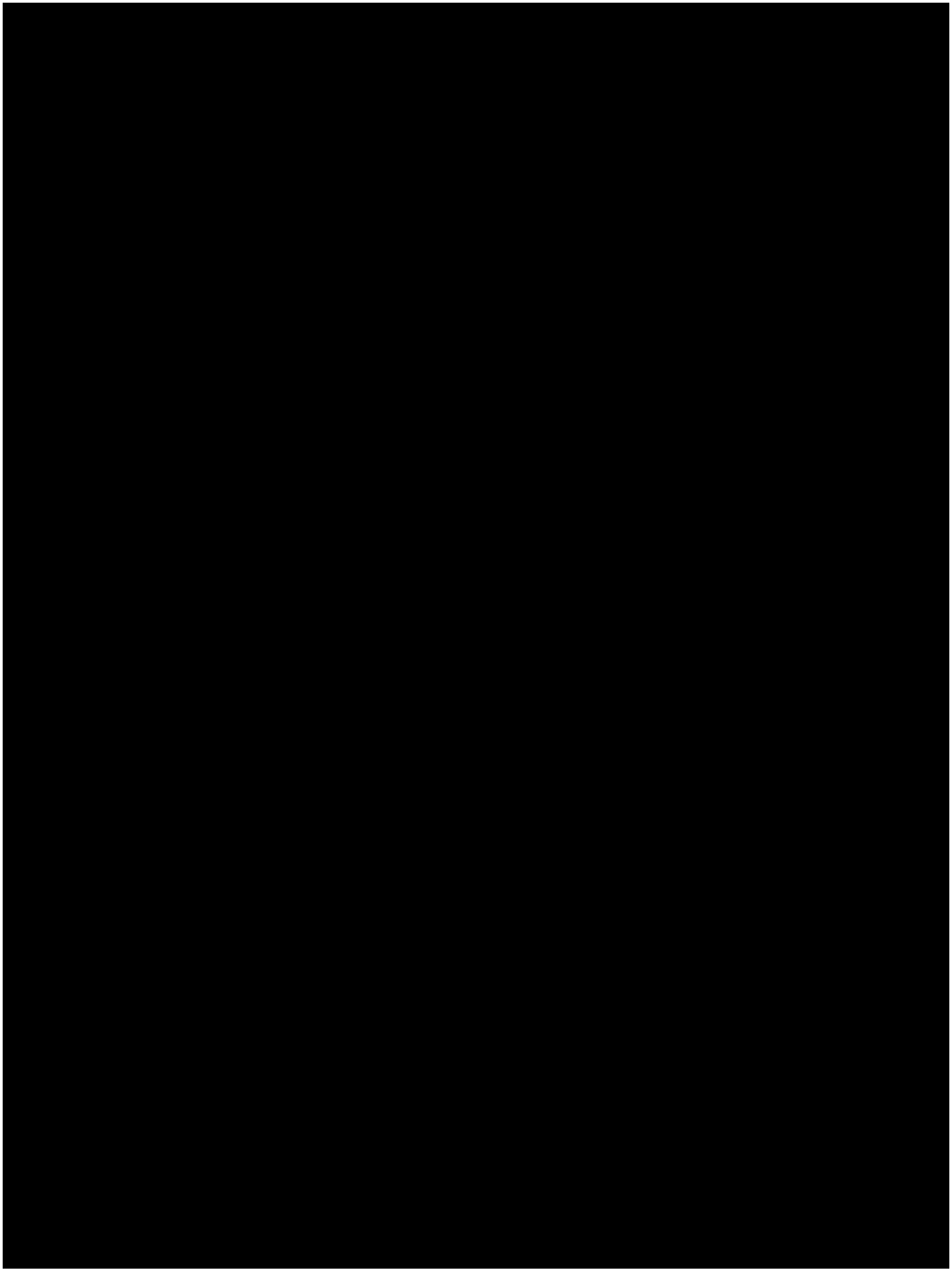


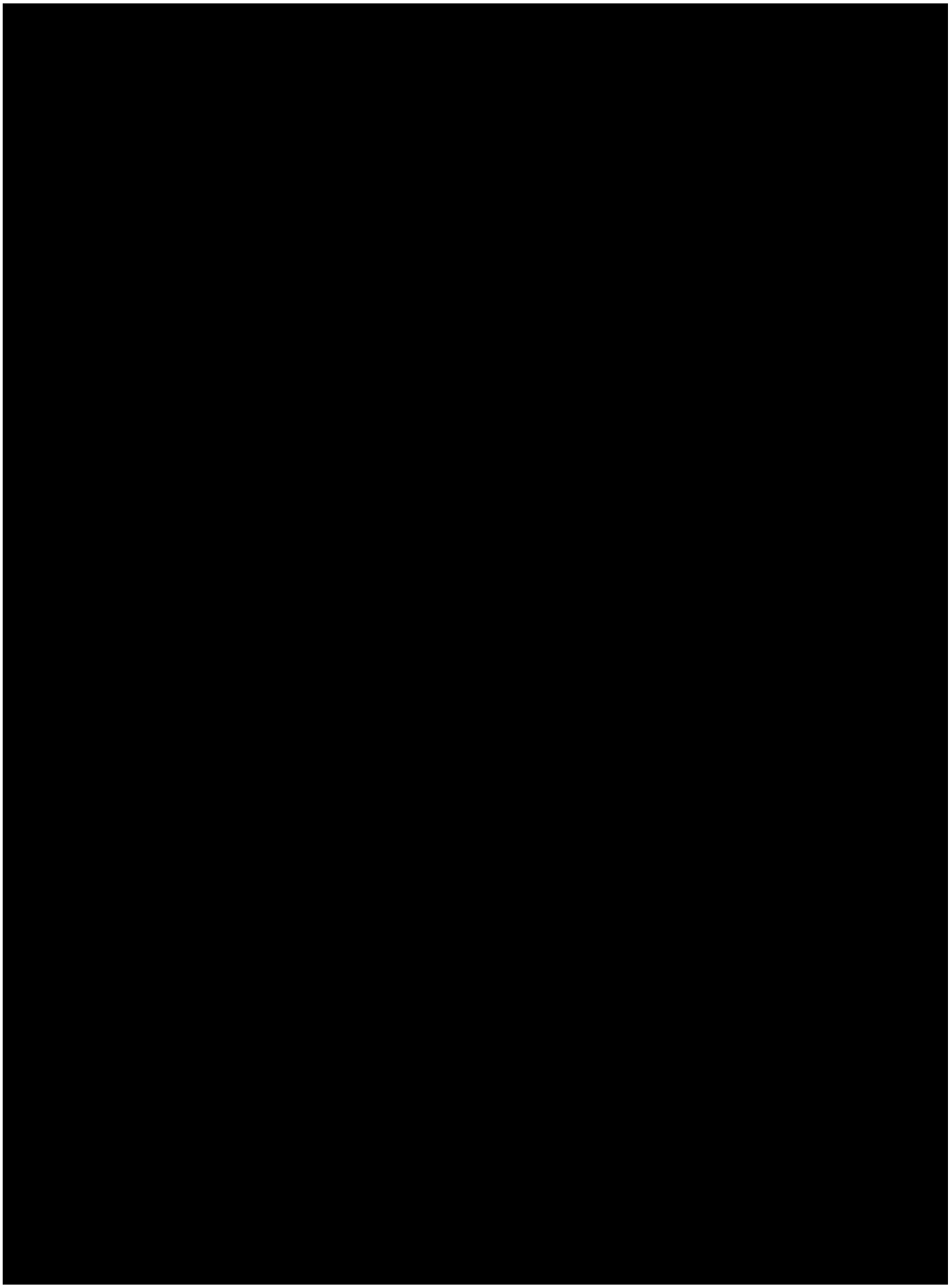


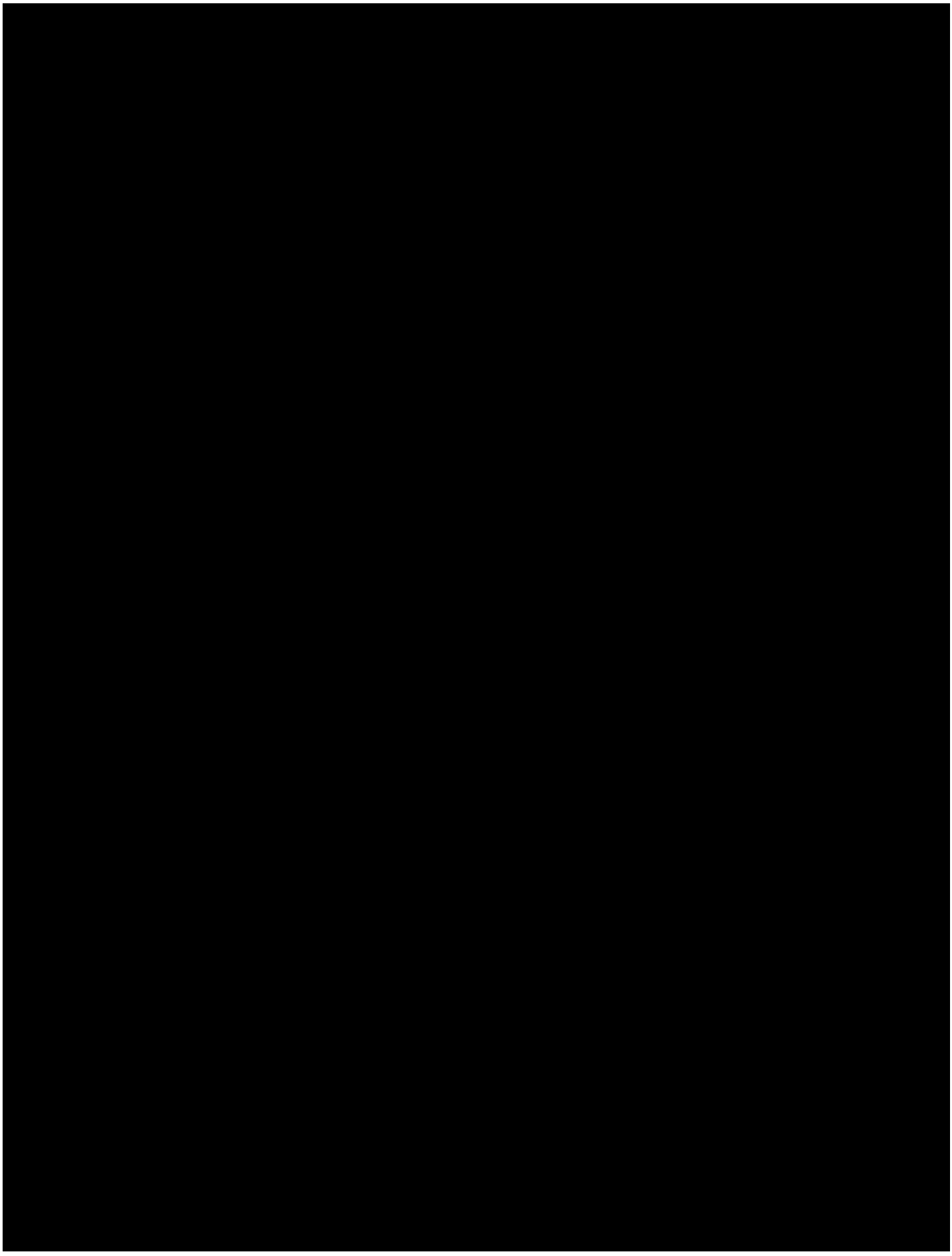


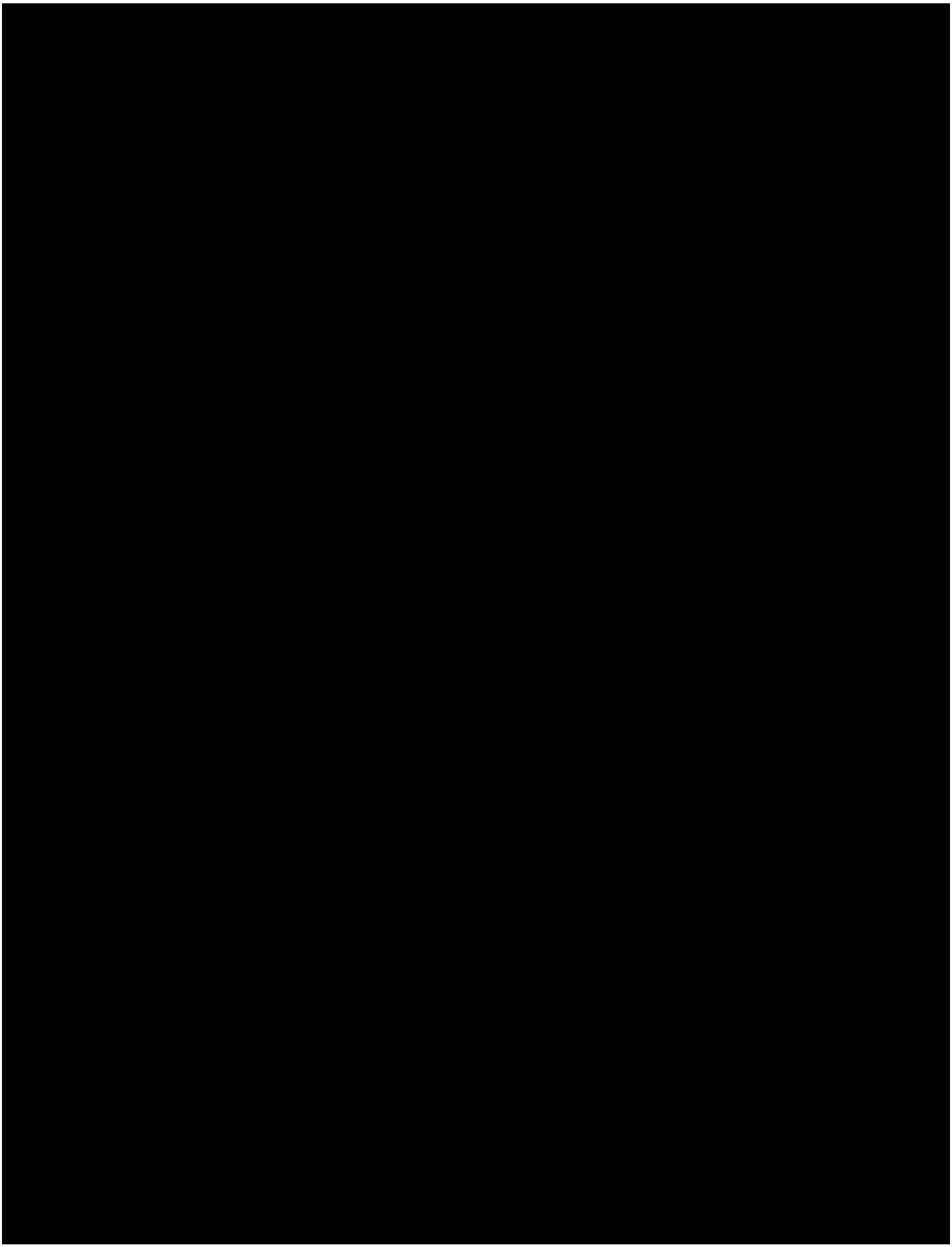


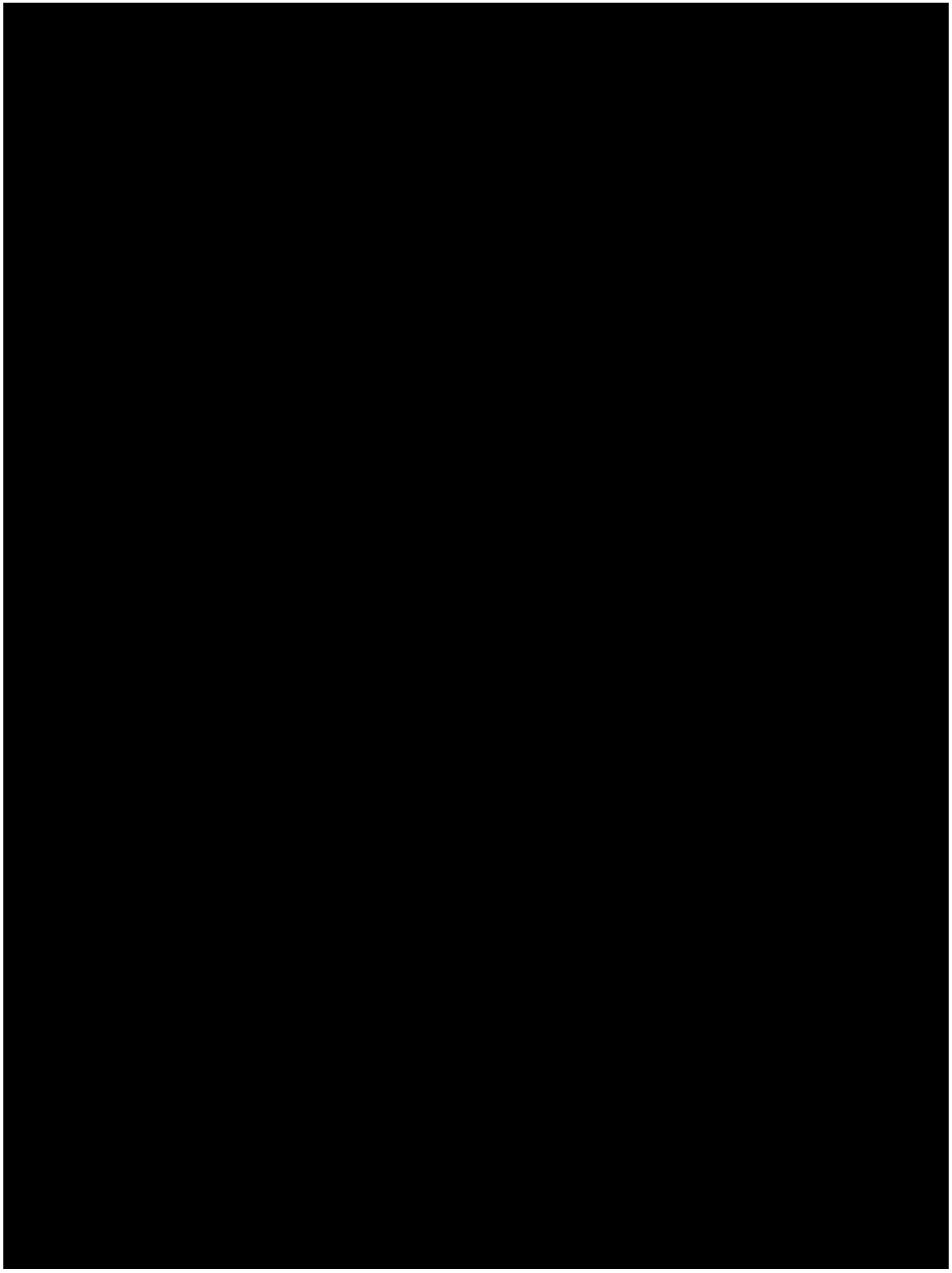


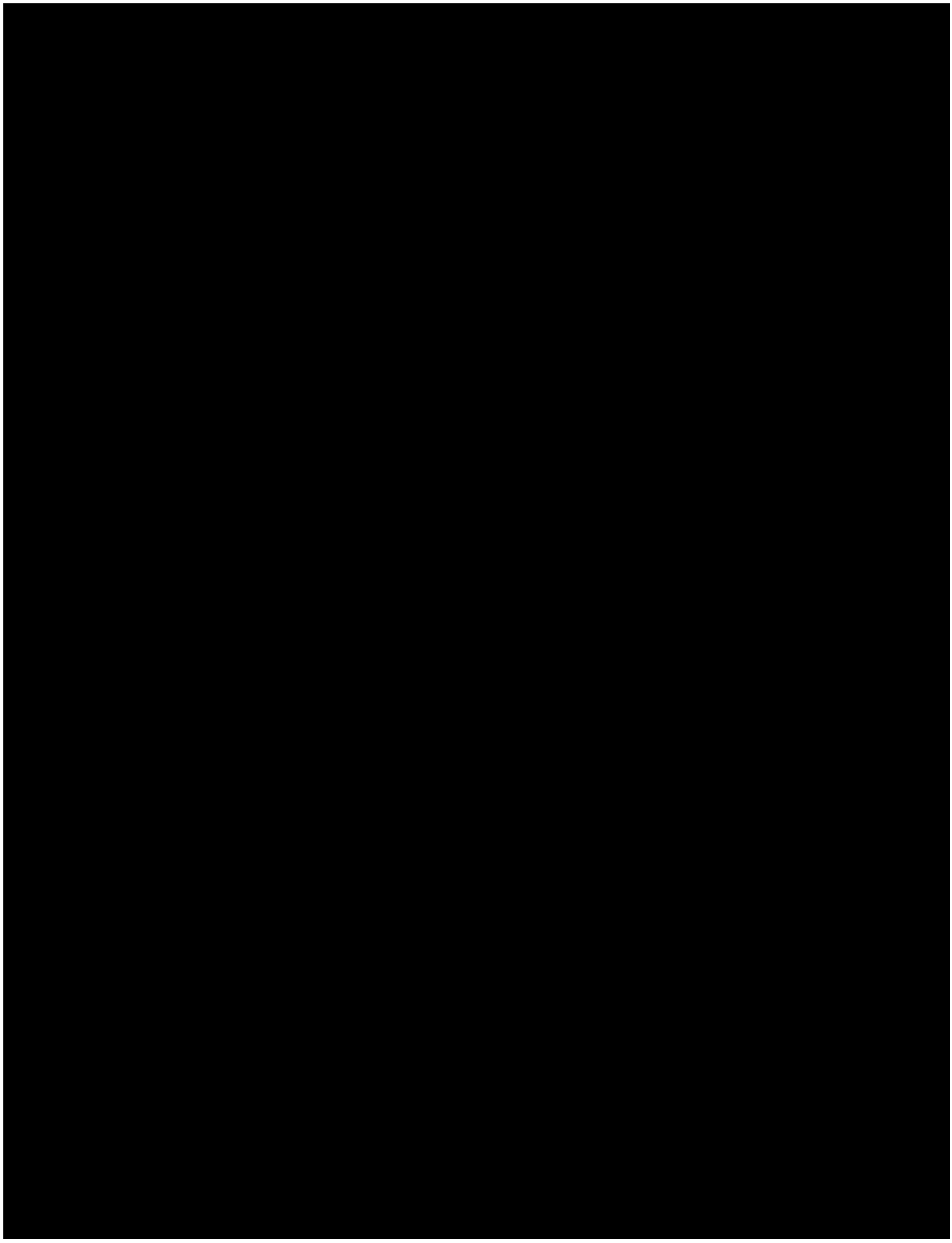


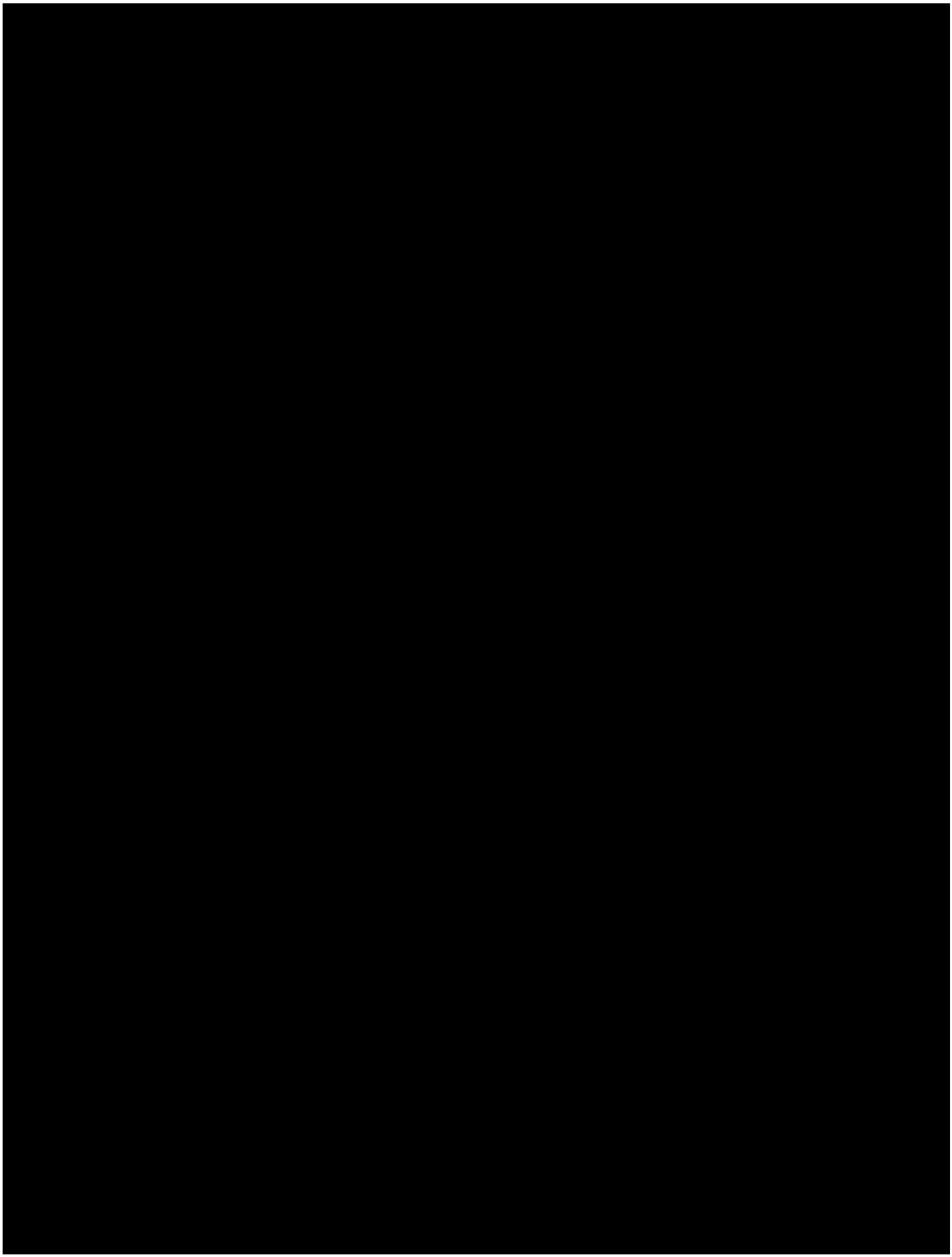


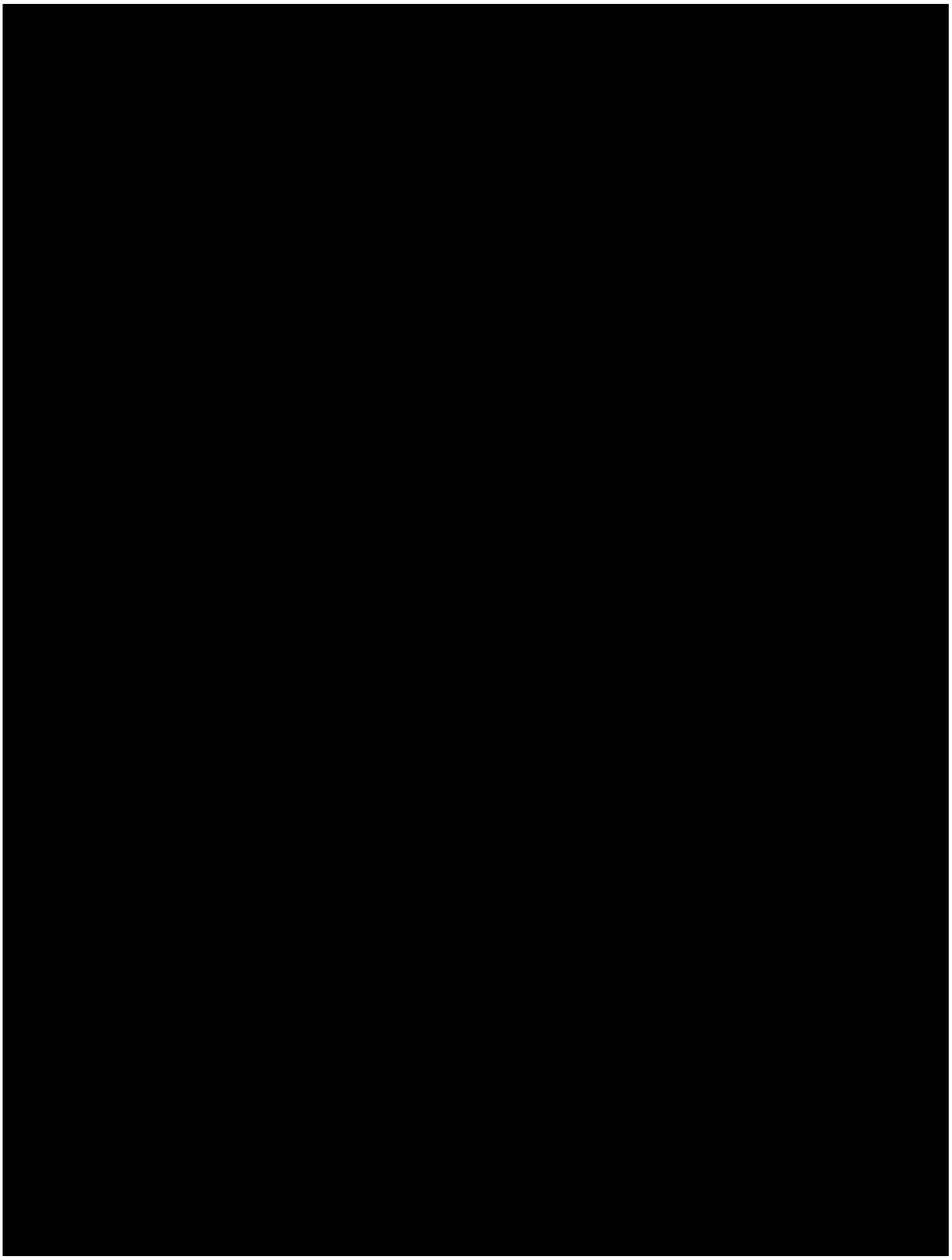


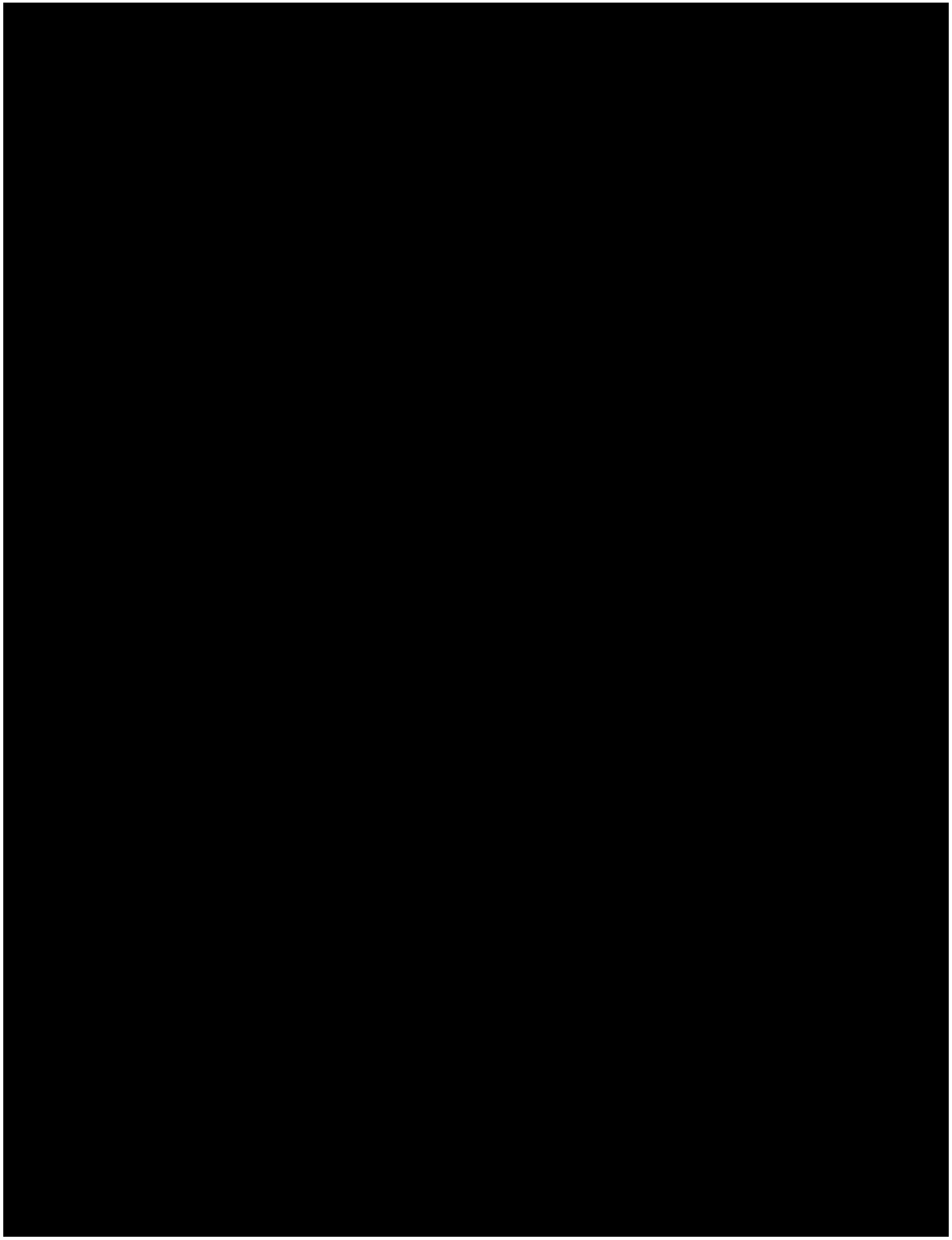


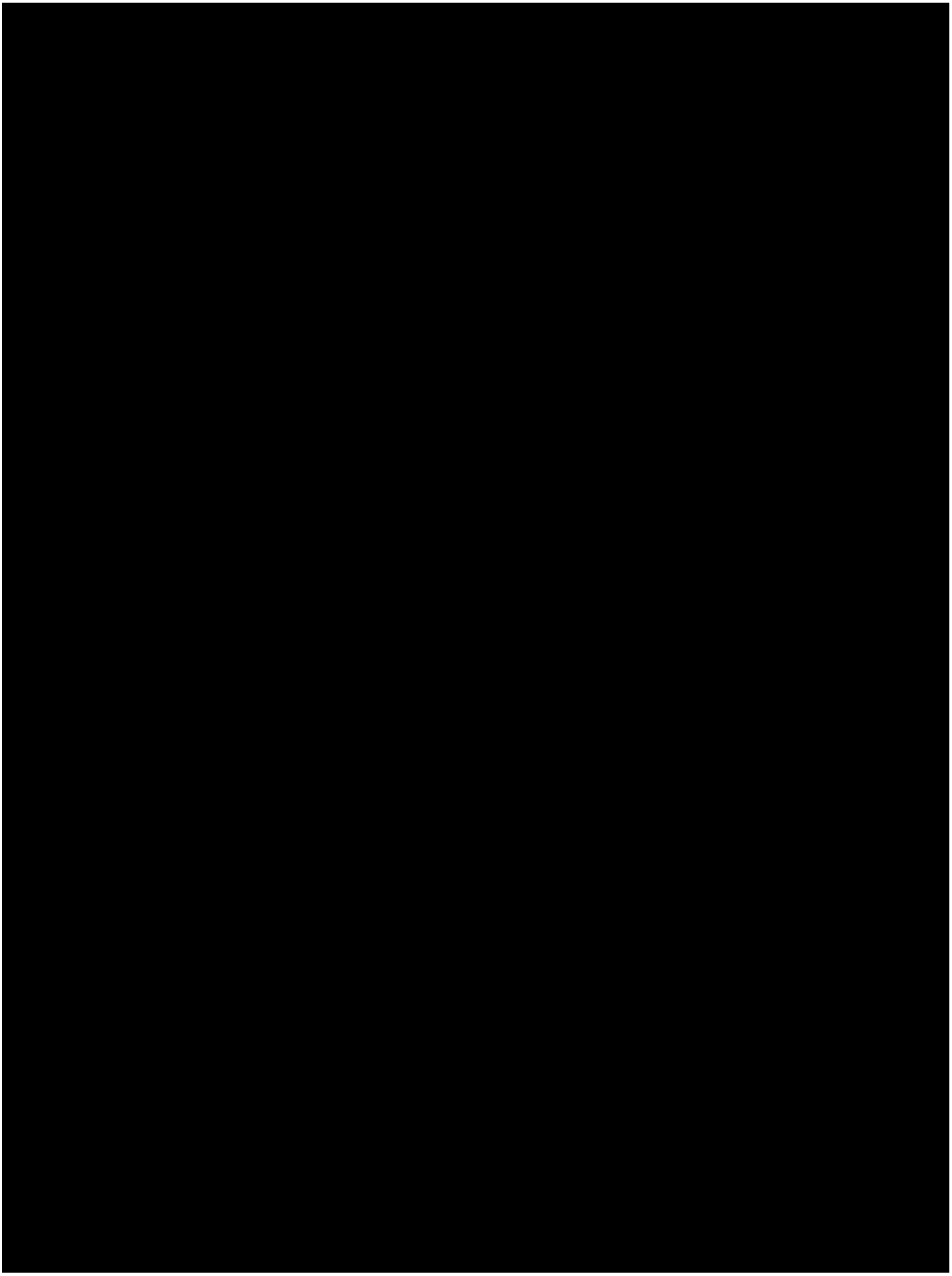


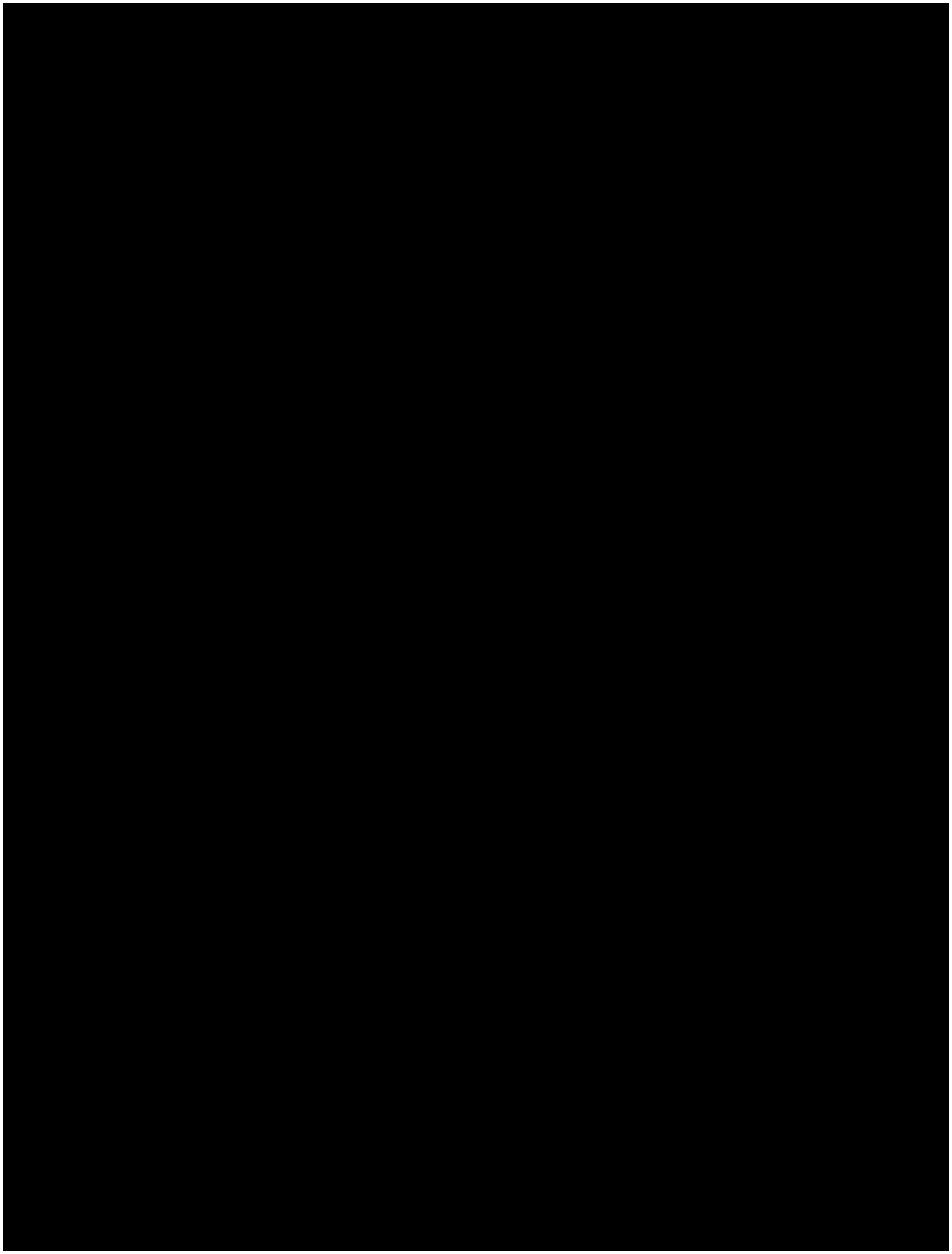


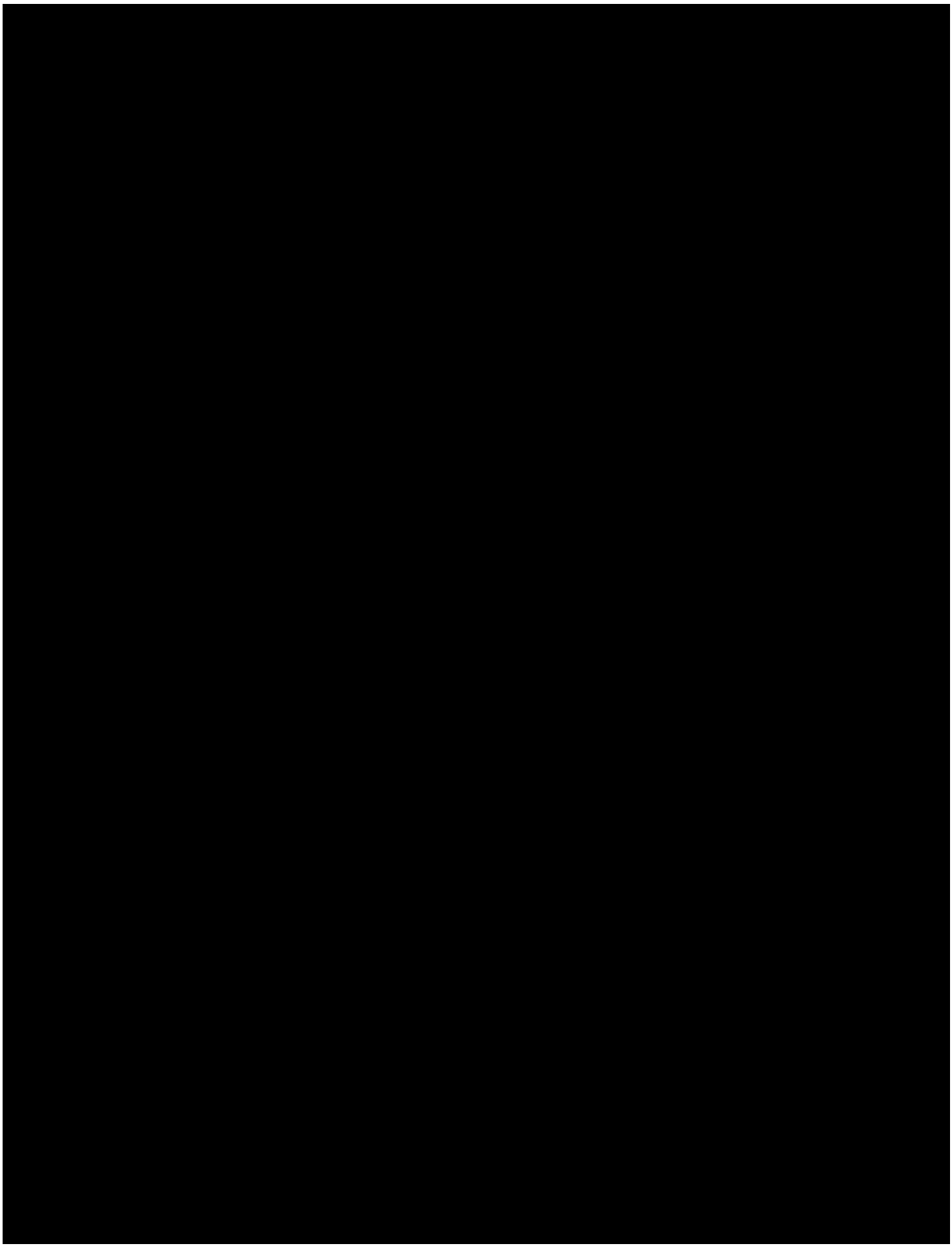


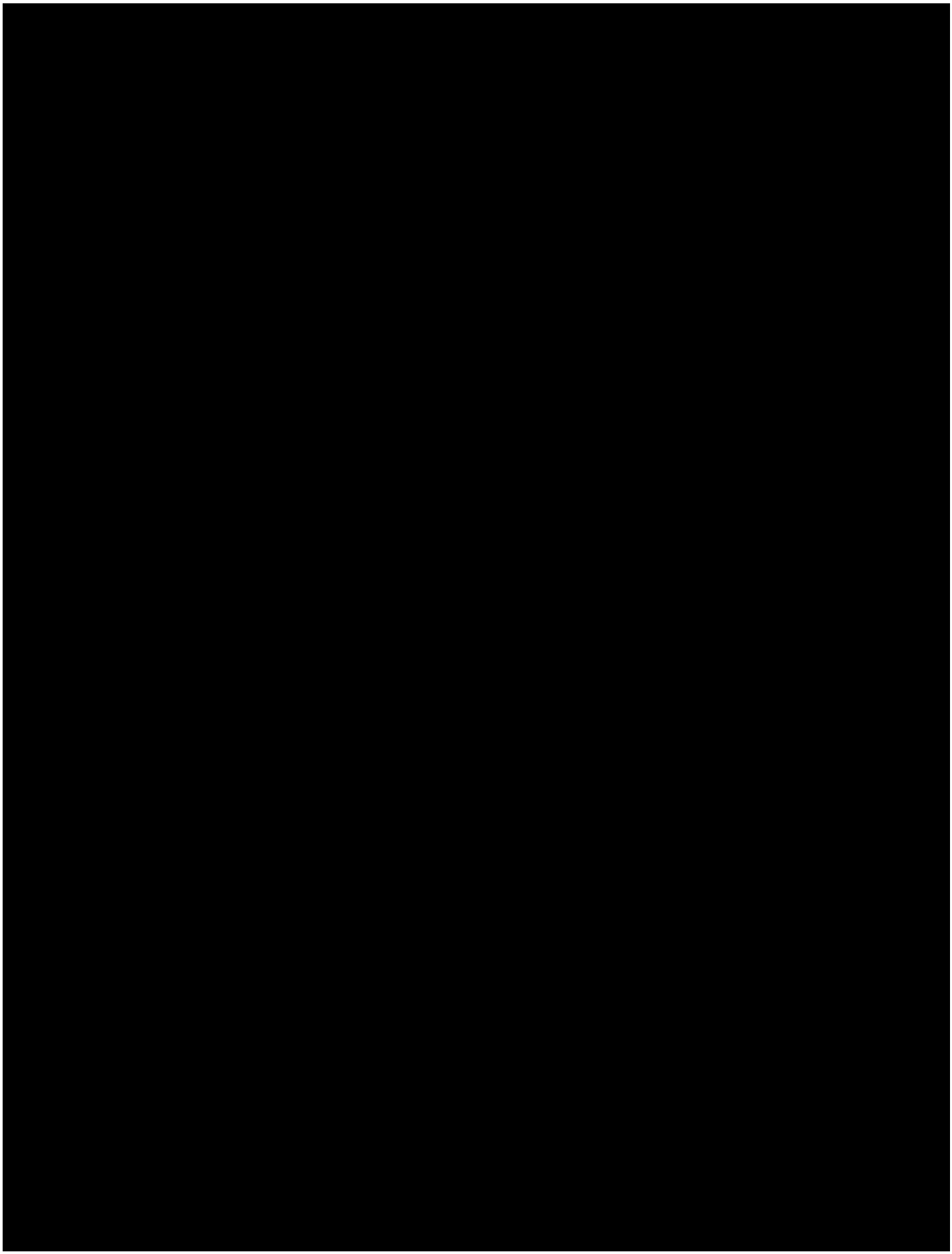


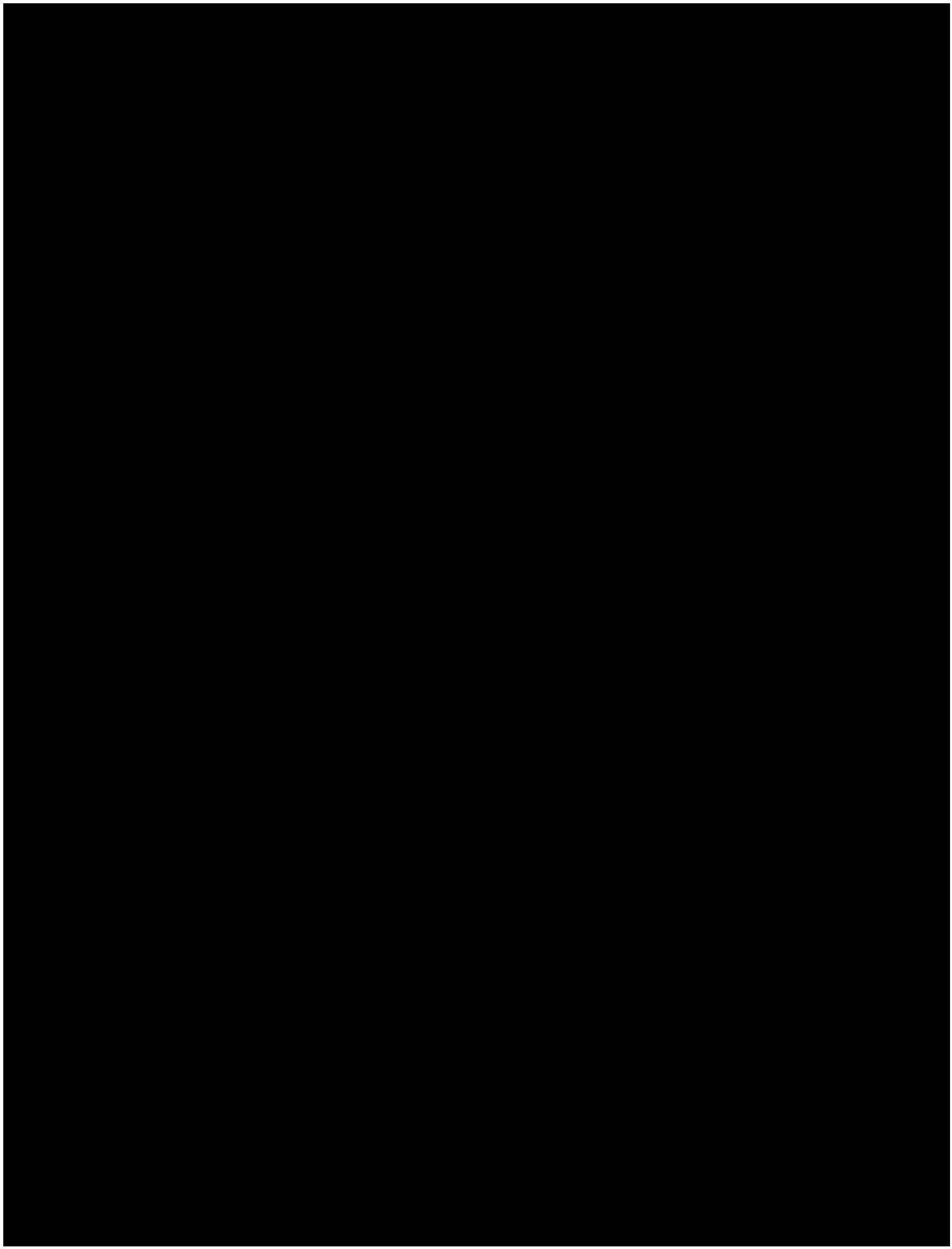


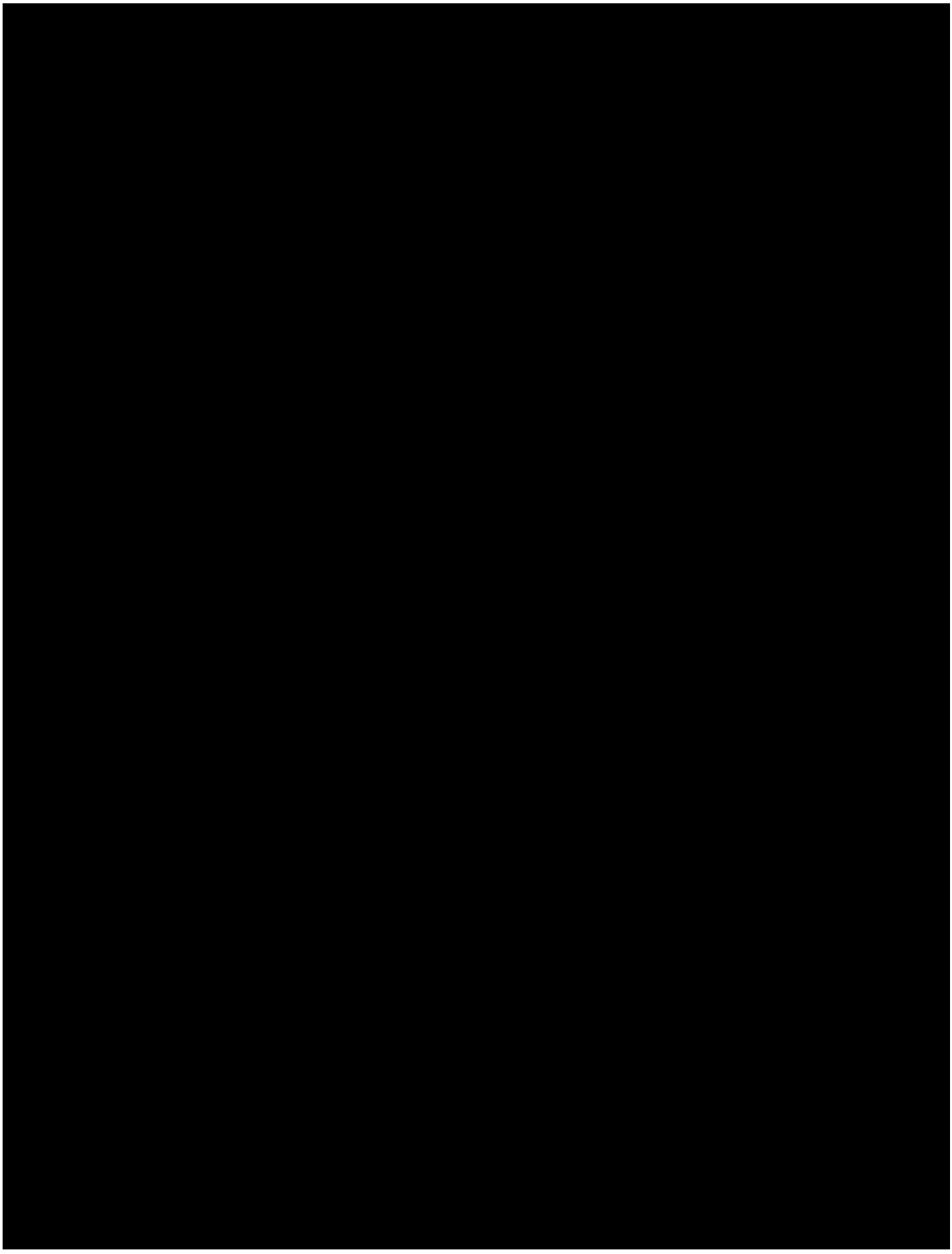


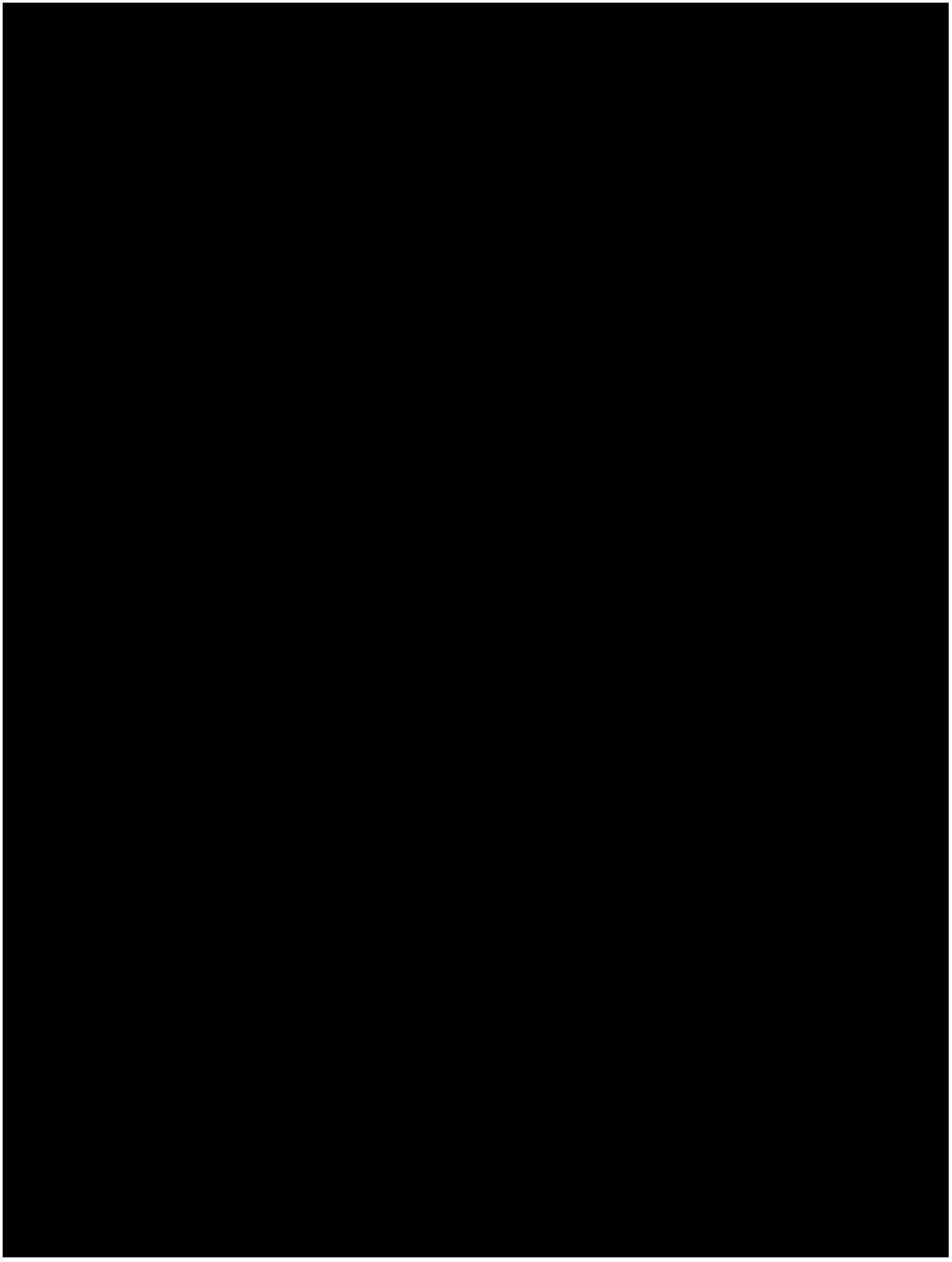


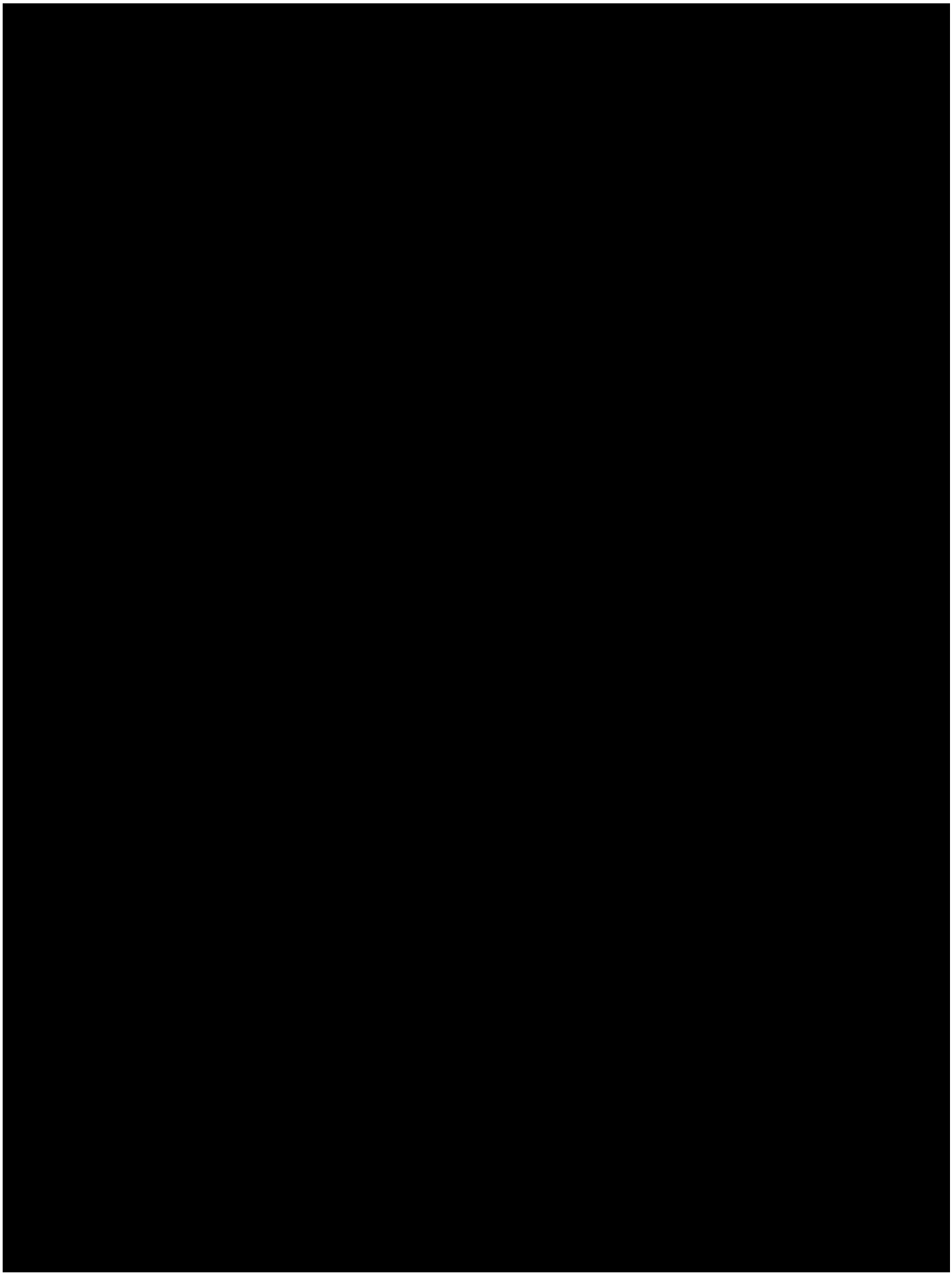


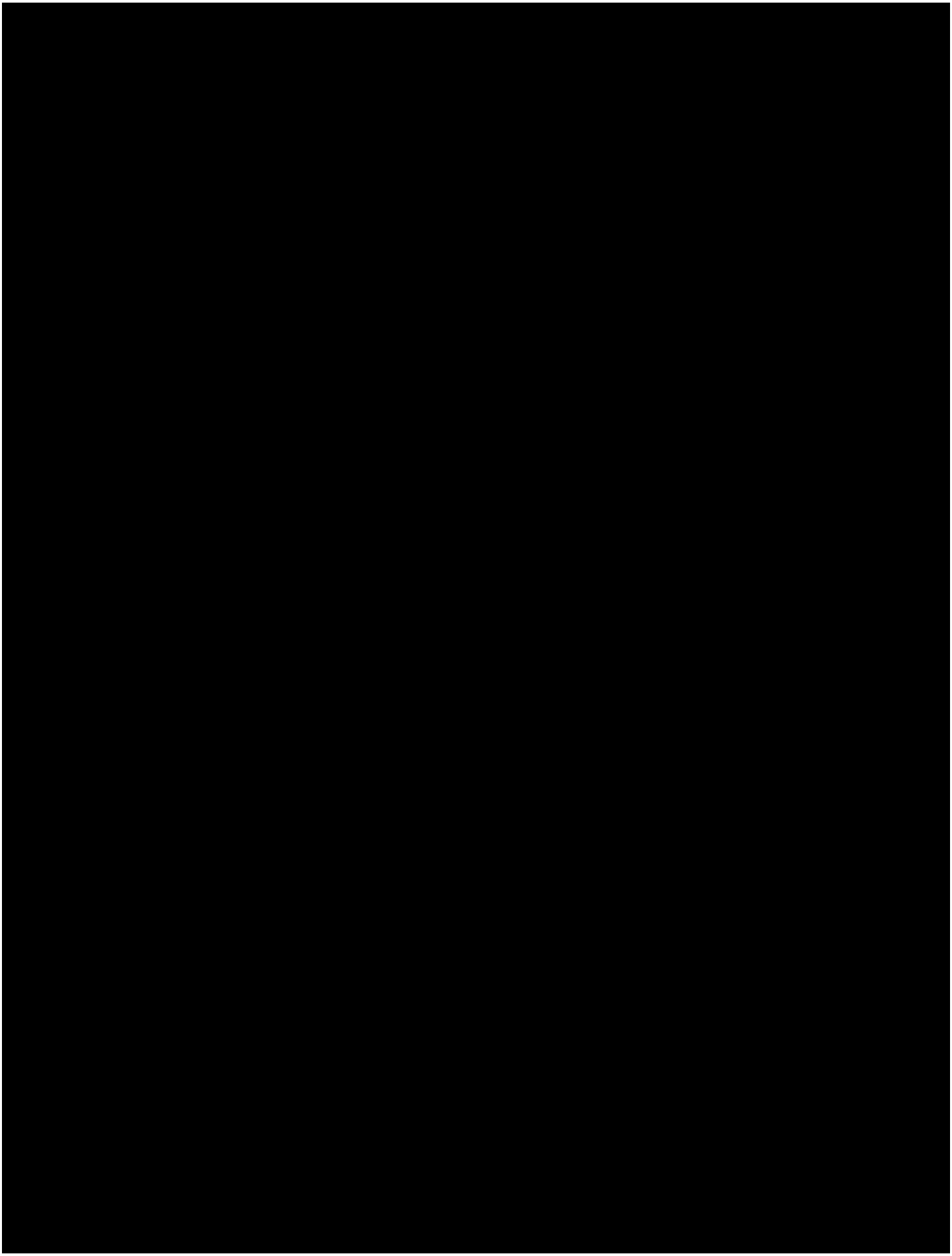


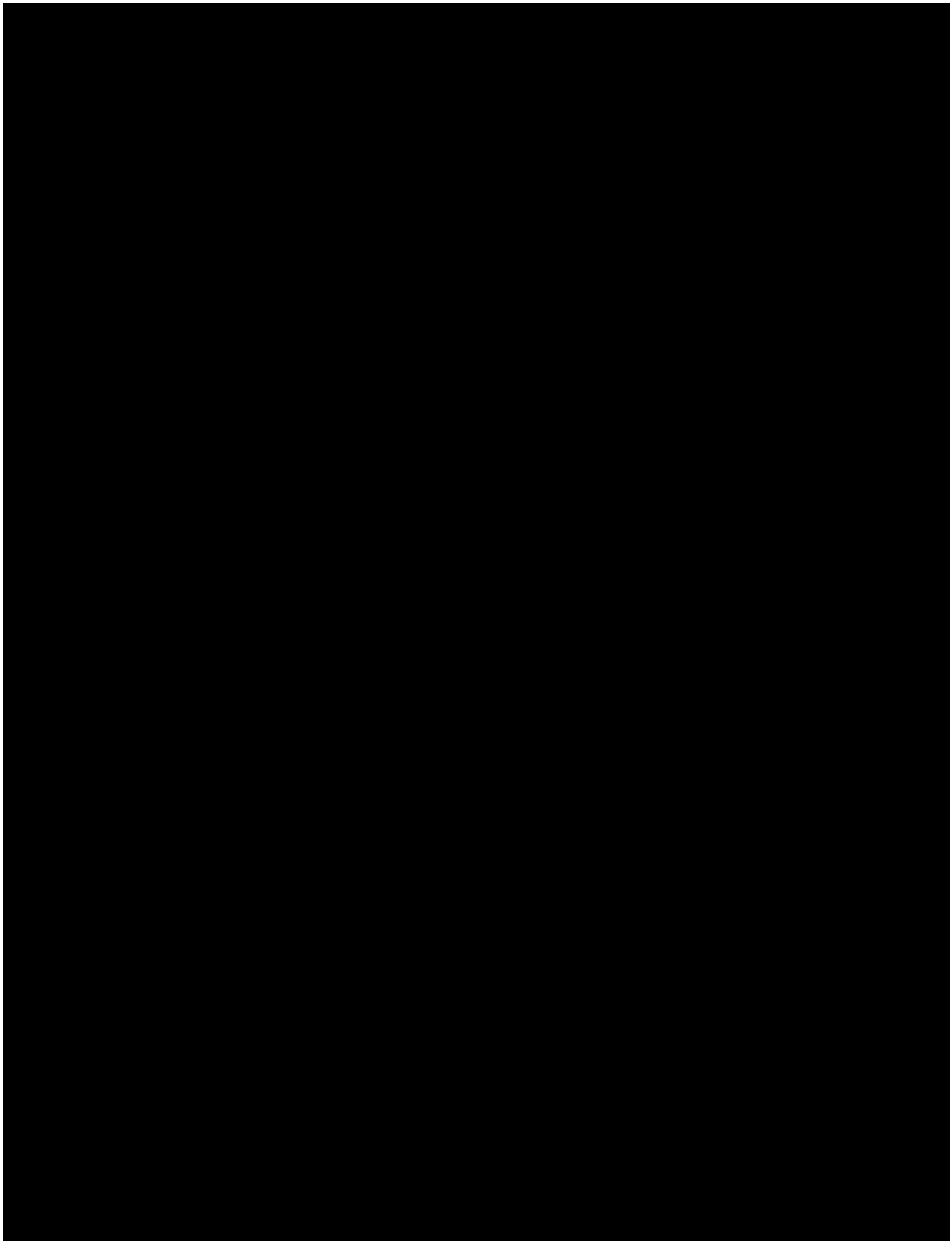


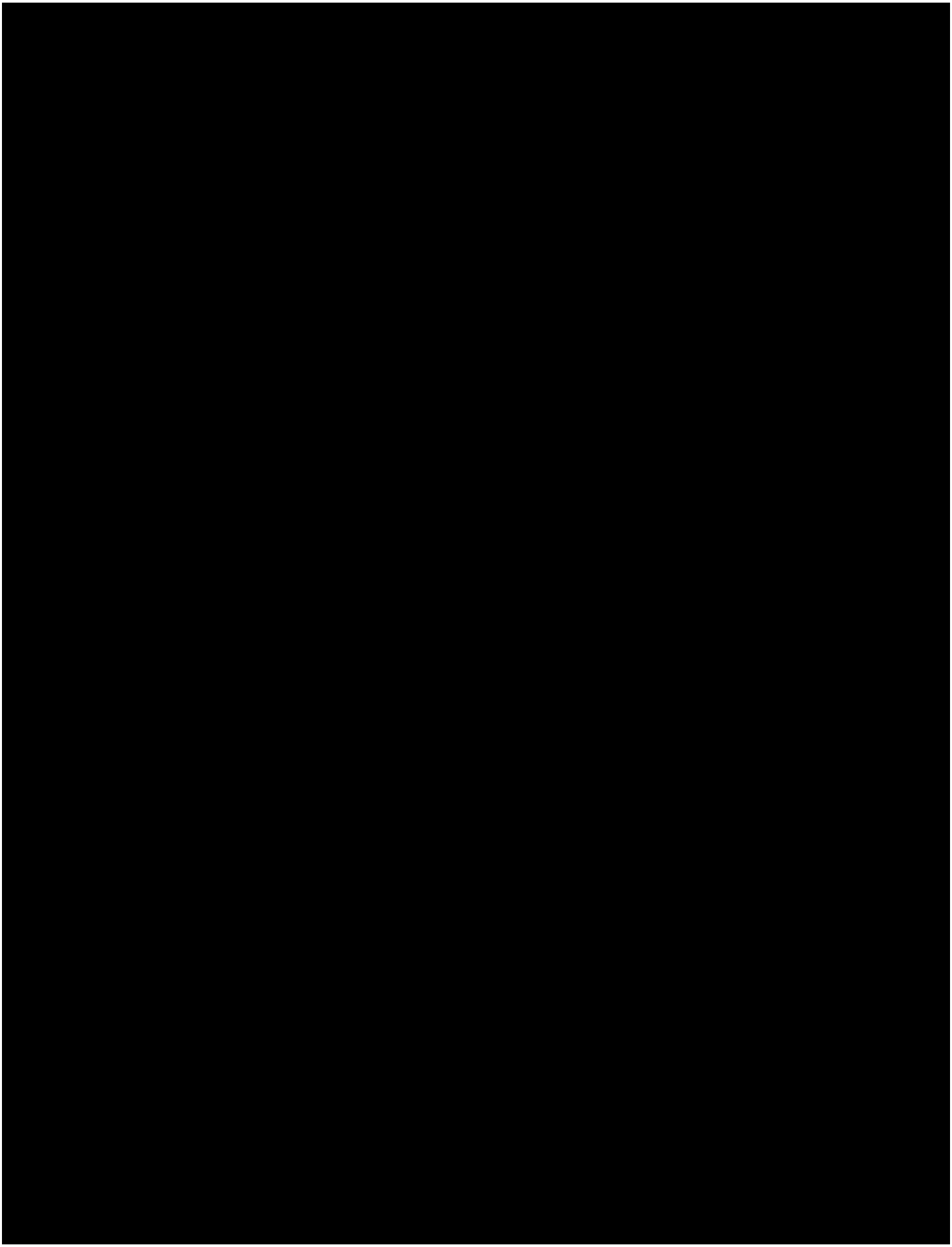


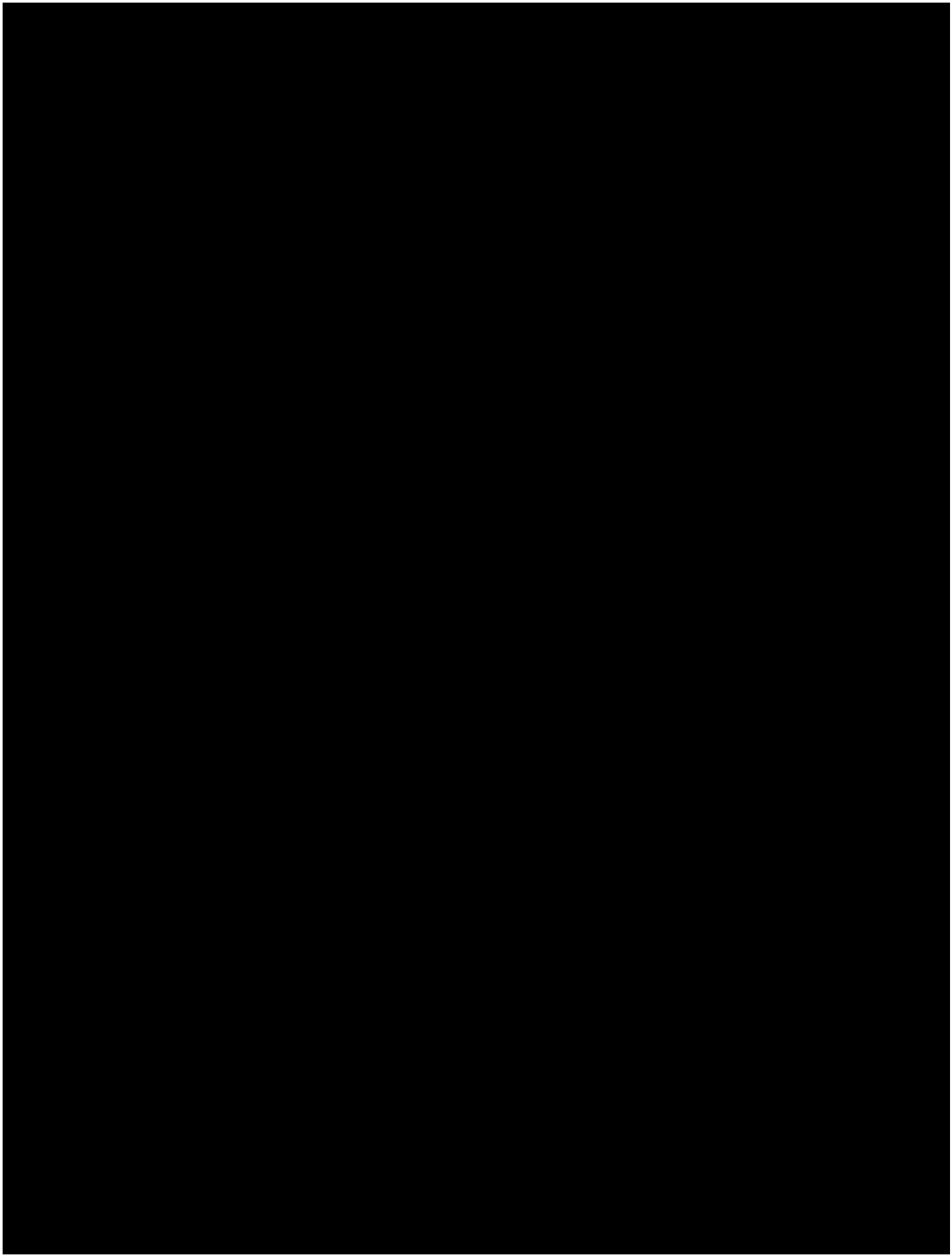


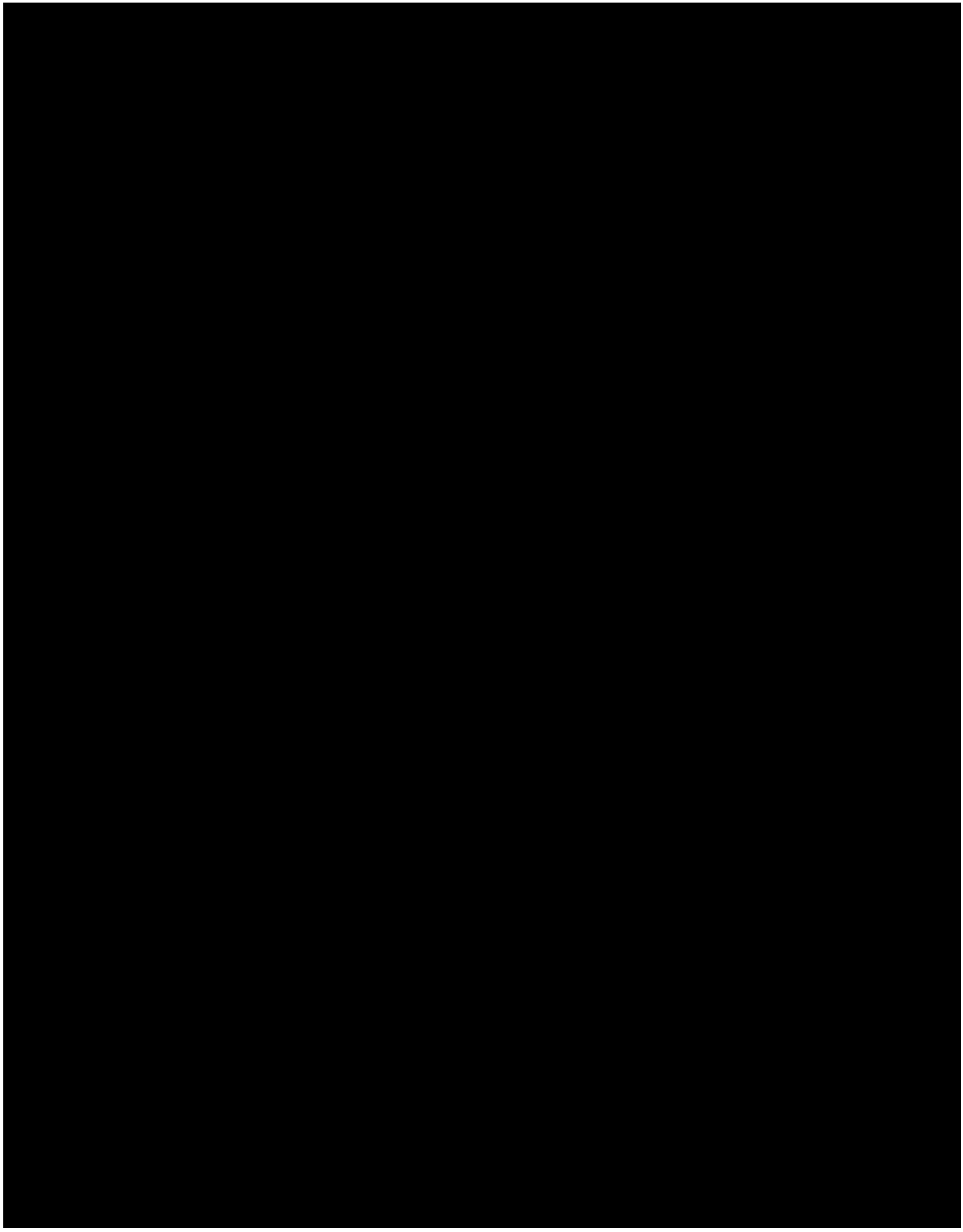


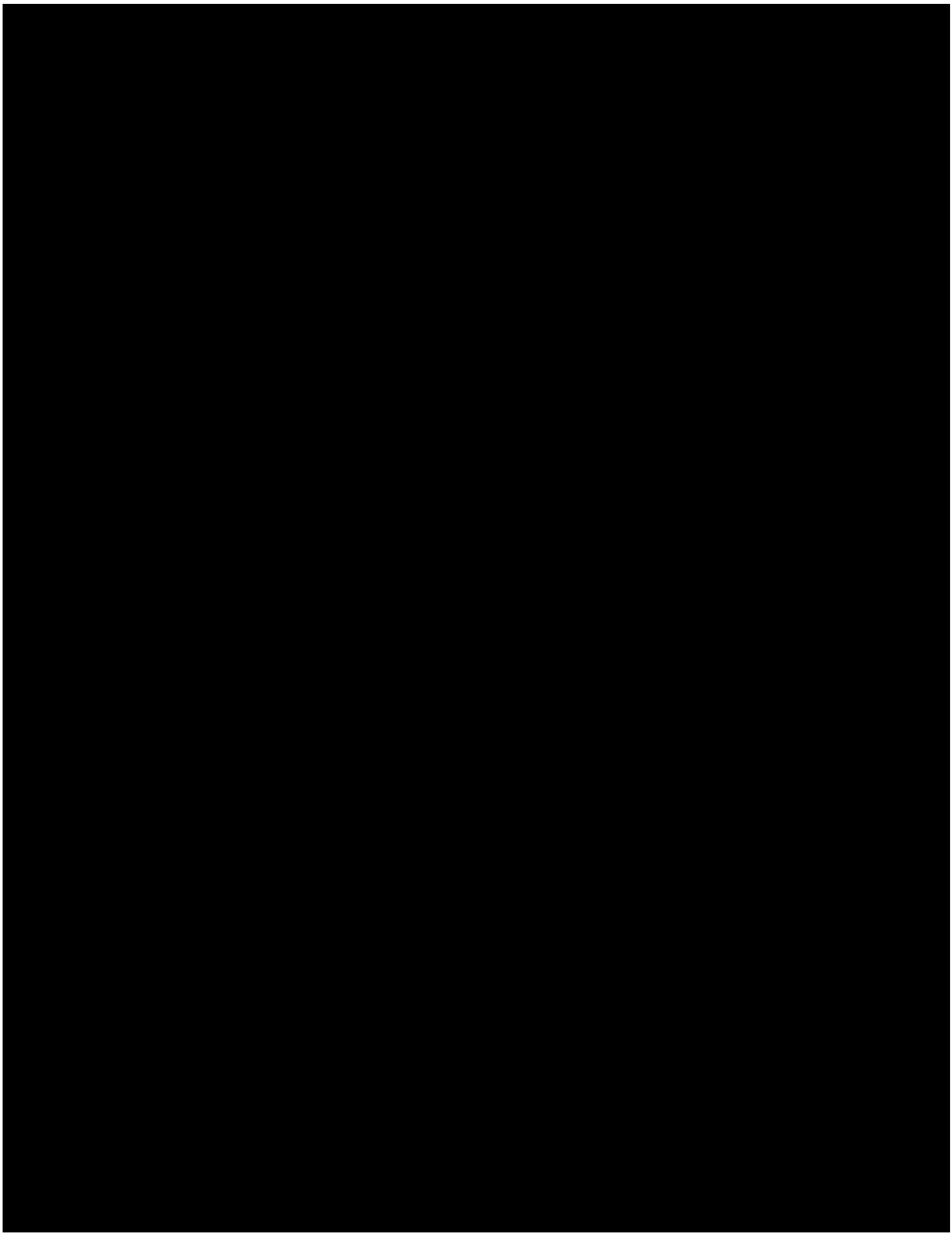


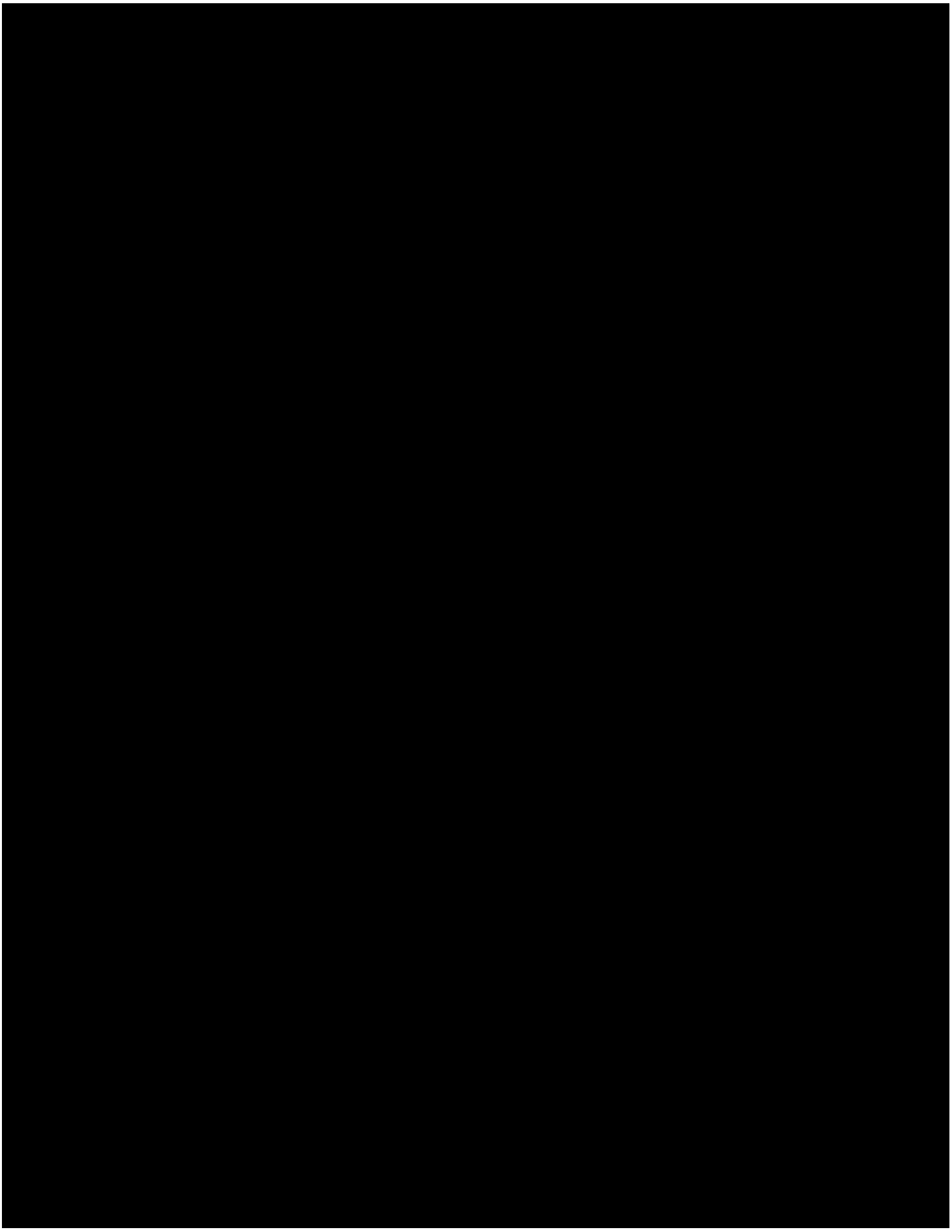


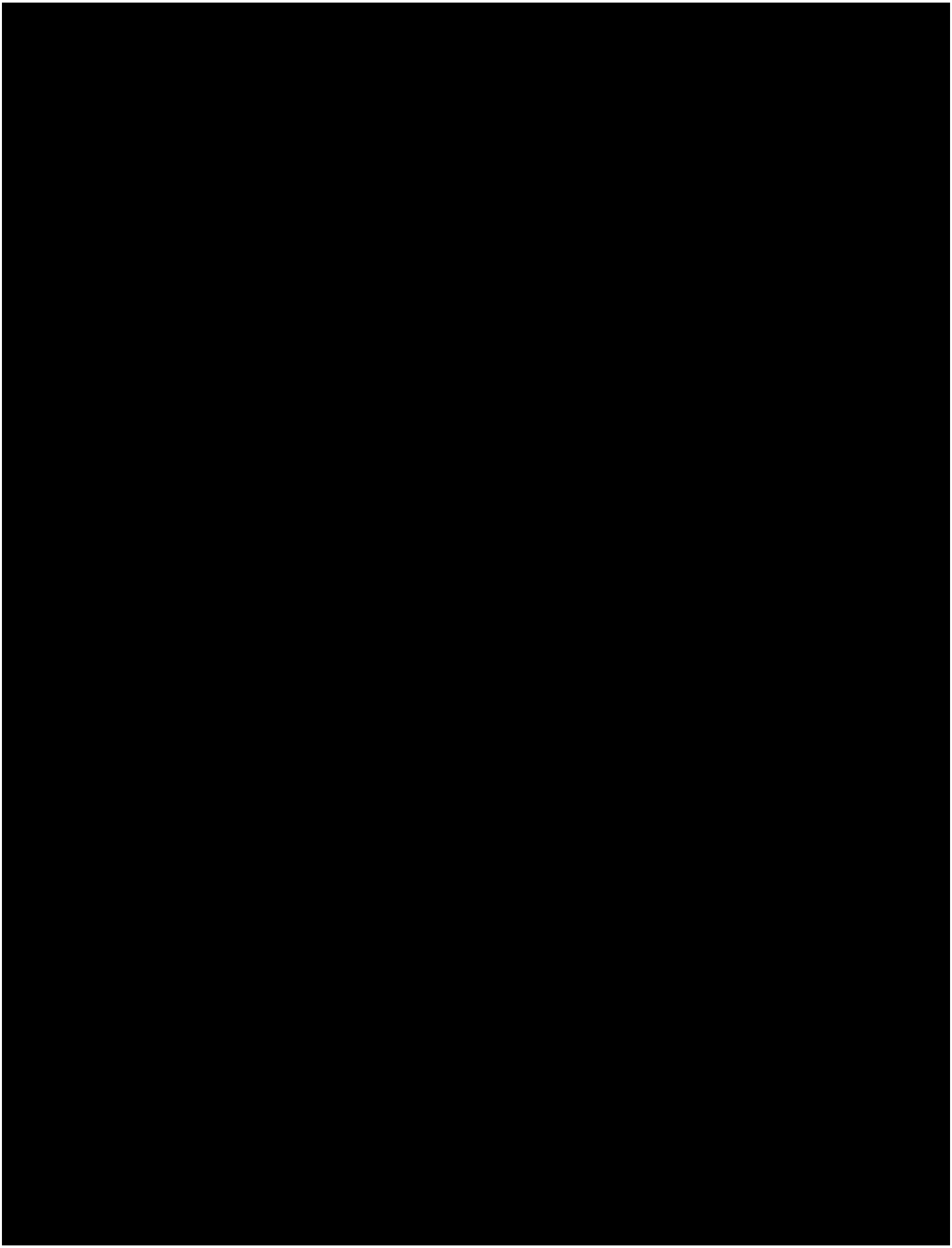


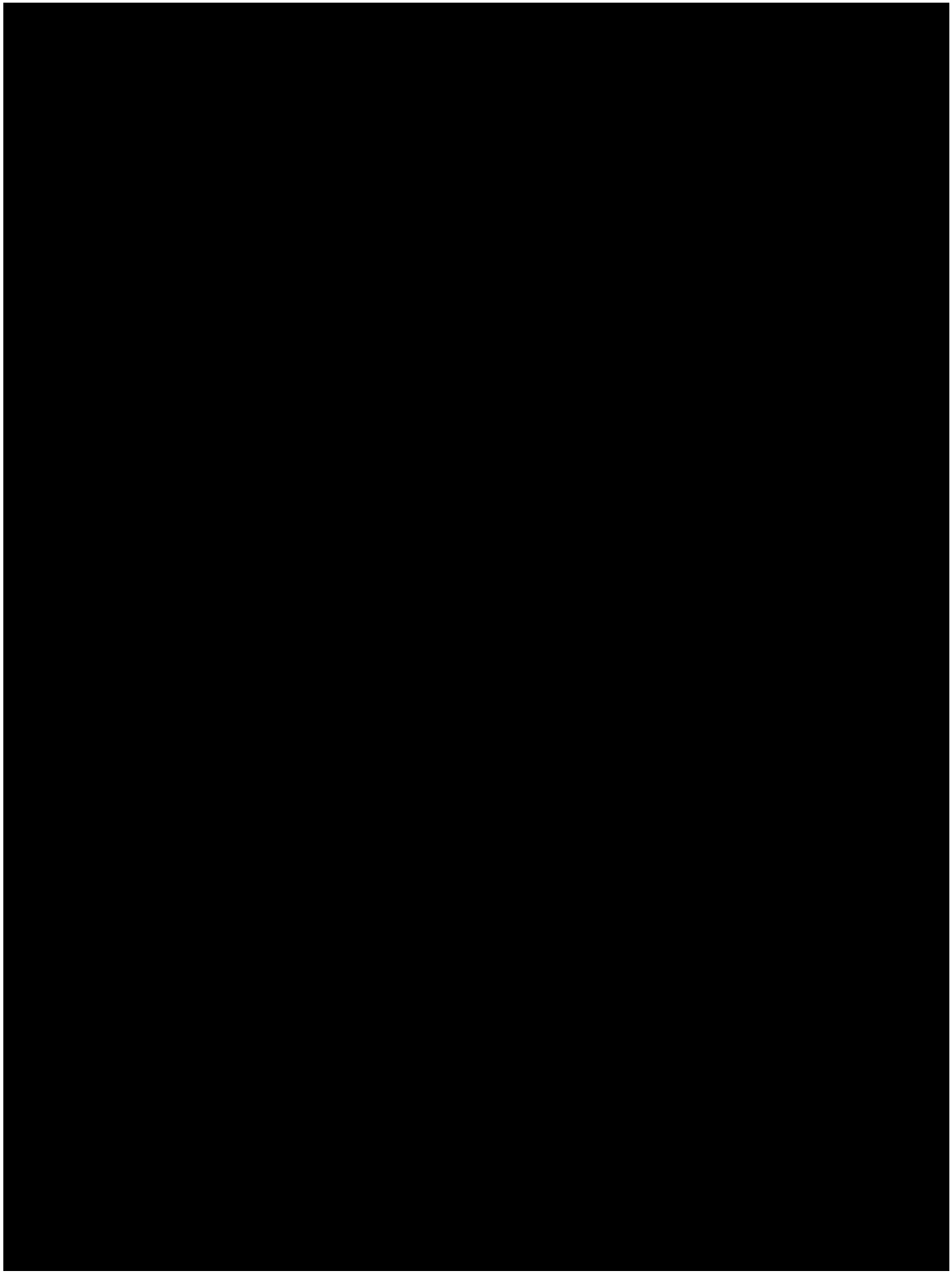


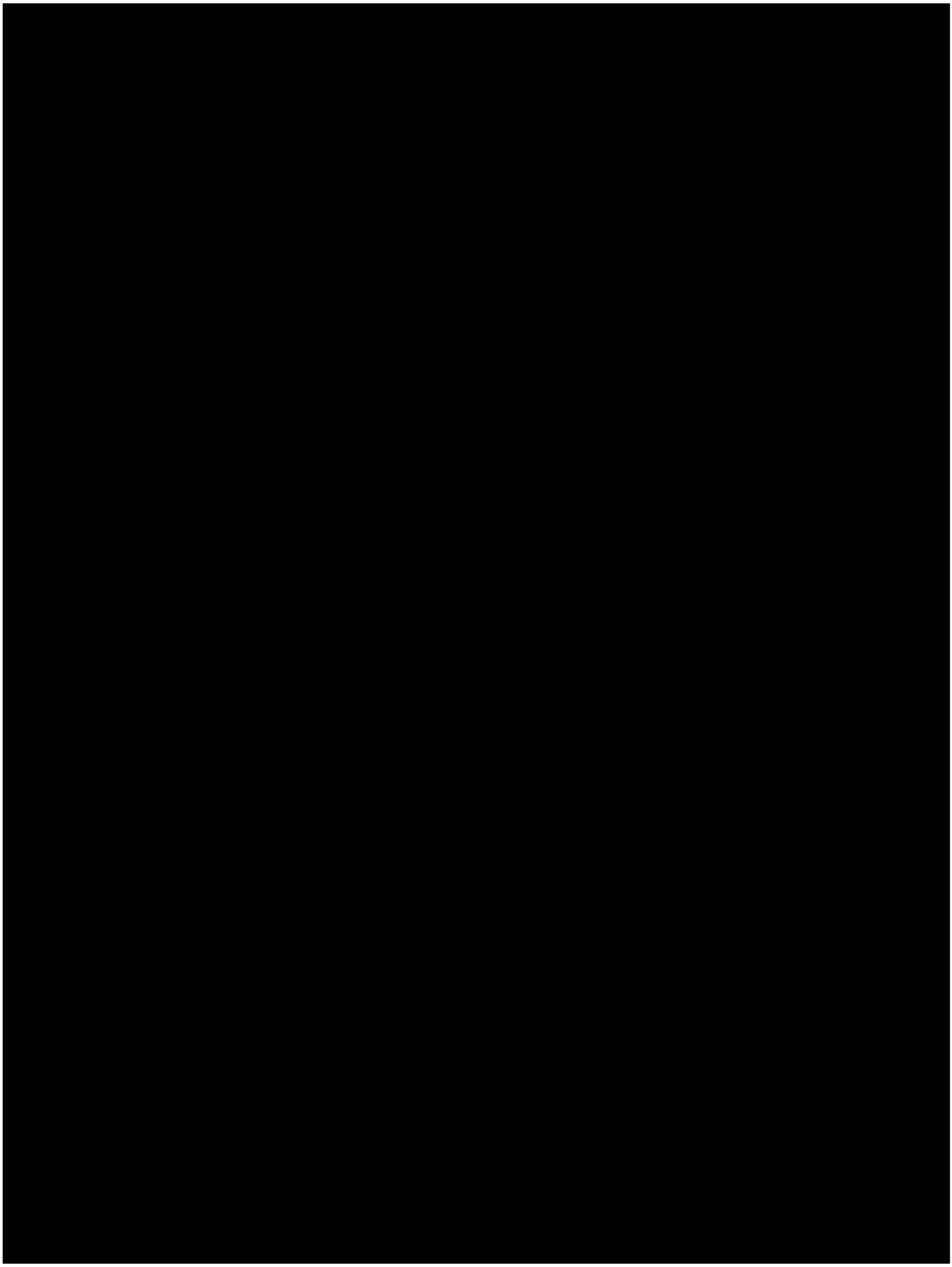


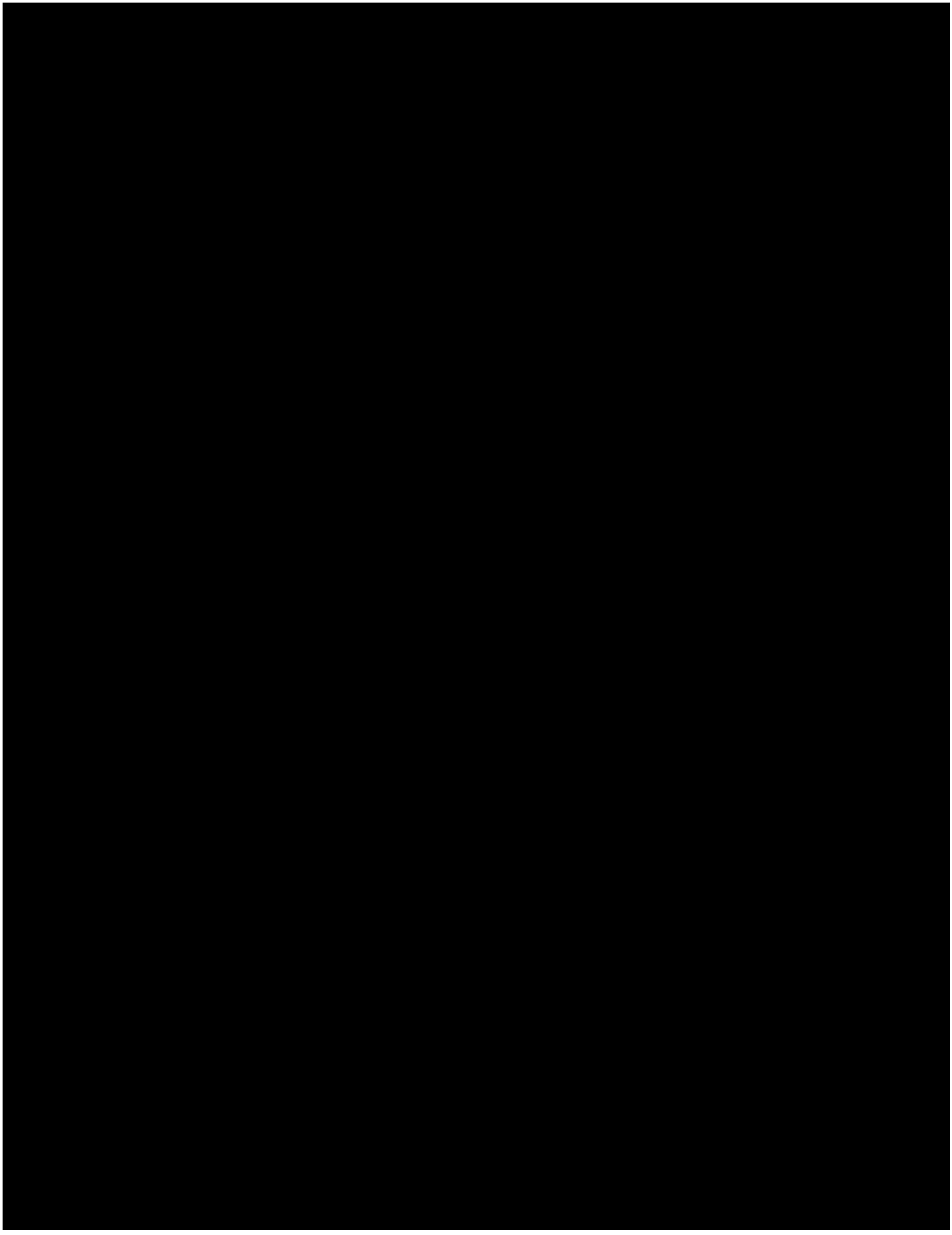












50.2.4.1.4 Deployment/Rollout Approach

RFP Reference: 50.2.4.1.4 Deployment/Rollout Approach, Page 275; 10.12.2 Deployment/ Rollout and Turnover, Page 15; Deployment/Rollout Plan CDRL, Page 267

As a trusted collaborator with significant knowledge of Medicaid in general and North Carolina healthcare programs in particular, we are the best vendor to mitigate your risk. We understand the steps required for a successful MMIS implementation, and we know how to execute these steps successfully to provide a smooth transition to your Replacement MMIS.

State of North Carolina

The deployment and rollout approach described in this section is a vital component of the Replacement MMIS implementation. Our approach will be developed into the plan required by the RFP's Deployment/Rollout Plan CDRL. The proposed first submission date for the deployment/rollout plan is November 21, 2008.

Based on intensive and recent nationwide experience, EDS understands the steps required for a successful Replacement MMIS implementation, and more importantly, we know how to execute these steps quickly and successfully to provide a smooth transition. Together, we will benefit from the lessons learned and the best practices knowledgeable interChange staff members have developed during recent implementations.

We will use proven project management methodologies, such as EDS' Project Management methodology, Version 2 (PM 2), which is based on the Project Management Institute (PMI) Project Management Body of Knowledge (PMBOK), to minimize risk, enhance communication, and provide on-time quality deliverables. In the Deployment/Rollout Phase, our experienced North Carolina and interChange staff will conduct detailed planning with the State to prepare the stakeholders for the successful implementation of a new generation multi-payer MMIS to serve North Carolina recipients and providers without disruption to service.

A key component of our approach to this phase is clear communication between the State agencies' representatives and the Implementation Planning team, led by DDI Implementation Manager Dean Taunton. This will promote our shared understanding of the implementation tasks and deliverables and facilitate achieving scheduled milestones. Dean's successful experience as the implementation manager for the Kentucky interChange MMIS provides North Carolina with proven Medicaid and hands-on application knowledge for enabling an organized and smooth deployment and rollout of the Replacement MMIS.

We provide a thorough, reliable, and proven methodology to manage the transfer of interChange to North Carolina. Through our years of project management experience, we have learned how to mitigate risk and eliminate barriers; this experience differentiates us from our competitors. EDS will meet your project objectives and requirements by combining our systematic approach to project management and successful, repeatable processes managed by a highly experienced project management team. We have demonstrated that this project management approach produces solid results and forms strong working relationships.

Our approach to implementation will be the culmination of myriad well-defined tasks and a State-approved project plan. A comprehensive Replacement MMIS implementation plan will result in a smooth transition to the Replacement MMIS and promote continued provider and recipient services. Activities defined in the detailed MMIS implementation plan follow our established development and deployment model. Development detail line items are further clarified and refined during the requirements validation sessions, conversion planning, system and acceptance testing, and the shared experience of the State Office of MMIS, DMA, DMH, DPH, ORHCC, and EDS.

Assigning roles and responsibilities and tracking daily tasks are critical to managing the final implementation activities and aiding in early identification of any potential problems. During the final weeks before going live with the Replacement MMIS, our Implementation team leadership and project management staff will meet with the State and identified stakeholders frequently to review progress. As the final days approach, these meetings may increase in frequency just as the pace of activity increases during this critical period.

During the Deployment/Rollout Phase, the State and EDS will work together to convert existing data and implement interChange into full production mode. We also will work with the State to develop an approved cutover plan from the current operations to the new one, addressing any possible backlog of claims and encounters. From recent experience, this plan will in part be composed of many checklists to be executed by each subsystem to smoothly transition from the legacy MMIS to the Replacement MMIS. Because we will take steps to promote a smooth transition, this cutover will not affect your provider community. The implementation will take place without interruption in recipient eligibility verification, provider enrollment, claims payment, or encounter processing.

Conversion of legacy data is a critical success factor. Our experience with converting legacy MMISs is proven and will be further refined in the coming months in several states. Our intimate knowledge of the North Carolina Legacy MMIS+ application and DMA and DMH data cannot be found anywhere else from any other vendor. This knowledge will be directly applied to the conversion effort, providing a high degree of data integrity achieved in a timely fashion. By already understanding DMH and DMA provider, recipient, claims,

and financial data, our Implementation team essentially has a head start on the multi-payer Replacement MMIS project.

During the support warranty period, EDS will monitor the Replacement MMIS for quality control and verify that activities are performing as designed. We will support system performance reviews and quickly address any functions that are not meeting the standards identified during the system definition and the quality planning process. Procedures outlined in the reporting of corrections and adjustments will comply with the severity and timing requirements provided by the State.

We will develop contingency plans that provide reassurance that any problems that may arise will addressed and quickly resolved or mitigated.

The end of the Deployment/Rollout Phase is determined by the successful completion of milestones and deliverables, including the approval of the implementation schedule, documentation of installed components, ongoing status and progress reports, and the completion of the correction and adjustment activities. Through our performance and commitment to the needs of North Carolina, the State can rely on EDS for expert implementation of the Replacement MMIS.

In the following sections, our response covers EDS' technical approach to deployment and rollout:

- Planning
- Deployment
- Correction and Adjustment Activities
- Execution of Contingency Plans
- Deployment Schedule
- Early Deployment of Selected Functions
- Ongoing Status and Progress Reports
- Staffing for Deployment

Planning

Our implementation approach has been an essential element of EDS' success in implementing technically advanced MMIS solutions for the Medicaid programs in Kentucky, Tennessee, Kansas, Oklahoma, and Pennsylvania. The State will gain open access to project status information for the Replacement MMIS implementation as a result of EDS' best practices and tools for planning and project management.

EDS' project management approach has supported us in meeting deadlines and living up to our promises in five other interChange implementations.

Our approach features the following:

- Open and timely communication with the State and a positive and productive working relationship to achieve the overall goal of satisfactory performance within budget
- Cooperation with the State in every aspect of the project
- Clear leadership accountability for project management responsibilities
- Repeatable project management processes consistent with PMI's PMBOK
- Open access to project schedule, status, and progress information through our browser-based iTRACE documentation repository application

The Deployment/Rollout Phase will include a coordinated effort by the EDS team and the DDI implementation manager, Dean Taunton, to develop the detailed deployment and rollout work plan and schedule, as described in the RFP's Deployment/Rollout Plan CDRL. This plan will detail the processes and planning activities, roles and responsibilities, and schedules for the activities related to the cutover from the Legacy MMIS+ to the Replacement MMIS. This plan will be structured so as to avoid negative impact to the system processing. We will establish success criteria and provide for a postimplementation evaluation that will include metrics for measurement of successful implementation.

Our plan will incorporate our Systems Life Cycle, Version 3 (SLC 3) process for developing the Replacement MMIS. Our PMO team will use our best practices and PM 2, based on PMI fundamentals, to manage and execute the plan. The plan will include the following:

- Systems and user documentation
- User and provider training
- Readiness testing period
- Assumptions, constraints, and issues
- Risk management plan
- Process usage plan
- Team management plan
- Project schedule
- Work breakdown structure (WBS)
- Communication management plan
- Configuration management plan

Dean Taunton will then lead in coordinating, controlling, and managing the implementation activities.

Our approach to controlling the implementation project phase involves monitoring performance and risk and formally updating the implementation

plan by coordinating changes to the plan with the State using a formal change control process to verify compliance.

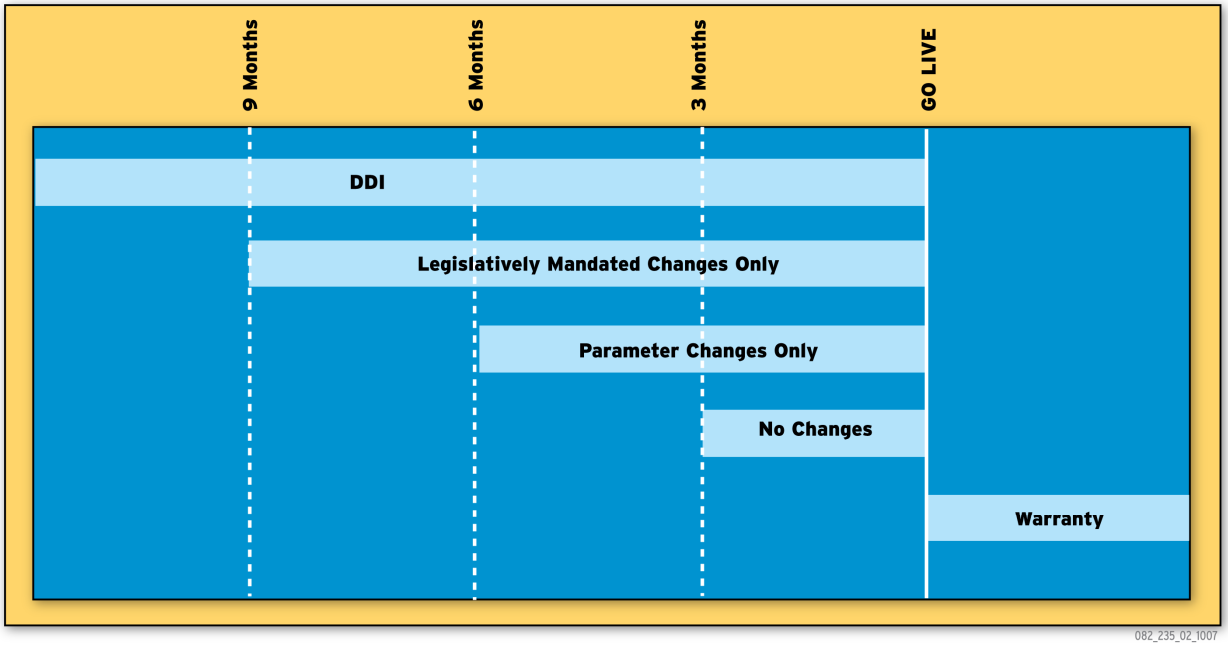
We will collect and disseminate performance information, including status reporting and progress measurement of schedule and budget, and take appropriate corrective action as necessary. We will demonstrate our control over implementation activities by presenting the State with weekly status updates from our Microsoft Project plan.

The Replacement MMIS is a mission-critical installation that will require stability in the legacy system for some time prior to deployment and rollout. We will minimize risk by slowing and then halting changes to the Legacy MMIS+ according to the following schedule:

- Nine months before deployment and rollout, all but legislatively mandated system code changes will be frozen.
- Six months before go-live, all system code changes will be frozen and only parameter changes, such as some rates and other configurable items, will be changed.
- Three months before go-live, all changes of any type, including parameters and other easily configuration items, will be frozen.

The following exhibit, High-Level Deployment/Rollout Time Line, identifies the essential milestones of this phase.

High-Level Deployment/Rollout Time Line



This time line summarizes key events in the final days of the Legacy MMIS+ and implementation of the Replacement MMIS.

Deployment

We will work with the State during the review of the final dates for the implementation of components, based on phased dates in the approved deployment/rollout schedule. During the Deployment/Rollout Phase, we will convert existing data, train State and EDS users, and implement the Replacement MMIS without interruption to provider or recipient services of all four divisions.

Today's environment is one of continuous healthcare policy evolution. Our team includes the experienced leadership and professionals with project management skills and technical and operational expertise to meet these challenges. EDS brings a committed team that recognizes the distinct challenges of implementing a Medicaid Information Technology Architecture (MITA)–compliant information system in this challenging marketplace.

We consider this implementation a unique opportunity to transform the State's business processes, data flow, and technology with the Replacement MMIS.

Implementation and full responsibility of fiscal agent activities without disruption to recipient care or provider payments are priorities shared by the State and EDS. The State can rely on EDS' Replacement MMIS and fiscal agent solution to improve customer service, enable cost containment, and easily adapt to changes in Medicaid policies.

Our team focuses on structured development and implementation procedures, a proven approach to quality management, and a project management methodology that produces outstanding results that are cost-effective and within agreed-on delivery time frames. We will use our knowledge, experience, and proven work patterns from multiple successful implementations as a proven approach to this phase.

The implementation tasks will cover activities from the close of design and development through the full functioning of fiscal agent responsibilities (the start of the Operations Phase). These tasks will overlap the implementation planning, systems testing, conversion, and acceptance testing subtasks.

The deployment/rollout plan will include tasks for EDS and the State to work collaboratively in developing an acceptance criteria document. This document includes a concrete list of deliverables and criteria needed for deployment and rollout to be considered complete and successful. Also included is a list of key activities that must occur during the final months of implementation to verify the following:

- Correction and adjustment activities have taken place.
- Contingency plans have been created.
- Deliverables have been met.
- Components have been implemented.

The deployment/rollout plan will serve as the planning document and road map for the tasks required to transition from the current Legacy MMIS+ to the

Replacement MMIS, and it supports those activities required to confirm that the system and the Operations team are ready for operation.

The deployment/rollout plan will continue to evolve as additional tasks, events, and responsibilities are identified. It is intended to provide as much detail and guidance as possible at the time of delivery. The deployment/rollout plan is a living document to the team, so some components will be modified, refined, and enhanced as we move forward with the project.

Updated transition planning documents will be available for collaborative review with the key stakeholders from each division and DHHS oversight leadership.

We will provide a quality, detailed deployment/rollout plan to facilitate a smooth transition to the Replacement MMIS that will promote provider and recipient satisfaction. Activities defined in the detailed deployment/rollout plan will be based on the requirements gathered during the requirements validation sessions, conversion planning, and system and acceptance testing.

We will list assigned responsibilities and daily activities to track final deployment and rollout activities and aid in the early identification of potential problems. During the final month, EDS will conduct frequent review meetings with the appropriate parties to confirm that the project is on track for a successful implementation.

The detailed deployment/rollout plan prepared by EDS will use narrative plans, detailed task plans, and a daily calendar of activities to plan for and track progress toward the final implementation date. We will incorporate each of the RFP-defined content requirements for the MMIS deployment/rollout plan into our methodology for this deliverable.

During the Deployment/Rollout Phase, the team will finalize all documentation. We will develop documentation using the deliverable outlines and key sign-off criteria as approved by the State. The documentation will be easily accessible through the iTRACE repository. We will assemble the documentation from several approved deliverables and outputs from the previous phases' activities. This documentation will provide users of the new system with a comprehensive understanding of its features and capabilities.

Our combined team of dedicated North Carolina and interChange professionals has the skills and experience base to address each of the identified components and fiscal agent responsibilities required to be in place and functional by the start of the Operations Phase. We welcome the State's participation to provide the feedback and measures necessary to gauge progress and address any checkpoints.

Correction and Adjustment Activities

We will support the State in a comprehensive evaluation of the system and operations of the Replacement MMIS for quality control and verification that activities are functioning properly. We will resolve problems or deficiencies identified not only during this evaluation process, but also throughout the course of subsequent phases of this project.

Through our testing processes, we provide a reliable and comprehensive method to promote the operational readiness of the Replacement MMIS. We will manage an orderly testing process, providing you with access to timely, accurate testing results. We will verify that the system is functioning properly, offering uninterrupted service to the State, North Carolina providers, and recipients.

The Deployment/Rollout Phase activities require a plan that is well executed. The plan will include thorough verification and will make sure our existing seasoned North Carolina team is in place and prepared before the start of contract operations. Our team will have people with many years of experience working with the State, as well as many veteran interChange personnel. As with the other phase activities, we will work with the State to develop the specific processes and quality assurance measures to manage the deployment and rollout. We will include a time line for each supporting event and its assigned owner and the repository that will be used to collect and analyze noted corrections and adjustments.

Prompt problem identification and resolution is critical to ongoing project activities. We propose a clear process for problem identification and a solution for tracking issues to resolution.

We recognize that at some point during the Deployment/Rollout Phase, we will identify issues and adjustments that need to be addressed. We will report issues as soon as they occur so that the State is aware of them and knows how we are addressing them.

Our team will use iTRACE as the common repository to document issues, recommendations, and resolution status. We will inform identified State representatives of any significant problem that will affect the start of operations, and we will quickly repair or remedy any function that does not meet standards set during system definition and the quality planning process. A report will be maintained in iTRACE, and we will update it as the issue progresses to resolution.

We will maintain candid, open communication with the State. As a result, you will be prepared for potential inquiries, and the project will not be compromised. Working closely with you, we will successfully fulfill correction and adjustment task requirements.

In the following sections, we provide our approach to correction and adjustment activities for this phase:

- Monitoring the Implemented MMIS
- Repair and Remedy
- Informing the State of Implementation Problems

Monitoring the Implemented MMIS

We will implement the Replacement MMIS with no major interruptions to key activities, including recipient eligibility verification, provider enrollment, and claims and encounters processing and payment.

Our Replacement MMIS is designed to provide easy, flexible access for users. This capability will help verify that during the monitoring and evaluation process, the State will have access to review parts of the system whenever necessary. Access to review operational areas of our support also will be provided.

Implementation Manager Dean Taunton, technical and business process leaders, and quality assurance representatives will establish routine reviews, or project health checks, of Replacement MMIS reports, performance measures, and system output to identify any inconsistencies or discrepancies in meeting RFP-required business functions.

Our PMO and Quality Assurance team members will be responsible for the quality and control measures as the Replacement MMIS transitions from implementation through the onset of operations. These specialists will use balancing reports and other outputs to verify that performance-based measures fall within established bounds and transactions, claims, and encounters are processed correctly.

During this phase of monitoring the implemented Replacement MMIS, we will continue to use the structured approach of the user acceptance test (UAT) task with automated regression testing to retest claims and encounters. We will verify that claims and encounters test scenarios that previously passed continue to pass in each new cycle executed. We will post the results of testing in iTRACE, which will provide reports identifying which claims and encounters passed or failed. It also will facilitate the identification of areas that need to be addressed so that corrections and adjustments are handled efficiently, quickly, and thoroughly.

Through the introduction of the Performance Management Dashboard component of the interChange solution, both State and EDS leadership have desktop access to key MMIS metrics that increases structured measurement and monitoring of the Replacement MMIS. Leaders can filter on the specific metrics they care to review, and alerts can be configured to automatically notify leadership when a metric exceeds a defined threshold. This dynamic approach to monitoring increases communication and quality of the operational activities.

As the State's Medicaid fiscal agent for the past 30 years, we are best positioned to verify the system's readiness for operations. We will work with entities to monitor interfaces, Internet access, and other requirements. We will demonstrate our ability to continue the full realm of responsibilities allocated to the State's fiscal agent for DMA and DMH and the two additional organizations, DPH and ORHCC. Additionally, with any new or modified functions, we will verify that the Replacement MMIS claims and encounters processing environment is operational with the newly added or modified features and validate that documentation is complete and current.

Repair and Remedy

After identifying and reporting a problem or issue, we will develop and implement a corrective action plan. In the corrective action plan, we will document the issue or problem and research the situation to identify its cause. We will develop alternative solutions and prioritize tasks in relationship to the work plan. We will evaluate the effect on the existing project schedule and look to any contingency plan activities, if needed.

When we have implemented the corrective action, we will update or correct corresponding documentation and revisit any affected training activities. We also will communicate the action taken to other areas of the project team.

We will have a formal change control process to document any discrepancies and their resolution and to manage changes to programs and libraries. If defects or issues are discovered, we will immediately have the responsible technical personnel identify the cause of the problem, correct the problem, and complete retesting activities. We also will perform internal regression testing on the component to make sure no unintended changes have occurred to previously working functions. Additionally, automated regression testing will take place to validate that the system as a whole has not been affected by any changes to the component.

We will convene the change control board (CCB) to prioritize the repair and remediation work. This group will assign a priority based on defined project urgency levels and the consideration of both fiscal and program impacts. In response to emergencies, we will collaboratively resolve the problem.

Because some changes are driven by making corresponding changes in the rules engine and tables, an advantage offered by the interChange application is that we can address these changes quickly with an immediate update of a table that does not require technical intervention. The flexibility of the system and the quickness with which these changes can be applied and tested poses minimal risk to the implementation schedule and the start of operations.

The structured acceptance test will be designed to test the existence and proper functioning of the Replacement MMIS based on the State's system requirements, including the following:

- Testing Web pages, edits, and audits
- Processing the accuracy of claims and encounter payments and file maintenance
- Testing system performance
- Testing the format and content of system inputs and outputs, including outputs from reporting functions such as management and administrative reporting (MAR) and utilization management
- Testing the receipt and exchange of data with VANs, providers, and other external entities

We will validate that we are ready to process inputs, price claims and encounters correctly, meet reporting requirements, use a properly functioning data communications network, and meet system performance requirements. Testing also will include a volume test for claims and encounters and financial processing of several days of production capacity to demonstrate that the Replacement MMIS and personnel are prepared for full production.

Informing the State of Implementation Problems

When we identify a defect that does not affect the schedule and we clearly understand how it should be resolved, we will begin working toward resolution and will document the necessary steps in the defect report. We will keep the State informed of our progress to resolve these types of defects through regular status reports and meetings. If an identified defect does affect the schedule or we are uncertain about how the problem should be resolved, we will document the finding and notify State representatives of our awareness of the occurrence, and incorporate discussion of that defect in a written notification.

Our team will communicate and collaborate with the State throughout operational readiness planning, deployment and rollout transition planning, and testing activities. As test results become available, we can compare the actual results to the expected outcome. When test results are satisfactory, we will use checklists and sign-off documents approved by the State to acknowledge that the system is operating as specified.

If the test produces unsatisfactory results, we will make appropriate modifications and re-execute the test until we receive satisfactory results and approval from the State.

Execution of Contingency Plans

We understand the complexities and intricacies involved in the deployment and rollout of the Replacement MMIS and assumption of fiscal agent responsibilities. We therefore recognize the need for contingency planning if any part of the MMIS does not perform according to specification. In the following sections, we describe how we will meet this requirement:

- Responsiveness
- Preparation
- Monitoring and Control
- Experience

Responsiveness

EDS has earned a reputation for responding to client needs and an outstanding record of providing uninterrupted service in the MMIS market. When problems occur, the State can rely on us to support continuous service to providers, recipients, and other stakeholders.

Account Manager Melissa Robinson and account staff will lead the EDS team in coordinating efforts for dealing with contingencies. As proven over the past 40 years as a corporation and 30 years in North Carolina, EDS personnel can meet the needs of stakeholders beyond deliverables.

In preparation for the start of operations, EDS will provide in-depth training; establish detailed user manuals, online help, CBTs, and hands-on training for State and EDS users; and perform rigorous operational readiness testing to make sure the system, providers, and staff are ready to go live. The contingency plans developed in concert with the State will be available in the unlikely event of a contingency action being triggered at or near the go-live date.

Preparation

EDS is confident in our ability to provide the State with on-time delivery of the Replacement MMIS without disruption in services or payments. To mitigate issues and risks before they affect service, EDS will implement risk management and contingency planning strategies proven successful on previous MMIS implementations.

For example, in June 2002, four days before the Kansas operational takeover date, our project team experienced a storm in Kansas that caused water damage, resulting in the loss of 25 percent of the new facility. EDS' contingency plan included a backup facility in the same city. It allowed us to respond quickly to establish staff, furniture, equipment, and telecommunications lines before the takeover date. This example shows how we can mobilize our resources to address even the most unexpected events and still meet commitments to our

clients. We will employ this type of risk management and contingency planning activity in North Carolina to prepare for events that may adversely affect this project.

We have proven our ability to implement new MMISs successfully in five states in the last five years. In every case, we implemented the systems without disruption to providers or recipients. That track record continues in the seven states where we are implementing our interChange solution.

Our unique position in the marketplace enables us to provide superior backup and quick-response processes. We have the computing resources and available personnel to respond quickly if the need arises. We will provide the State with the right resources and apply the necessary procedures to correct unexpected events.

Monitoring and Control

The reality is that risks are associated with any project, and they are magnified by the size and complexity of implementing a new, multi-payer MMIS. By continually monitoring the project and assessing the project work plan, however, the State and EDS will quickly identify potential issues that could delay the transition.

Our vigorous testing process includes documenting defects and retesting until we achieve appropriate confirmation that the system is working as intended. We will document, communicate, fix, retest, review, and report our results in our status reports so that the State is continually informed of project status. As we address risks, we will communicate constantly and openly with the State on the status of the deployment and rollout using tools such as iTRACE.

Experience

EDS' in-depth experience with MMIS implementations of similar size and complexity substantially minimizes risk for the State. We have successfully navigated the obstacles associated with implementing large systems, and we have the industry's best record of on-time delivery of new MMISs. The following are highlights of EDS' experienced people, processes, and applications leveraged for the benefit of North Carolina:

- **Experienced people—**The following team members represent the caliber of people we are committing to the Replacement MMIS project:
  - **Melissa Robinson—**Melissa has 14 years of experience on our local North Carolina team.
  - **Dean Taunton—**Dean has five years of experience in support of North Carolina, has 25 years of leadership and project management expertise, and managed the successful implementation of Kentucky's interChange MMIS.

  - **Scott Lowry—**Scott has five years of interChange experience and functioned as the interChange MMIS technical architect for the successful Kentucky implementation.

- **Implementation monitoring—**The implementation begins and ends with monitoring, using a proven project plan and associated project management review and risk mitigation processes.
- **Track record of success—**The interChange multi-payer system is the most successful MMIS installed and operating, as evidenced by our multiple successes in the past five years.

EDS is adept at managing the needs and complexities of a Medicaid program. A key benefit of our Replacement MMIS solution for the State is the use of proven procedures and technology with experienced personnel who understand the needs of stakeholders. Our in-depth knowledge, extensive resources, and proactive approach to risk management allow us to mitigate and eliminate risks so that implementation goals are not affected. We are confident that EDS will achieve the State's objective of an on-time delivery of the Replacement MMIS and a smooth transition of operations to EDS as the new fiscal agent for all four divisions.

Deployment Schedule

The State will have access to the updated project work plan, including the deployment and rollout schedule, throughout the project.

We will develop a complete list of milestones, which includes the scheduled and actual date for completion of each milestone. Each subsystem will develop a checklist of activities and tasks that will occur in the final days prior to deployment. These checklists will be created based on the knowledge gleaned from many previous interChange installations, and they will be thoroughly reviewed by EDS and the State.

The full deployment/rollout project plan will be available on the date specified in our completed Deployment/Rollout Plan CDRL, which is provided in proposal section 50.2.7 Section G—Contract Data Requirements List.

Early Deployment of Selected Functions

We propose the following items for early implementation during the development of the Replacement MMIS:

- Provider enrollment, credentialing, and verification
- Electronic Document Management System for claims and adjustments
- Retro-DUR
- Performance Dashboard

[redacted]

The EDS team selected these components carefully to increase key business services, provide greater access to electronic information, and transform the way North Carolina healthcare is reviewed and policy evaluated.

Each of these early implementations will have its own deployment/rollout plan and schedule. The final deployment/rollout of the Replacement MMIS will include appropriate tasks related to integrating these early implementation solutions into the full Replacement MMIS.

We describe these early deployments in detail in the Proposed Early Implementations subsection of proposal section 50.2.4.1 Proposed System Solution and Solution for DDI.

Ongoing Status and Progress Reports

EDS provides a project status report of weekly activities and weekly, monthly, and quarterly statistics. The project status report comprises a series of templates combined to report the status of project activities. Cumulative information is reported in the form of monthly and quarterly reports.

Staffing for Deployment

The State will benefit from the successful interChange implementations that EDS has completed and those that we are currently managing. These implementations are providing interChange and Medicaid program experience for hundreds of EDS' technical and professional healthcare personnel. The implementations are scheduled to complete in late 2007 and early 2008, just in time for these individuals to be available to the Replacement MMIS development and deployment and rollout effort.

Mustering Resources and Resolving Staffing Issues in the Deployment/Rollout Phase

With the support of the corporation, EDS Account Manager Melissa Robinson has the authority to identify and acquire resources and resolve staffing issues that may arise during the Deployment/Rollout Phase. Because of her long-term service within EDS' Medicaid business, specifically in North Carolina, she knows the leadership in EDS' government healthcare unit (at the Medicaid accounts and in the technical support organization). With these contacts, she can reach deep into the EDS organization to muster resources when needed. She will be supported by a defined recruiting process that uses EDS corporate and local resources to provide required staffing.

Transition of Staffing Into Operations

To provide unbroken continuity from the DDI phases into the Operations Phase, many of the core leadership team members will retain their positions and

continue to provide guidance and leadership in operations. The organization that is trained and in place at the end of deployment and rollout will transition into operations. This team will comprise people who have many years of experience working with the State and people with in-depth knowledge and expertise in interChange. Proposal section 50.2.5.4 Staffing Approach discusses staffing in more detail.

To further enhance this smooth transition from DDI into operations, our staffing plan includes the gradual ramp-up of operational staff before going live. This ramp-up period will serve as a transition period for orientation, training, and, in some cases, support with testing activities. In addition, these staff members will serve as resources to providers and recipients who may have questions as we approach the move into production. We have closely scrutinized this important element of our staffing plan to validate that we will have the right people at the right time as we move into the Operations Phase of the contract. As stated earlier, this team will be a "best of both worlds" when considering experience in North Carolina and expertise with interChange.

In addition, EDS has planned for increased staffing levels to support post-implementation activities. These staff members will support the tracking and reporting of any problems, resolution steps, and corrections or adjustments, if such support is needed.

Transition to Production

As we receive validation of progress and status, we will develop a schedule to define when elements of the Replacement MMIS will move into production and when supporting tasks will occur.

As activities for the DDI planning phases near completion, the State will authorize final dates for the implementation of components, specifying the phased dates in the approved deployment/rollout schedule. EDS will apply the skill and experience of our people, the thoroughness of our proven processes, and our collaborative relationship with the State to implement the Replacement MMIS without interruption.

EDS will rely on leadership and project management staff identified in the DDI planning phases to execute the requirements of the Deployment/Rollout Phase. The activities that will be completed during this phase include the following:

- Development and delivery of a deployment/rollout schedule for approval by the State
- On-time delivery and completion of each component of the Replacement MMIS
- Complete documentation of the components implemented

- Thorough tracking and reporting of any problems with implementation and the resolution steps taken, including the completion of correction and adjustment activities
- Development of ongoing status and progress reports

Sound project management during the project initiation and planning execution efforts for the Design and Development Phase and the Deployment/Rollout Planning Phase will create a foundation for the smooth execution of large project activities in the Deployment/Rollout Phase. Program knowledge, system expertise, and synchronized State and EDS project teams are critical to a smooth implementation. Therefore, the continuation of staff from these two phases is a key component for Deployment/Rollout Phase success.

Deployment/Rollout: Not the End But the Beginning

The Deployment/Rollout Phase marks the final stage of DDI. More importantly, however, it marks the beginning of the Replacement MMIS' operation. During deployment and rollout, we will combine our North Carolina staff members and their first-hand understanding of the programs' policies with the Replacement MMIS and its unlimited potential. With many critical DDI tasks—such as testing, training, staffing, and documentation—reaching their successful conclusion during this phase, the Replacement MMIS will be ready for many years of successful service to the State and its many divisions and stakeholders.

To demonstrate our successful approach to deployment and rollout, we provide a sample excerpt from the Kentucky MMIS DDI Implementation Plan following this page. As stated in RFP section 50.2 Technical Proposal Requirements, this sample does not count toward any page limit.

KY DDI Implementation Plan

Kentucky MMIS Project

Cabinet for Health and Family Services
Kentucky Medicaid Office

October 8, 2006

SAMPLE EXCERPT

This document describes and provides examples of the structure for the Implementation Plan. The contents of this document displays examples of the information that will be included in the final document.

Cabinet for Health and Family Services Kentucky Medicaid Office	
Role:	Name:
Author	Dean Taunton
Reviewer	EDS Implementation Leads, PMO
EDS Management	Ricky Pope
Client	Glenn Jennings Deputy Commissioner Carrie Johnson Executive Director/CIO Lorna S. Jones Sandeep Kapoor
DELIVERABLE TITLE: KY DDI Implementation Plan Template	DATE SUBMITTED: 5/24/2006
LOCATION and FILE NAME: KY DDI Implementation Plan Template Ver 2.doc	AUTHORING TOOL: MSWord2003

Document Change Log

Version	Changed Date	Changed By	Reason
1.0	5/13/2006	Dean Taunton	Creation of new document template – 1st Draft.
2.0	5/24/2006	Donna Nicholson	Revisions based on PMO Review – 2nd Draft.
3.0	6/23/2006	Dean Taunton	Addressed review comments.
4.0	6/25/2006	Dean Taunton	Addressed review comments.
5.0	10/8/2006	Dean Taunton	Compiled draft deliverable.

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3.5 *System Engineering Team – Conversion (Pre-Conversion)*

#	Scheduled Start Date	Scheduled Finish Date	Actual Start Date	Actual Finish Date	√	Assigned or Responsible	Activity or Task Description	Responsible Group	Contingencies/ Notes
1	11/1/2006	11/30/2006				Youngken/Rouse	Determine stop point for Legacy System Member updates	SE Team – Conversion (Pre-Conversion)	
2	11/1/2006	11/30/2006				Youngken/Ramanan	Determine stop point for financial adjustments	SE Team – Conversion (Pre-Conversion)	
3	11/1/2006	11/30/2006				Youngken	Determine stop point for claims adjustments	SE Team – Conversion (Pre-Conversion)	
4	11/1/2006	11/30/2006				Youngken/Butchart	Determine stop point for TPL letters	SE Team – Conversion (Pre-Conversion)	
5	11/1/2006	11/30/2006				Youngken	Meet with Legacy System Staff and Commonwealth to determine stop points for other processes	SE Team – Conversion (Pre-Conversion)	

#	Scheduled Start Date	Scheduled Finish Date	Actual Start Date	Actual Finish Date	√	Assigned or Responsible	Activity or Task Description	Responsible Group	Contingencies/ Notes
6	9/1/2007	11/30/2007				Youngken	Determine how the dual entry period will work for Member, Provider and Reference before go-live.	SE Team – Conversion (Pre-Conversion)	
7	10/16/2006	10/25/2006				Wheeler	Receive and prep conversion input files as of September month end processing	SE Team – Conversion (Pre-Conversion)	
8	10/16/2006	10/25/2006				Wheeler	Transfer data files to the Unix environment	SE Team – Conversion (Pre-Conversion)	
9	10/26/2006	11/22/2006				SE Team – Conversion	Run Preliminary - Volume test Front to back conversion test	SE Team – Conversion (Pre-Conversion)	
10	11/27/2006	12/6/2206				SE Team – Conversion	Conversion Volume Testing Validation and Settlement	SE Team – Conversion (Pre-Conversion)	
11	12/7/2006	1/5/2007				SE Team – Conversion	Create Testing Pacakages for Commonwealth Review	SE Team – Conversion (Pre-Conversion)	

#	Scheduled Start Date	Scheduled Finish Date	Actual Start Date	Actual Finish Date	√	Assigned or Responsible	Activity or Task Description	Responsible Group	Contingencies/ Notes
12	1/8/2007	1/12/2007				SE Team – Conversion	Hold Commonwealth test results walkthroughs	SE Team – Conversion (Pre-Conversion)	
13	1/17/2007	1/23/2007				SE Team – Conversion	Produce Conversion Test Results and Preliminary Files document	SE Team – Conversion (Pre-Conversion)	
14	1/24/2007	1/26/2007				Rangel, Y. L.	Update the Reference data in the KYCUST database for the application team	SE Team - Conversion	Used to help generate benefit plan information. After cut is taken, the benefit plans must be maintained manually.
15	1/26/2007	1/26/2007				Rangel, Y. L.	Notify Reference Application team that the data has been updated	SE Team - Conversion	

3.9 *System Engineering Team – Claims*

#	Scheduled Start Date	Scheduled Finish Date	Actual Start Date	Actual Finish Date	√	Assigned or Responsible	Activity or Task Description	Responsible Group	Contingencies/ Notes
1	11/4/2006	11/4/2006					Verify correct version of ClaimCheck is installed on sun1.	SE Team - Claims	
2	11/4/2006	11/4/2006					Verify claimcheck.csh (and claimcheck.ksh if exists on sun1) are setting up the correct environment variables to point to ClaimCheck 6.0.30 on sun1.	SE Team - Claims	
3	11/4/2006	11/8/2006					FTP ClaimCheck customization files to sun1 and run the necessary batch files.	SE Team - Claims	Requires that DMS has made their final customizations to their LAN and that their customizations have been copied to the EDS LAN. Use the ClaimCheck transfer utility for the FTP

#	Scheduled Start Date	Scheduled Finish Date	Actual Start Date	Actual Finish Date	√	Assigned or Responsible	Activity or Task Description	Responsible Group	Contingencies/ Notes
4	12/6/2006	12/6/2006					Verify setup of the CLMID010 file in $PRODDIR/data.	SE Team - Claims	
5	12/6/2006	12/3/2006					Prepare claims production promotion list of members/versions that need to be promoted to production. Based on 11/27/06 ITF release.	SE Team - Claims	
6	12/6/2006	12/3/2006					Verify production filesystem setup and permissions – use model/ITF as a guide.	SE Team - Claims	This is similar to task #5 under the SE – Cycle Support section, but is much broader in scope. May need to move/combine these tasks.
7	12/6/2006	12/3/2006					Verify production claims input directories (newday, input, bkp, bad, corrections, Captiva, etc.)	SE Team - Claims	

#	Scheduled Start Date	Scheduled Finish Date	Actual Start Date	Actual Finish Date	√	Assigned or Responsible	Activity or Task Description	Responsible Group	Contingencies/ Notes
8	12/6/2006	12/6/2006					Obtain su dsokprod authority for Bob Carter, Kevin Schmidt, Jennifer Brown & Karen Barker.	SE Team - Claims	
9	12/4/2006	1204/06					Final claims release to production.	SE Team - Claims	
10	12/4/2006	12/4/2006					Verify setup of production blocker.cfg (mkblock $PRODDIR/data/blocker.cfg 40 1) and sendclms.cfg files.	SE Team - Claims	
11	12/4/2006	12/4/2006					Verify/setup of production zparm file. Touch the $PRODDIR/data/prod.zparm file and insert 1 row containing the word prod. Reference $ACCDIR/data/acc.zparm for an example.	SE Team - Claims	

#	Scheduled Start Date	Scheduled Finish Date	Actual Start Date	Actual Finish Date	√	Assigned or Responsible	Activity or Task Description	Responsible Group	Contingencies/ Notes
12	12/4/2006	12/5/2006					Initialize the clmex files	SE Team - Claims	It has been verified that the dates to be used are:
13	12/5/2006	12/6/2006					Verify production release. Verify ubin, sysin, job, database changes and config files are inst ed in production. Clean out the production override directory. Ensure production JILs are inst ed.	SE Team - Claims	
14	12/9/2006	12/9/2006					Update values in t_adj_rules for production. Where key = 'ENVR' modify parm data to point to production directories only.	SE Team - Claims	

#	Scheduled Start Date	Scheduled Finish Date	Actual Start Date	Actual Finish Date	√	Assigned or Responsible	Activity or Task Description	Responsible Group	Contingencies/ Notes
15	12/9/2006	12/10/2006					Run a parallel claims test using a sample of newday claims from September 2006 and verify the results. This set of claims will also be the baseline comparison for the production par el test to follow.	SE Team - Claims	
16	12/9/2006	12/10/2006					Verify aim.cfg files are in place for production IDs and contain the correct database entries (ONL_PSWD, CLM_PSWD, MMIS_PSWD)	SE Team - Claims	
17	12/9/2006	12/10/2006					Verify configuration entries for the production soap server.	SE Team - Claims	

#	Scheduled Start Date	Scheduled Finish Date	Actual Start Date	Actual Finish Date	√	Assigned or Responsible	Activity or Task Description	Responsible Group	Contingencies/ Notes
18							Set up system parms – CLMDAREP, AIMCYCLE and RPTSTATE – start at 7/12/04. (Newday jobs)	SE Team - Claims	
19							Update t_system_keys entries for initial values: sak_file, sak_name, sak_party, sak_name_addr (set all values to 1). Verify setting of sak_claim after final claims conversion to max sak_claim in the system plus 1 million	SE Team - Claims	
20							Verify necessary aim00 tables are empty and ready for first claims processing	SE Team - Claims	
21							Verify reference data has been loaded (audit, code tables, t_mcare_deductable, pricing, program, edit/audit, etc)	SE Team - Claims	

#	Scheduled Start Date	Scheduled Finish Date	Actual Start Date	Actual Finish Date	√	Assigned or Responsible	Activity or Task Description	Responsible Group	Contingencies/ Notes
22							Verify that stats are turned on for the claims tables	SE Team - Claims	
23							Balance Claim Reports with EDI - first week of production	SE Team - Claims	
24							Verify claims process properly:monitor t_claim_error table. Make sure system assigned keys (SAKs) increment.Monitor bad claims directory. Monitor paid/denied counts in the db along with paid amts. Monitor claims server log files for abnormal messages. Verify Error reports.	SE Team - Claims	

#	Scheduled Start Date	Scheduled Finish Date	Actual Start Date	Actual Finish Date	√	Assigned or Responsible	Activity or Task Description	Responsible Group	Contingencies/ Notes
25							Verify claims cycles:review exception reports review balancing reports verify and cross-check EDI reports to claims reports. Ensure claims are setup to process for next day	SE Team - Claims	
26							Review financial flush report and make any corrections needed	SE Team - Claims	
27							Verify operation of the claims online screens	SE Team - Claims	

3.26 *Operations Team – Customer Service*

#	Scheduled Start Date	Scheduled Finish Date	Actual Start Date	Actual Finish Date	√	Assigned or Responsible	Activity or Task Description	Responsible Group	Contingency/Notes
1	10/1/2006	10/7/2006					Develop distribution plan for hardcopy/CD of the Provider Billing/Procedures Manual.	Operations Team – Customer Service	
2	11/1/2006	11/1/2006					Contact phone company to coordinate phone number transfer of toll free and local DMS phone lines, and new EDS lines from EDS.*	Operations Team – Customer Service	
3	11/4/2006	12/30/2006					Train call center personnel.	Operations Team – Customer Service	
4	11/26/2006	11/26/2006					Listen to phone messages for accuracy	Operations Team – Customer Service	
5	12/1/2006	12/27/2006					Develop and test scenarios to populate call center reports with data.	Operations Team – Customer Service	

#	Scheduled Start Date	Scheduled Finish Date	Actual Start Date	Actual Finish Date	√	Assigned or Responsible	Activity or Task Description	Responsible Group	Contingency/Notes
6	12/6/2006	12/6/2006					Verify provider PIN letters have been generated and sent*	Operations Team – Customer Service	

4.7 *System Engineering Team – Claims*

#	Scheduled Start Date	Scheduled Finish Date	Actual Start Date	Actual Finish Date	√	Assigned or Responsible	Activity or Task Description	Responsible Group	Contingency/Notes
1	1/15/1007	1/15/1007					Run post-UAT parallel claims test of baseline.	SE Team - Claims	Run after final provider, eligibility, and reference conversions.
2	2/15/2007	2/15/2007					Verify operation of the claims online screens.	SE Team - Claims	
3	2/15/2007	2/15/2007					Set up system parms	SE Team - Claims	
4	11/15/2007	11/15/2007					Verify reference data has been loaded	SE Team - Claims	- Compare to model office or ITF, depending on where the data was loaded from.
5	11/15/2007	11/15/2007					Verify once again that the production claims executables/sysin members are in place (libclmphrm.so, libclmcomm.so, libncpdp.so, libadj.so, libadjxml.so, libxml.so, libevs.so, libsrvrcommon.so, libsoapClaim.so, sysin/ncpdp*)	SE Team - Claims	

#	Scheduled Start Date	Scheduled Finish Date	Actual Start Date	Actual Finish Date	√	Assigned or Responsible	Activity or Task Description	Responsible Group	Contingency/Notes
6	11/15/2007	11/15/2007				Claims/DBA teams	Verify that stats are turned on for the claims tables.	SE Team - Claims	
7	11/15/2007	11/15/2007					Set up and test of claim XML transaction logging and viewer.	SE Team - Claims	
8	3/1/2007	3/1/2007					Verify claims cycles:review exception reports, review balancing reports, ensure claims are setup to process for next day	SE Team - Claims	
9	3/1/2007	3/1/2007					Start processing queued EDI and Captiva claims – start with a few batches and verify processing before releasing batches. Process (1 time only) final suspense conversion. Monitor claims logs and processing as with POS claims.	SE Team - Claims	Must wait for completion of final conversion tasks. There will be a weeks worth of Captiva claims and two days worth of EDI claims to process.

#	Scheduled Start Date	Scheduled Finish Date	Actual Start Date	Actual Finish Date	√	Assigned or Responsible	Activity or Task Description	Responsible Group	Contingency/Notes
10	3/2/2007	3/2/2007					Run daily cycles (PDAILY5_MON_THRU_FRI and PDAILY7) verify any jobs that need to be iced verify reports to output to be used in balancing review reports to verify processing as with POS	SE Team - Claims	
11	3/3/2007	3/3/2007					Review financial flush report and make any corrections needed.	SE Team - Claims	

5.6 *Operations Team – Customer Service*

#	Scheduled Start Date	Scheduled Finish Date	Actual Start Date	Actual Finish Date	√	Assigned or Responsible	Activity or Task Description	Responsible Group	Contingency/Notes
1	3/4/2007	3/5/2007				Donna Sims	Test EVS and AVR software using real data.	Operations Team – Customer Service	
2	3/4/2007	3/5/2007				Donna Sims	Monitor Call Center to ensure proper operations	Operations Team – Customer Service	
3	3/4/2007	3/5/2007				Donna Sims	Print and verify accuracy of call center data reports.	Operations Team – Customer Service	
4	3/4/2007	3/5/2007				Donna Sims	Make initial telephone call into new C Center	Operations Team – Customer Service	
5	3/4/2007	3/5/2007				Donna Sims	Verify Call Center ability to take Provider call, log in CTMS, access information, answer provider in specified time frame	Operations Team – Customer Service	

#	Scheduled Start Date	Scheduled Finish Date	Actual Start Date	Actual Finish Date	√	Assigned or Responsible	Activity or Task Description	Responsible Group	Contingency/Notes
6	3/4/2007	3/5/2007				Bernice Shelton	Verify all Provider Reps' ability to walk provider through single-sign on and submitting a claim via new Provider Internet	Operations Team – Provider Reps	

50.2.4.1.5 State Requirements Matrix

RFP Reference: 50.2.4.1.5 State Requirements Matrix, Page 275

When reviewers combine this State Requirements Matrix review with our function point analysis and our detailed requirement responses, it will become clear that the interChange multi-payer offering is the MMIS best positioned to leverage a proven, certifiable system that is agile enough to meet the challenges for DMA, DMH, DPH, and ORHCC today and for years to come.

State of North Carolina

This section contains EDS' completed State Requirements Matrix, documenting which capabilities are met through our base system and COTS software, which require configuration or software changes to the base system and COTS software, and which require new, custom functionality to be added to the base system during the DDI effort.

There are many ways to evaluate a proposed MMIS in relation to the defined requirements of a multi-payer healthcare system. In the introduction to proposal section 50.2.4.1.1 Overview of System Solution and Solution for DDI, we explain our approach to the detailed responses that describe how we meet the requirements listed in RFP Section 40: Replacement MMIS Requirements. By listing the base interChange system objects used, the COTS products integrated, or the custom code to be developed, our detailed responses directly map to this State Requirements Matrix. Some requirements are met through a combination of system capabilities and operational services. We marked these requirements as "met" in the State Requirements Matrix, with the additional details provided in proposal sections 50.2.4.1.1 Overview of System Solution and Solution for DDI and 50.2.4.2.1 Proposed Solution for Operations.

In completing the State Requirements Matrix, we followed the directions provided in RFP section 50.2.4.1.5 State Requirements Matrix. However, to make sure our completion of this matrix is clear and straightforward for reviewers, we provide the following examples.

Where the base interChange system meets the requirements, the matrix is represented as follows:

Requirement	Requirement Description	A	B	C	D	E
#	Description	N	N	N	Section-page number	Y

Where the base interChange system or COTS software requires configuration through a table entry to meet the requirement, the matrix is represented as follows:

Requirement	Requirement Description	A	B	C	D	E
#	Description	Y			Section-page number	Y

Where the base interChange system or COTS software either requires integration of the COTS package with interChange, or most of the functionality exists but additional functionality is required to meet all components of the requirement, the matrix is represented as follows:

Requirement	Requirement Description	A	B	C	D	E
#	Description		Y		Section-page number	Y

Where both table entries and code changes are required to meet the requirement, the matrix is represented as follows:

Requirement	Requirement Description	A	B	C	D	E
#	Description	Y	Y		Section-page number	Y

Where new, custom functionality must be added to the base interChange system to meet the requirements, the matrix is represented as follows:

Requirement	Requirement Description	A	B	C	D	E
#	Description			Y	Section-page number	Y

Where only operational processes or procedures are required to meet the requirement, the matrix is represented as follows:

Requirement	Requirement Description	A	B	C	D	E
#	Description				Section-page number	Y

Where the requirement is met by the base system and also requires an operational process or procedure, the matrix is represented as follows:

Requirement	Requirement Description	A	B	C	D	E
#	Description	N	N	N	Section-page number	Y

Whenever Column E is in **blue print**, it indicates that an operational process or procedure also is required to meet the requirement.

In Column D, the section and page numbers point back to our detailed responses in proposal sections 50.2.4.1.1 Overview of System Solution and Solution for DDI and 50.2.4.2.1 Proposed Solution for Operations, where we have done one of the following:

- Listed the requirement as "Met by interChange" and described the online panel, report, or process that fulfills the requirement
- Stated what work, if any, is needed to meet the requirement

By taking this cross-referenced approach to the matrix, our intent is to demonstrate the careful thought and consideration that went into the matrix evaluation process.

When performing this matrix analysis, a few facts stand out. First, interChange is a strong match for the requirements, as demonstrated by the number of requirements met by the base application. Second, where it logically makes sense, the interChange solution extends the business analyst role into a policy and rule configuration role, making the long-term maintenance of the Replacement MMIS more cost-effective to maintain and update based on changing program needs. Third, the architecture makes logical use of COTS software to integrate business functions as needed. Finally, when the reviewer combines this requirements matrix review with the function point analysis and the detailed requirement responses, it will become clear that the interChange multi-payer offering is the MMIS best positioned to leverage a proven, certifiable system that is agile enough to meet the challenges for DMA, DMH, DPH, and ORHCC today and for years to come.

Appendix 50, Attachment C, Exhibit 1: State Requirements Matrix

Table Legend:

- **(A)** System capability is in the Baseline System or COTS and configuration is required via manual table updates to meet proposed solution (Y/N)*
- **(B)** System capability is in the Baseline System or COTS and software modification is required to meet proposed solution (Y/N)*
- **(C)** System capability is not in the Baseline System and requires new functionality via software modification to meet proposed solution (Y/N)
- **(D)** Enter the Proposal Section (A–L) that reflects the fulfillment of the Section 40 of this RFP requirement and page number(s).
- **(E)** Will meet requirement (Y/N)

* If both A and B above apply, indicate Yes (Y) in each column.
** Non-Medicaid only

40.1 General Requirements

40.1.1 General System Requirements

Requirement #	Requirement Description	A	B	C	D	E
	Multi-Payer Requirements					
40.1.1.1	Provides capability in a Replacement MMIS to provide a single system process to coordinate recipient benefits among the DMA, DMH, DPH, and the Migrant Health Program in the Office of Rural Health and Community Care (ORHCC) and to ensure the proper assignment of the financially responsible payer, benefit plan, and pricing methodology for each service tendered in a claim	N	N	N	D-28	Y
40.1.1.2	Provides capability to create and maintain each health benefit program offered and administered by the State; health benefit programs shall be realized by one or more benefit plans that define the scope of benefits, eligibility criteria, and pricing methods applicable to a health benefit program	Y			D-28	Y

Requirement #	Requirement Description	A	B	C	D	E
40.1.1.3	Provides capability to allow recipients and providers to enroll in one (1) or more benefits plans	N	N	N	D-28	Y
40.1.1.4	Provides capability for benefits plan to be implemented through a rule or a design that allows simple and easy implementation of new benefit programs and modifications to existing benefit programs with little or no programmatic changes to the claims processing software	Y			D-28	Y
40.1.1.5	Provides capability for benefits plans to be maintained and administered through user-interface views with entries for defining and configuring the scope of benefits, eligibility criteria, and the pricing method criteria that will be used for determining admissibility under a given benefit plan	Y			D-28	Y
40.1.1.6	Provides capability for the claims adjudication process to use information from the benefit plans applicable to both the recipient and provider of a submitted claim to identify and assign the financially responsible payer and benefit program applicable to each service tendered in the claim, including retrospective review of eligibility and funding availability	N	N	N	D-28	Y
40.1.1.7	Provides capability for the determination of the financially responsible payer and benefit program for each claim service using a set of payer and benefit program ranking criteria to resolve any potential contention when the claim service is covered by more than one benefit plan	N	N	N	D-29	Y
40.1.1.8	Provides capability for the claims adjudication process to use information from the pricing method criteria tables to identify and assign the pricing methodology applicable to each service tendered in the claim	N	N	N	D-29	Y
40.1.1.9	Provides capability for financially responsible payers, benefit programs, and pricing methodologies assigned to a claim to be used to support and direct various aspects of the claims adjudication process, including the edits, audits, pricing, payment (e.g., checkwrite), and financial (e.g., budget management) functions	N	N	N	D-29	Y
40.1.1.10	Provides capability to track and report current and historical claims detail and associated funding sources	N	N	N	D-29	Y

Requirement #	Requirement Description	A	B	C	D	E
40.1.1.11	Provides capability for batch and/or online real-time access between external systems and Replacement MMIS functional areas using Application Program Interface (API) - based Service-Oriented Architecture (SOA) concepts		Y		D-29	Y
40.1.1.12	Provides capability to track, report, reproduce, and/or forward recipient mail that is undeliverable		Y		D-29	Y
40.1.1.13	Fiscal Agent shall shred recipient correspondence that is returned to the Fiscal Agent as non-deliverable				D-29	Y
40.1.1.14	Provides capability for data validation editing for all online and Web entry views	N	N	N	D-30	Y
	Data Transfer and Conversion					
Requirement Deleted 40.1.1.15	~~Provides capability to make all historic and new electronic documents available to Fiscal Agent and State staff from implementation of any and all Replacement MMIS capabilities~~					
	Interfaces					
40.1.1.16	Provides capability to interface in a timely manner “To” and “From” all external interfaces, to include, without limitation, those listed in Appendix 40, Attachment H of this RFP		Y	Y	D-36	Y
	Security					
40.1.1.17	Provides capability to adopt current industry and State standards and address the State’s Security Program Planning and Management, Access Controls, Application Software Development and Change Controls, System Software Controls, and Service Continuity Controls	N	N	N	D-52	Y
40.1.1.18	Provides capability for initial batch loading of security records and profiles prior to implementation	N	N	N	D-52	Y
	User Access Authentication and Authorization					

Requirement #	Requirement Description	A	B	C	D	E
40.1.1.19	Provides capability for a user interface design to incorporate the North Carolina Identity Enterprise Service (NCID), version 7 (or later), Model 2 Refer to *DHHS Application Integration with NCID* in the Procurement Library.			Y	D-53	Y
40.1.1.20	Provides capability to adhere to the role-based access control model in compliance with NC DHHS Security policies Refer to *Replacement MMIS Security Business Rules* in the Procurement Library.	N	N	N	D-54	Y
	Architecture Reference *Appendix 40, Attachment B, DMA Network Diagram* and *Appendix 40, Attachment C, DMH Network Diagram* of this RFP for information purposes only.					
40.1.1.21	**Goal**: Provides capability for the architecture to be: ▪ Adaptable ▪ Available ▪ Extensible ▪ Interoperable ▪ Manageable ▪ Redundant ▪ Resilient ▪ Scalable ▪ Securable	N	N	N	D-56	Y
40.1.1.22	**Goal**: Provides capability for the architecture to align with the principles and practices in the North Carolina Statewide Technical Architecture (STA)	N	N	N	D-56	Y
40.1.1.23	Provides capability for all applicable components of the proposed solution to perform efficiently on State desktop office tools consistent with the current State standards and versions (i.e., no more than [1] major release behind the current supported levels). See	N	N	N	D-56	Y

Requirement #	Requirement Description	A	B	C	D	E
	Appendix 40, Attachment J for State Standards.					
40.1.1.24	**Goal**: Provides capability for the client user interface to be decoupled (a clear physical separation) from the business rules layer and limited to presentation of data, capturing of input, and control of application flow	N	N	N	D-56	Y
40.1.1.25	**Goal**: Provides capability for the architecture to use Web services-based solutions that are designed using either a 3/N-tier or Service-Oriented Architecture (SOA) approach	N	N	N	D-57	Y
	System Software Controls					
40.1.1.26	Provides capability to update records to reflect changes such as merging or decoupling of recipient and provider IDs	N	N	N	D-61	Y
	User Interface and Navigation					
40.1.1.27	Provides capability for standard user interface characteristics, data accessibility, and navigation across all Replacement MMIS business areas	N	N	N	D-68	Y
40.1.1.28	Provides capability for compliance with language and accessibility requirements as defined in the Regulatory Compliance Section	N	N	N	D-68	Y
40.1.1.29	**Goal**: Provides capability for a secure, interactive Web Portal for users twenty-four (24) hours a day, seven (7) days a week, three hundred sixty-five (365) days a year	N	N	N	D-68	Y
40.1.1.30	Provides capability for a secure, interactive Web Portal to have an informational/introductory Web page twenty-four (24) hours a day, seven (7) days a week, three hundred sixty-five (365) days a year	N	N	N	D-68	Y
40.1.1.31	Provides capability for real-time interaction with all business areas, enabling routine inquiries	N	N	N	D-68	Y
40.1.1.32	Provides capability for multiple business area views to be displayed concurrently and to facilitate interaction between business area views	N	N	N	D-68	Y

Requirement #	Requirement Description	A	B	C	D	E
40.1.1.33	Provides capability for consistency in displaying view/file/report titles, dates, times, and other business area-specific requirements	N	N	N	D-68	Y
40.1.1.34	Provides capability to display error messages, interactive help views and tables, accessible reference files, and hypertext links to appropriate additional files/reports	N	N	N	D-69	Y
	Document Management and Correspondence Tracking					
40.1.1.35	Provides capability to electronically store and view online in an easily readable format all inbound and outbound transactions and correspondence within the Replacement MMIS		Y		D-74	Y
40.1.1.36	Provides capability for integrated document management and correspondence tracking across all Replacement MMIS business areas		Y		D-74	Y
40.1.1.37	Provides capability for online access to Replacement MMIS and document management and correspondence tracking with a single log-on		Y		D-75	Y
40.1.1.38	Provides capability to capture and electronically store all documents, both incoming and outgoing, including claims, claim attachments, data entry forms, images, medical records, X-rays, correspondence, incoming and outgoing fax documents and system-generated reports, tracking date, and time of receipt		Y		D-75	Y
40.1.1.39	Provides capability to receive, electronically store, and retrieve intraoral/extraoral photographs, digital radiographs, and digital versions of orthodontic models (casts)		Y		D-75	Y
40.1.1.40	Provides capability to link incoming documents, correspondence, and supporting documentation to related documents and correspondence already on file		Y		D-75	Y
40.1.1.41	Provides capability to assign a unique document identifier to each document		Y		D-75	Y
40.1.1.42	Provides capability to retrieve all linked documents with one (1) request		Y		D-75	Y
40.1.1.43	Provides capability for documents to be electronically stored by unique document identifier and accessible by online search via hypertext link from all views that reference		Y		D-75	Y

Requirement #	Requirement Description	A	B	C	D	E
	the image					
40.1.1.44	Provides capability to retain electronic documents for ten (10) years online; once the electronic document has been verified, it becomes the official copy of the document		Y		D-75	Y
40.1.1.45	Provides capability to archive electronic documents offline after ten (10) years and retrieve them for online viewing within two (2) business days of a request		Y		D-76	Y
40.1.1.46	Provides capability for data retrieved from offline storage to be retained online for ten (10) business days, unless otherwise requested		Y		D-76	Y
40.1.1.47	Provides capability to print hard copies of electronically stored documents		Y		D-76	Y
40.1.1.48	Provides capability to print and fax documents		Y		D-76	Y
40.1.1.49	Provides capability for State and Fiscal Agent staff to retrieve and display any electronically stored documents within eight (8) seconds for the first page, within five (5) seconds for the second page, and within three (3), two (2), and one (1) second(s) or less for subsequent pages		Y		D-76	Y
40.1.1.50	Provides capability to make all documents available to the State within two (2) business days of creation		Y		D-76	Y
40.1.1.51	Provides capability to accept input in frequencies as defined in business areas and from multiple sources, types, and formats, including: ▪ Required electronic transaction formats, (e.g., X12) ▪ Scanners (e.g., paper claims/written correspondence) ▪ Electronic text (e.g., e-mail, e-fax, voice media files) ▪ Paper documents (e.g., correspondence, claims forms, faxes) ▪ Portable media (e.g., magnetic tapes, 3.5” floppy drives, CD/DVD drives)		Y		D-76	Y
40.1.1.52	Provides capability for all data input (e.g., images of scanned paper documents, voice media files, electronic and EDI transactions) to be transformed as needed for further		Y		D-77	Y

Requirement #	Requirement Description	A	B	C	D	E
	processing					
40.1.1.53	Provides capability to protect all stored images and electronic copies from direct access while allowing authorized copies to be used for further processing		Y		D-77	Y
	Audit Trail					
40.1.1.54	Provides capability to track through audit trail data with date/time stamps: ▪ All access, activity, and system identifier of users or persons making adds, changes, deletes, or queries ▪ All activity that causes any additions, changes, deletions, or queries ▪ All transactions that result in a claim being entered into the system, including EDI transactions, a prior approval being entered into the system, Third Party Liability (TPL) transactions, a financial result (incoming and outgoing financial transactions and system-generated financial transactions), adding, changing, or deleting recipient or provider data, adding, changing, or deleting reference or code data, drug rebate activity, financial activity, and reference file changes	N	N	N	D-79	Y
40.1.1.55	Provides capability to maintain an automated audit trail of all update transactions, both batch and online, including date and time of change, before and after data field contents, and operator identifier or source of the update	N	N	N	D-79	Y
40.1.1.56	Provides capability to create audit trail data that can be accessed online in a user-friendly, indexed, searchable format that has the capability to reflect the complete history of the transaction	N	N	N	D-79	Y
	Online Help					
40.1.1.57	Provides capability for selectable online help views for user functionality that duplicate or link to system documentation	N	N	N	D-83	Y
40.1.1.58	Provides capability for online help for all features, functions, and data element fields as well as descriptions and resolutions for error messages, using help features, including indexing, searching, tool tips, mouse-over, field value options, hypertext links to files,	N	N	N	D-83	Y

Requirement #	Requirement Description	A	B	C	D	E
	reports, and context-sensitive help topics					
40.1.1.59	Provides capability for context-sensitive help to view, window, or dialog	N	N	N	D-83	Y
	Search and Query					
40.1.1.60	Provides capability to allow all records to be selectable and searchable by record elements, as specified within business areas	N	N	N	D-88	Y
40.1.1.61	Provides capability to query and search information based on user-defined criteria or by data elements as specified within the business areas	N	N	N	D-88	Y
40.1.1.62	Provides capability for search by phonetic/mnemonic, full-text, partial-text, keyword, Boolean operators, specific date, date ranges, partial Postal/zip code, and wildcard	N	N	N	D-88	Y
40.1.1.63	Provides capability for users to query via parameterized standard reports and view online production data	N	N	N	D-88	Y
40.1.1.64	Provides capability to generate descriptive alerts that specify any invalid query parameter(s) and to generate alerts when the anticipated return time on a query or search exceeds a defined time limit	N	N	N	D-88	Y
40.1.1.65	Provides capability to permit users to easily locate specific information in the online documentation, e.g., user manual, operating procedures, and online system help	N	N	N	D-89	Y
40.1.1.66	Provides capability to govern queries so that run time does not exceed defined limits	N	N	N	D-89	Y
	Correspondence and Letters					
40.1.1.67	Provides capability to produce system-generated standardized letters as specified in business area requirements and to electronically store saved images of each letter produced		Y		D-90	Y
40.1.1.68	Provides capability to produce updatable, form-based, version-controlled, customized templates for letter generation with capability for free-form text as specified in business		Y		D-90	Y

Requirement #	Requirement Description	A	B	C	D	E
	area requirements and to electronically store saved images of each letter produced from the templates in an easily accessible, searchable format					
40.1.1.69	Provides capability for letter and template generation to comply with US DHHS Title VI Language Access Policy based on flag that defines recipient language preference	Y	Y		D-90	Y
40.1.1.70	Provides capability to create and manage stakeholder correspondence, clinical policy documentation, bulletins/publication, business rules, and business forms		Y		D-91	Y
40.1.1.71	Provides capability to perform desktop publishing of documents for all stakeholders		Y		D-91	Y
40.1.1.72	Provides capability for on-demand and batch-driven correspondence creation and mailing		Y		D-91	Y
40.1.1.73	Provides capability for letter-generation solution that has the flexibility to use form letters and/or on-demand text generation		Y		D-91	Y
40.1.1.74	Provides capability for all stakeholders to create and electronically store correspondence templates for private and community use		Y		D-91	Y
40.1.1.75	Provides capability to use spellchecker functionality			Y	D-92	Y
40.1.1.76	Provides capability to use business rules intelligence to determine the best choice for correspondence communication and allow for the identification of the best selection for combination of address(es), USPS, fax, e-mail	N	N	N	D-92	Y
40.1.1.77	Provides capability to bulk distribute to target populations messages and communications via e-mail, fax, or Really Simple Syndication (RSS) feed		Y		D-92	Y
40.1.1.78	Provides capability to integrate the letter-generation solution with the Replacement MMIS and import required data elements identified in the business rules that must be included in the letter text		Y		D-92	Y
40.1.1.79	Provides capability to send correspondence through workflow management for approval, where business rules require secondary approval	Y	Y		D-92	Y

Requirement #	Requirement Description	A	B	C	D	E
40.1.1.80	Provides capability to integrate and link all correspondence to the document management solution in real-time from point of origin (State, county, Fiscal Agent, or other State-contracted entity's location)		Y		D-92	Y
40.1.1.81	Provides capability to track the correspondence creator, date, recipient, and time stamp and maintain this information historically		Y		D-92	Y
40.1.1.82	Provides capability to enclose attachments to meet recipient's language requirements	Y	Y		D-93	Y
40.1.1.83	Provides capability to create and distribute documents to multiple addresses	Y	Y		D-93	Y
40.1.1.84	Provides capability to redistribute static letters		Y		D-93	Y
40.1.1.85	Provides capability to create performance reporting associated with correspondence		Y		D-93	Y
40.1.1.86	Provides capability to allow user to designate address to be used			Y	D-93	Y
40.1.1.87	Provides capability to enforce security rules to control who issues each type of letter and to designate and enforce a chain of review for certain letters	N	N	N	D-93	Y
40.1.1.88	Provides capability for a user-friendly, English-text index that allows easy access to templates and easy retrieval of initial letters generated per requested parameters: business area, date of generation, topic, recipient name, etc.	N	N	N	D-94	Y
	Reports					
40.1.1.89	Provides capability for system-generated reporting to include, without limitation: ▪ Federal- and State-required report and distribution ▪ Reports identified in Appendix 40, Attachment G of this RFP ▪ Fiscal Agent operations and system performance ▪ Contract compliance ▪ Cost allocation	N	N	N	D-100	Y

Requirement #	Requirement Description	A	B	C	D	E
	▪ Contract invoicing ▪ Standard pre-formatted reports with parameters selection criteria					
40.1.1.90	Provides capability for online access for users (based on role-based security) to reports, enabling downloads for export/import into multiple software formats and availability for use in multiple media	N	N	N	D-100	Y
40.1.1.91	Provides capability to maintain all reports that cannot be regenerated to reflect the report contents as originally represented		Y		D-100	Y
	Workflow Management					
40.1.1.92	Provides capability to maximize work queue technologies that enable a business rule empowered workflow, end-to-end enterprise-wide strategic solution that generates prioritized, sequential first-in/first-out delivery of work items that are generated as either media event or application event work items Provides capability to support: ▪ Documentation retrieval (link to imaged documentation) ▪ Alert agent on events such as work item creation, assignment, work item updates, and status changes ▪ Assignment tracking and retrieval ▪ Aging report(s) ▪ Work item monitoring ▪ Work item reassignment		Y		D-105	Y
40.1.1.93	Provides capability to input requests/inquiries into the workflow/imaging application to enable processing to be automated and forwarded to designated work and print queues		Y		D-105	Y
40.1.1.94	Provides capability to move requests to the next work queue based on expertise required for completion		Y		D-106	Y

Requirement #	Requirement Description	A	B	C	D	E
40.1.1.95	Provides capability to allow the assignment or routing of tasks by the user		Y		D-106	Y
40.1.1.96	Provides capability for tickler and/or to-do list capability		Y		D-106	Y
40.1.1.97	Provides capability to support the tracking and resolution of contacts, including calls, on-site visits, override requests, prior approvals, and written inquiries			Y	D-106	Y
40.1.1.98	Provides capability for the unlimited entry of notes with date/time stamp, user identity, and categorization as to type of note			Y	D-106	Y
40.1.1.99	Provides capability to designate certain notes as confidential and restrict access to notes to authorized users			Y	D-106	Y
40.1.1.100	Provides capability for automated work load balancing		Y		D-106	Y
40.1.1.101	Provides capability for convenient, instant access to current and historical information without requiring a separate sign-on beyond the initial Replacement MMIS sign-on			Y	D-106	Y
40.1.1.102	Provides capability to produce work management reports to include, without limitation, performance measures online by individual business unit and business process and compare them to actual performance			Y	D-106	Y
40.1.1.103	Provides capability to use user-defined templates that support various workflow processes		Y		D-106	Y
40.1.1.104	Provides capability for a graphical interface to support the development and maintenance of the business processes; provides capability to allow users to create a visual capability or flowchart that controls the sequencing of manual and automated tasks performed throughout the business cycle		Y		D-106	Y
40.1.1.105	Provides capability of integrating with a rules engine			Y	D-106	Y
40.1.1.106	Provides capability to allow State access to work queue to assist in evaluation and disposition of work queue items		Y		D-106	Y

Requirement #	Requirement Description	A	B	C	D	E
	Rules Engine					
40.1.1.107	Provides capability to register, classify, inquire, manage, and automate date-specific business rules in a graphical, user-friendly rules engine	N	N	N	D-113	Y
40.1.1.108	Provides capability to modify rules, allowing the application to be adaptable with the dynamic rules	N	N	N	D-113	Y
40.1.1.109	Provides capability for generating media events or application events as a result of the execution of a business rule			Y	D-113	Y
40.1.1.110	Provides capability to structure in a modular concept so the same rules engine can be used by different services or be called as a service itself	N	N	N	D-113	Y
40.1.1.111	Provides capability for a debugging process that automatically analyzes and identifies logical errors (i.e., conflict, redundancy, and incompleteness) across business rules	N	N	N	D-113	Y
40.1.1.112	Provides capability to allow for rules to be tested against production data prior to installation	N	N	N	D-113	**Y**
40.1.1.113	Provides capability for a built-in rule review and approval process that will identify any conflicts in business rules as they are being developed	N	N	N	D-113	Y
40.1.1.114	Provides capability to track and report rules usage	N	N	N	D-114	Y
40.1.1.115	Provides capability to produce and maintain documentation regarding all business rules	N	N	N	D-114	Y
40.1.1.116	Provides capability for integration with a workflow management process	N	N	N	D-114	Y
40.1.1.117	Provides capability to identify impact of business rule changes to claims adjudication	N	N	N	D-114	**Y**
40.1.1.118	Provides capability to reuse business rules across processes	N	N	N	D-114	Y
40.1.1.119	Provides capability to change business rules independent of process	Y			D-114	Y

Requirement #	Requirement Description	A	B	C	D	E
New Requirement 40.1.1.120	Provides capability to apply Procedure Code Pricing (PR) File Cleanup business rules against current Procedure Code Pricing (PR) File	N	N	N	D-114	Y
	Integrated Test Facility					
40.1.1.121	Provides capability for an Integrated Test Facility (ITF) with multiple test environments to allow for different phases of testing to be conducted concurrently during the DDI Phase and throughout the life of the Contract				D-116	Y
40.1.1.122	Provides capability for the ITF environment to operate independently from production, either physically or logically separated, so that performance within the production and ITF environments are not adversely affected by the other, regardless of activity level				D-116	Y
40.1.1.123	Provides capability to maintain the ITF environment as a mirror image of the production system environment to be used for testing all Replacement MMIS changes throughout the life of the Contract			Y	D-116	Y
40.1.1.124	Provides capability for the automated migration of new business areas and application fixes between the ITF environments and production environment	N	N	N	D-116	Y
40.1.1.125	Provides capability to perform assessments without affecting production and/or data	N	N	N	D-116	Y
40.1.1.126	Provides capability for State access to all test system files	N	N	N	D-116	Y
40.1.1.127	Provides capability for version control in the ITF	N	N	N	D-116	Y
40.1.1.128	Provides capability to synchronize the ITF with the production environment when updating the Replacement MMIS production system	N	N	N	D-116	Y
	Training					
40.1.1.129	Provides capability for computer-based-training (CBT) courses for all users (State staff, Fiscal Agent staff, county staff, local agency staff, and providers)			Y	D-118	Y

Requirement #	Requirement Description	A	B	C	D	E
40.1.1.130	Provides capability for online CBT courses for all Replacement MMIS application systems			Y	D-118	Y
40.1.1.131	Provides capability for proficiency testing, quality reviews, and retraining, as needed, for Fiscal Agent staff			Y	D-118	Y
40.1.1.132	Provides capability to deliver provider training through Web-based services and electronic media			Y	D-118	Y
40.1.1.133	Provides capability for a Web Portal to access training news, schedules, training registration and evaluation forms, CBT and Web-based training content, provider bulletins, and frequently asked questions (FAQs) by provider type and subject			Y	D-118	Y
40.1.1.134	Provides capability for the Web Portal to include document management, version control, and contextual queries related to Replacement MMIS rules and operations	Y			D-118	Y
40.1.1.135	Provides capability for Web-accessible downloads of training documentation that will be synchronized with provider policy and billing updates			Y	D-118	Y
40.1.1.136	Provides capability for a training evaluation tool to analyze and report to the State on training effectiveness			Y	D-118	Y
	Call Center Services					
40.1.1.137	Provides capability for Customer Service Call Center/Help Desk to include, without limitation, hardware, software, and toll-free telephone access to operate the Customer Service Call Center/Help Desk System			Y	D-121	**Y**
40.1.1.138	Provides capability for an automatic phone attendant that provides a hierarchical, menu-driven capability for directing calls to appropriate Replacement MMIS Program Fiscal Agent or State staff		Y		D-121	Y
40.1.1.139	Provides capability to receive, appropriately route, and manage all telephone inquiries from Federal, State, local, and county workforce members, recipients, and in-state and out-of-state providers regarding prior approval, technical support, provider services, etc.		Y	Y	D-121	**Y**

Requirement #	Requirement Description	A	B	C	D	E
40.1.1.140	Provides capability to integrate voice and electronic transactions into a single workflow with integrated queues that allow work blending and load balancing		Y		D-121	Y
40.1.1.141	Provides capability to support requirements of Civil Rights Act for Persons of Limited English Proficiency (LEP) and Hearing Impaired	N	N	N	D-121	Y
40.1.1.142	Provides capability for call monitoring by supervisors and State monitors		Y		D-121	Y
40.1.1.143	Provides capability for automated call-tracking of all calls received to include, without limitation, online display, inquiry, and updating of call records that will also be available to State staff	N	N	N	D-122	Y
40.1.1.144	Provides capability to maintain free-form notes for each call record, coordinate these notes in the document management and correspondence tracking business area, and make the notes available for State and Fiscal Agent access	N	N	N	D-122	Y
40.1.1.145	Provides capability for the automated population of call views with relevant recipient and provider information; provides capability for the system to track information such as time and date of call, identifying information on caller (provider, recipient, and others), call type, call category, inquiry description, customer service clerk ID for each call, and response description	N	N	N	D-122	Y
40.1.1.146	Provides capability to automatically fax back (or e-mail back, when there is no protected health information involved) to callers with attachments containing requested information, such as claims histories, copies of pertinent policy or rules, and provider letters	N	N	N	D-122	Y
40.1.1.147	Provides capability to transfer calls, along with all related documentation that was collected			Y	D-122	Y
40.1.1.148	Provides capability for callers to interact with an automated attendant or speak to a customer service representative	N	N	N	D-122	Y
40.1.1.149	Provides capability for technical help desk to support inquiries on system processes and system troubleshooting from providers, value-added networks (VANs), State, and Fiscal		Y		D-122	Y

Requirement #	Requirement Description	A	B	C	D	E
	Agent users					
	System Availability					
40.1.1.150	Provides capability for the system to be consistently and persistently accessible to authorized users in compliance with the System Availability Policy in Appendix 40, Attachment I of this RFP	N	N	N	D-124	Y
40.1.1.151	Provides capability for the system to be available and substantially compliant with its complete specification for ninety-nine and six tenths (99.6) percent of the time on a monthly basis during production hours of operations, excluding planned system down-time	N	N	N	D-124	Y
40.1.1.152	Provides capability for transaction response time to be consistent for all users directly interacting with the production environment, based on a common Web Portal access for network access point, processed and returned to the network access point; provides capability for: ▪ Ninety (90) percent of transactions to occur in four (4) seconds or less ▪ Ninety-five (95) percent of transactions to occur in five (5) seconds or less ▪ Ninety-seven (97) percent of transactions to occur in six (6) seconds or less ▪ Ninety-nine (99) percent of transactions to occur in seven (7) seconds or less	N	N	N	D-124	Y
	Customer Service Request Tracking System					
40.1.1.153	Provides capability for online tracking and workflow management of requests for service	N	N	N	D-128	Y
40.1.1.154	Provides capability to track the system Change Management Life Cycle Phases, schedule, and work breakdown structure (WBS) for systems maintenance and modification requests	N	N	N	D-128	Y
40.1.1.155	Provides capability to track resources for all CSR work breakdown structure, including maintenance and modification requests during the DDI and Operations Phases	N	N	N	D-128	Y

Requirement #	Requirement Description	A	B	C	D	E
40.1.1.156	Provides capability for tracking CSR status by multiple data elements consistent with the Change Management Process	N	N	N	D-128	Y
40.1.1.157	Provides capability to generate reports for request management tracking, with flexibility for variable content, format, sort, and selection criteria to meet State and Fiscal Agent reporting needs	N	N	N	D-128	Y
40.1.1.158	Provides capability to maintain accessibility to all completed project requests for analytical purposes throughout the life of the Contract	N	N	N	D-128	Y
	Web Portal					
40.1.1.159	Provides capability for Web Portal access to the Replacement MMIS by the State staff, providers, government employees, and the general public	N	N	N	D-136	Y
40.1.1.160	Provides capability for a Web Portal that adheres to the State's User Interface and Navigation requirements and simplified sign-on			Y	D-136	Y
40.1.1.161	Provides capability for browser independence and to ensure the browser has broad usage (approximately 500,000 users nationally) and the version is consistent with State usage	N	N	N	D-137	Y
40.1.1.162	Provides capability to post announcements or alerts that are displayed at user sign-on	N	N	N	D-137	Y
40.1.1.163	Provides capability to maintain archives of posted announcements and non-provider specific alerts, including the date and message	N	N	N	D-137	Y
40.1.1.164	Provides capability to access, complete, and submit online surveys		Y		D-137	Y
40.1.1.165	Provides capability to link to CBT course presentations			Y	D-138	Y
40.1.1.166	Provides capability to create, organize by topic, and post FAQs and responses online			Y	D-138	Y
40.1.1.167	Provides capability to maintain version history of previous forms, user manuals, etc.			Y	D-138	Y

Requirement #	Requirement Description	A	B	C	D	E
40.1.1.168	Provides capability to create configurable Web pages of Replacement MMIS functions	N	N	N	D-138	Y
40.1.1.169	Provides capability to view and download standard Replacement MMIS reports in a readable format	N	N	N	D-139	Y
40.1.1.170	Provides capability to request and view parameter-driven standard formatted reports	N	N	N	D-139	Y
40.1.1.171	Provides capability to link to stakeholder Web sites			Y	D-139	Y
40.1.1.172	Provides capability to populate user/security profile-related data for Web Portal access prior to implementation	N	N	N	D-139	Y
	Data Integrity					
40.1.1.173	Provides capability for each record or file to be saved as created, not overwritten by updates or changes, to allow a historical review of individually dated versions	N	N	N	D-140	Y

40.1.2 General Operational Requirements

Requirement #	Requirement Description	A	B	C	D	E
	Fiscal Agent Data Center and Offices					
40.1.2.1	Fiscal Agent (DDI and Operations Phases) shall perform all Fiscal Agent functions at State-approved facilities and sites, including the Fiscal Agent's data center and any subcontractor locations unless otherwise contractually agreed on. These facilities and sites must comply with appropriate State and Federal privacy and physical safeguards.				D-571	Y
40.1.2.2	Fiscal Agent (Operations Phase) shall perform all operations, system maintenance, and modifications or other work under this Contract at prior-approved locations.				D-571	Y

Requirement #	Requirement Description	A	B	C	D	E
40.1.2.3	Fiscal Agent (DDI and Operations Phases) shall locate its local facility within fifteen (15) miles of the State office at NC DHHS headquarters or as directed by the State.				D-571	Y
40.1.2.4	Fiscal Agent (DDI and Operations Phases) shall locate key personnel, business units, and the mailroom at the local site.				D-571	Y
40.1.2.5	Fiscal Agent (DDI and Operations Phases) shall include secure, private office space for three (3) State employees. Fiscal Agent shall also provide assistance and access to any operations, information, or data set elements necessary to support State staff responsibilities. The private office space should include, without limitation: ▪ Lockable desks ▪ Ergonomically correct chairs ▪ IBM-compatible PCs, monitors, and printers with appropriate LAN/WAN connections, Internet access, and e-mail access, at a minimum meeting State standards ▪ Lockable file cabinets ▪ Telephones ▪ Office supplies.				D-571	Y
40.1.2.6	Fiscal Agent (DDI and Operations Phases) shall provide a common area with three (3) or more computers for Internet access for State employees.				D-572	Y
40.1.2.7	Fiscal Agent (DDI and Operations Phases) shall retain ownership of the equipment issued to the State and shall procure, manage, and bear the cost of repairs or replacement, if required, during the life of the Contract.				D-572	Y
40.1.2.8	Fiscal Agent (DDI and Operations Phases) shall upgrade and maintain the personal computers (PCs) and desktop software issued by the Fiscal Agent for State use commensurate with Fiscal Agent PC and software upgrades.				D-572	Y
40.1.2.9	Fiscal Agent (DDI and Operations Phases) shall provide access for the on-site State staff				D-572	Y

Requirement #	Requirement Description	A	B	C	D	E
	to use copier, scanner, and fax machines.					
40.1.2.10	Fiscal Agent (Operations Phase) shall provide equipment for traveling Fiscal Agent representatives that include laptops and cellular telephones that comply with Fiscal Agent's security plan.				D-572	Y
40.1.2.11	Fiscal Agent (DDI and Operations Phases) shall meet periodically as directed by the State to review programs, issues, and status with State operational area staff.				D-573	Y
	Regulatory Compliance					
40.1.2.12	Fiscal Agent (DDI and Operations Phases) shall ensure that the Replacement MMIS incorporates compliance with appropriate Federal and State regulations, statutes, and policies concerning the protection of personally identifiable information and/or financial information. Regulations, statutes, and policies include, without limitation: ▪ 45 CFR Parts 160, 164 (Health Insurance Portability and Accountability Act) ▪ 42 U.S.C. 1320(d) (Public Health, Approval of Special Projects) ▪ 42 CFR Parts 2, 51, 431 (Confidentiality of Mental Health and Substance Abuse information) ▪ 42 CFR Parts 430-502 (Applicable to Medicare/Medicaid) ▪ 42 U.S.C. § 1396d(a) [1905(a) of the Social Security Act. ▪ Title VI of the Civil Rights Act of 1964, 42 U.S.C. 2000d et. seq. ▪ Title XIX, Section 1903 (42 U.S.C. 1396b) Social Security: Payment to States ▪ Title XIX, Section 1927 (42 U.S.C. 1396r-8) Social Security: Payment for covered outpatient drugs ▪ Federal MMIS certification standards ▪ Financial Accounting Standards Board Generally Accepted Accounting Principles (GAAP) ▪ Part 11 of the State Medicaid Manual	N	N	N	D-573	**Y**

Requirement #	Requirement Description	A	B	C	D	E
	▪ North Carolina State Plans for Medicaid, Mental Health, Developmental Disabilities, and Substance Abuse, and Public Health ▪ US DHHS Title VI Language Access Policy ▪ Recipient eligibility policies from the NC DHHS Eligibility Information System (EIS) and the Common Name Data Service (CNDS) ▪ NC State Law S 1048 (Identity Theft Protection Act) ▪ 10A NCAC Chapters 21 & 22, Medical Assistance ▪ 10A NCAC 26B (Confidentiality Rules For Mental Health, Developmental Disabilities, and Substance Abuse Services) ▪ 10A NCAC Chapter 45, DPH Payment Programs ▪ NC DHHS OSP. 2005. DHHS Application Security Policy. ▪ NC OSCIO. 2004. Application Security Policy with Guidelines, Statewide Information Technology Policy. ▪ N.C.G.S. §126: State Personnel System ▪ N.C.G.S. § 131D: Inspection and Licensing of Facilities ▪ N.C.G.S. §131E: Health Care Facilities and Services ▪ N.C.G.S. § 132: Public Records ▪ The Privacy Act of 1974 5 U.S.C. § 552a ▪ NCAC 10A Chapter 13 - NC Medical Care Commission ▪ NCAC 10 A Chapter 14 - Division of Facility Services ▪ NCAC 10A Chapter 26 - Mental Health, General ▪ NCAC 10A Chapter 27 - Mental Health, Community Facility and Services ▪ NCAC 10A Chapter 28 - Mental Health, State Operated Facilities ▪ Government Auditing Standards (http://www.gao.gov/govaud/yb2003.pdf) ▪ Information Systems Audit Standards (http://www.isaca.org/stand1.htm).					

Requirement #	Requirement Description	A	B	C	D	E
	▪ NC DHHS Privacy and Security policies ▪ Federal Section 508(http://www.section508.gov)					
	Data Transfer and Conversion					
40.1.2.13	Fiscal Agent (DDI and Operations Phases) shall lead the coordination with the State and the incumbent Fiscal Agent to perform all activities required for the successful transfer and conversion of legacy data for the DDI Phase and ongoing operations.			Y	D-575	Y
40.1.2.14	Fiscal Agent (DDI and Operations Phases) shall provide the converted data to other State users and/or vendors as required for its processing needs identified by the State.			Y	D-575	Y
40.1.2.15	Fiscal Agent (DDI and Operations Phases) shall provide hardware, software, and data support for the State during all phases of conversion and testing during the DDI Phase and throughout the life of the Contract.				D-575	Y
40.1.2.16	Fiscal Agent (DDI and Operations Phases) shall provide capability for storing all conversion-related artifacts in an easily retrievable format for access by the State for the later of life of the Contract or the commencement of processing by a subsequent contractor.	N	N	N	D-575	Y
40.1.2.17	Fiscal Agent (Operations Phase) shall convert all the claim TIFF images with claim numbers and all the associated claim electronic files and related index information from Legacy MMIS+ in an indexed and retrievable format.			Y	D-575	Y
40.1.2.18	Fiscal Agent (Operations Phase) shall transfer, or convert where appropriate, all existing Legacy MMIS+ reports and report-related data, including reports in Legacy MMIS+ and/or stored in Report2Web (R2W).			Y	D-575	Y
40.1.2.19	Fiscal Agent (Operations Phase) shall convert all legacy data from DMA, DMH, DPH, and the Migrant Health Program in the ORHCC.			Y	D-576	Y
40.1.2.20	Fiscal Agent (Operations Phase) shall convert all legacy data from DMA, DMH, DPH, and the Migrant Health Program in the ORHCC to maintain benefit plans and data	Y			D-576	Y

Requirement #	Requirement Description	A	B	C	D	E
	relationships in a multi-payer aspect.					
40.1.2.21	Fiscal Agent (DDI Phase) shall convert and configure all business rules data into a rules engine.	Y			D-576	Y
	Interfaces					
40.1.2.22	Fiscal Agent (DDI and Operations Phases) shall coordinate with the Reporting and Analytics (R&A) Vendor for the activities required for interfacing with R&A system.	Y			D-577	Y
40.1.2.23	Fiscal Agent (DDI and Operations Phases) shall develop and maintain a complete inventory of Replacement MMIS internal and external interfaces with all relevant information throughout the life of the Contract.				D-577	Y
40.1.2.24	Fiscal Agent (DDI and Operations Phases) shall provide the specifications for interfaces that will be created and maintained throughout the life of the Contract.				D-577	Y
40.1.2.25	Fiscal Agent (DDI and Operations Phases) shall maintain data sharing capability, either manual or electronic as required, between the Replacement MMIS and DHSR.				D-577	Y
	Security					Y
40.1.2.26	Fiscal Agent (DDI and Operations Phases) shall be required to test backup and recovery plans annually through simulated disasters and lower-level infrastructure failures and provide awareness training on recovery plans to Fiscal Agent and State staff.				D-577	Y
40.1.2.27	Fiscal Agent (DDI Phase) shall assess and document the security threats and vulnerabilities for the proposed Replacement MMIS and shall implement the recommended controls and countermeasures to eliminate or reduce the associated risks.				D-577	Y
40.1.2.28	Fiscal Agent (DDI) shall develop, implement, and test an approach that will protect individually identifiable health information (IIHI) and protected health information (PHI) exchange during DDI Phase testing and conversion of legacy files, including acceptance and return or disposal of the data or media containing the data.				D-578	Y

Requirement #	Requirement Description	A	B	C	D	E
40.1.2.29	Fiscal Agent (DDI Phase) shall develop, implement, and test a security incident response plan for responding to and reporting about service interruptions that do not lead to disaster recovery initiation, including a central means of collection and correlation of events for resolution and prevention of future problems.				D-578	Y
40.1.2.30	Fiscal Agent (DDI Phase) shall prepare for and comply with an internal security assessment/audit performed by NC DHHS representatives, based on documentation assembled during DDI Phase prior to the formal acceptance of Replacement MMIS.				D-578	Y
.	**Data Protection Assurance**					
40.1.2.31	Fiscal Agent (DDI and Operations Phases) shall use commercial best practices to safeguard and protect physical data and media, documents, files, tapes, disks, diskettes, and other materials received from the State or the agency from loss, destruction, or erasure during performance of any contractual obligation. Practices shall include encryption technologies where applicable.	N	N	N	D-578	Y
40.1.2.32	Fiscal Agent (DDI and Operations Phases) shall use commercial best practices to safeguard and protect all information transmitted internally (within the Fiscal Agent Offices and network) or externally (beyond the Fiscal Agent network perimeter), protecting from alteration, capture or destruction. Practices shall include encryption technologies where applicable.	N	N	N	D-579	Y
40.1.2.33	Fiscal Agent shall provide all encryption or identification codes or authorizations that are necessary or proper for the operation of the licensed Software.				D-579	Y
40.1.2.34	Fiscal Agent (DDI and Operations Phases) shall provide audit evidence that all of its employees and third party contractors or subcontractors are subject to a non-disclosure and confidentiality agreement enforceable in North Carolina.				D-579	Y
	Enterprise Security Approach					Y
40.1.2.35	Fiscal Agent (DDI and Operations Phases) shall establish a technical management organizational structure to manage and protect the system and data for all environments				D-580	Y

Requirement #	Requirement Description	A	B	C	D	E
	(e.g. development, test, load, UAT, production).					
40.1.2.36	Fiscal Agent (DDI and Operations Phases) shall demonstrate security awareness and provide training to Fiscal Agent and State staff in security policies and procedures.				D-580	Y
40.1.2.37	Fiscal Agent (Operations Phase) shall initiate, implement, test, and document on an annual basis a risk assessment policy and process to mitigate the overall enterprise security risk. This policy and plan shall include, without limitation, security process review, controls testing, mitigation procedures, personnel responsibility, and a process for State notification.				D-580	Y
40.1.2.38	Fiscal Agent (Operations Phase) shall develop the policy and plans for an annual Business Impact Analysis (BIA) and Business Criticality Analysis (BCA) that shall identify the impacts resulting from major disruptions and set or modify the appropriate Recovery Time Objectives (RTO) and Recovery Point Objectives (RPO). The RTOs and RPOs shall be established in consultation with and approved by the State.				D-580	Y
40.1.2.39	Fiscal Agent (DDI and Operations Phases) shall document policies to implement operational practices preventing any person(s) from establishing unauthorized control over the privacy, security, and processing of critical information. Operational procedures must conform to the NC DHHS Privacy and Security policies and procedures.				D-581	Y
40.1.2.40	Fiscal Agent (DDI and Operations Phases) shall maintain preventive, detective, and corrective audit and control features of the Replacement MMIS for the duration of the Contract in conformance with NC DHHS Privacy and Security Policy.				D-581	Y
40.1.2.41	Fiscal Agent (Operations Phase) shall assist the State in the annual Replacement MMIS security audit in accordance with Government Auditing Standards and Information Systems Audit Standards.				D-581	Y
40.1.2.42	Fiscal Agent (Operations Phase) shall be required to test backup and recovery plans annually through simulated disasters and lower-level failures and provide awareness training on recovery plans to Fiscal Agent and State staff. These tests must include, without limitation, joint participation by the Fiscal Agent and State staff.				D-582	Y

Requirement #	Requirement Description	A	B	C	D	E
40.1.2.43	Fiscal Agent (DDI and Operations Phases) shall include, without limitation, audit evidence in system testing results (e.g., from system change management, upgrades, backups, etc.) cross-referenced to the expected test.	N	N	N	D-582	Y
	Facility Access					Y
40.1.2.44	Fiscal Agent (DDI and Operations Phases) shall implement controls to restrict access to data processing facilities and secured electronic or physical storage areas only to authorized individuals.				D-582	Y
40.1.2.45	Fiscal Agent (DDI and Operations Phases) shall provide accountability control to record facility access.				D-582	Y
40.1.2.46	Fiscal Agent (DDI and Operations Phases) shall record and supervise visitor and unauthorized user access to the Fiscal Agent's local site as well as any other sites used by the Fiscal Agent for Replacement MMIS processing or related activities and shall control access by unauthorized persons in conformance with NC DHHS Security Policy.				D-582	Y
40.1.2.47	Fiscal Agent (DDI and Operations Phases) shall safeguard processor site(s) through provision of uninterruptible power supply, power conditioning, internal environmental controls, fire retardant capabilities, and smoke and electrical detectors and alarms monitored by security personnel.				D-582	Y
40.1.2.48	Fiscal Agent (DDI and Operations Phases) shall restrict access to the facility server area during regular operations and in disaster and emergency situations in accordance with NC DHHS Security Policy.				D-583	Y
New Requirement 40.1.2.49	Fiscal Agent (DDI and Operations Phases) shall document policies to implement operational practices preventing unauthorized access to data or systems and prevent fraudulent activities that may result from the use of this information. Operational procedures must conform to the NC DHHS Privacy and Security policies and procedures.				D-583	Y
	User Access Authentication and Authorization					

Requirement #	Requirement Description	A	B	C	D	E
40.1.2.50	Fiscal Agent (Operations Phase) shall provide all authorized users (employees, contractors, providers, citizens, other government workers) of the Replacement MMIS with access to appropriate business areas, databases, files, reports, archives, etc. through a common, consistent interface that restricts access based on authentication and authorization to appropriate data derived from role-based security.				D-583	Y
40.1.2.51	Fiscal Agent (Operations Phase) shall implement a managed workflow process for user account provisioning to eliminate the use of paper documents, ensure timely response to requests, and retain profiles for each user containing identification, authorization, organizational demographics, group memberships, and functional permissions derived from role-based security.				D-583	Y
	Application Systems Change Control					
40.1.2.52	Fiscal Agent (DDI and Operations Phases) shall perform security impact reviews of the change management process and share and collaborate on such reviews with State staff during the DDI Phase and throughout the life of the Contract.				D-584	Y
.	**System Software Controls**					
40.1.2.53	Fiscal Agent (DDI and Operations Phases) shall control and monitor global access to systems and files such that no single individual will be able to affect system operations in isolation.		Y		D-584	**Y**
40.1.2.54	Fiscal Agent (Operations Phase) shall monitor application platforms with industry standard technology and tools (hardware and software) and respond according to agreed-upon Service Level Agreements to developing problems.				D-585	Y
40.1.2.55	Fiscal Agent (DDI and Operations Phases) shall implement a comprehensive security monitoring solution to include, without limitation, industry standard technology and tools, including monitoring of wireless communication to monitor all aspects of the proposed solution (e.g., perimeter and internal network, server farms, operating systems, application software, and application data). Wireless communication at the Fiscal Agent site shall conform to the established NC DHHS Security Policy.		Y		D-585	**Y**

Requirement #	Requirement Description	A	B	C	D	E
40.1.2.56	Fiscal Agent (Operations Phase) shall retain copies of all server operating system and configuration software, system utilities and tools, network device configuration settings, and software license agreements in a location remote from the production server location, updating the copies as the operating environment changes.				D-585	Y
	Logging and Reporting					
40.1.2.57	Fiscal Agent (DDI and Operations Phases) shall identify and document all network activity events involved with the non-application operations of the Replacement MMIS.				D-585	Y
40.1.2.58	Fiscal Agent (Operations Phase) shall produce an alert notification for the Operations Incident Management function for follow up and review to every event that precipitates a security incident.				D-585	Y
	Service Continuity Controls					
40.1.2.59	Fiscal Agent (Operations Phase) shall initiate and document an Operations Incident Management function and group to act as a single, central point of notification, review, and assessment of all incidents that affect the continuous operations of the production environment and access to the data and information.				D-586	Y
40.1.2.60	Fiscal Agent (Operations Phase) shall respond to each network activity and personally observed incident with a mitigation plan that follows standard data collecting, evidence preservation practices, and organizational escalation procedures in accordance with guidelines established by the NC DHHS Privacy and Security Office				D-586	Y
.	**Data Backup and Recovery**					
40.1.2.61	Fiscal Agent (Operations Phase) shall store backup system data and files separately from the production server storage at a remote location sufficiently distant from the production servers to prevent a simultaneous disastrous loss of both environments.				D-586	Y
40.1.2.62	The Fiscal Agent (Operations Phase) shall ensure that individual files, collections of files,				D-586	Y

Requirement #	Requirement Description	A	B	C	D	E
	data base instances and other production information can be recovered from the back-up storage to production servers upon inadvertent deletion or corruption of the production information.					
.	**Records Retention**					
40.1.2.63	Fiscal Agent (Operations Phase) shall archive information, including, without limitation, data files, images, transactions, master files, system and source program libraries, and other appropriate records and electronically store the information physically or logically separate from production information in compliance with State Record Retention Policy.				D-587	Y
	User Interface and Navigation					
40.1.2.64	Fiscal Agent (DDI and Operations Phases) shall employ industry standards and best practices for user interface design and navigation consistently throughout the Replacement MMIS throughout the life of the Contract.	N	N	N	D-587	Y
40.1.2.65	Fiscal Agent (DDI and Operations Phases) shall standardize all views, windows, and reports, including: ▪ Format and content of all views ▪ All headings and footers ▪ Current date and time. Zip codes shall display nine digits. All references to dates shall be displayed consistently throughout the system (MM/DD/YYYY). All data labels and definitions used shall be consistent throughout the system and clearly defined in user manuals and data element dictionaries. All Replacement MMIS-generated messages shall be clear, user-friendly, and sufficiently descriptive to provide enough information for problem correction. All Replacement MMIS views shall display the generating program identification name and/or number. The display shall be consistent from view to view.	N	N	N	D-589	Y

Requirement #	Requirement Description	A	B	C	D	E
	Workflow Management					
40.1.2.66	Fiscal Agent (Operations Phase) shall perform manual workload balancing.		Y		D-589	Y
40.1.2.67	Fiscal Agent (Operations Phase) shall perform work item reassignments.		Y		D-590	Y
.	**Rules Engine**					
40.1.2.68	Fiscal Agent (Operations Phase) shall configure and maintain all business rules in the rules engine throughout the life of the Contract.	Y			D-590	Y
40.1.2.69	Fiscal Agent (Operations Phase) shall maintain up-to-date business rule documentation.	N	N	N	D-590	Y
40.1.2.70	Fiscal Agent (Operations Phase) shall perform business rule changes on a release basis.	N	N	N	D-590	Y
	Integrated Test Facility					
40.1.2.71	Fiscal Agent (DDI and Operations Phases) Fiscal Agent shall provide the State with access to the ITF as required for testing on site, from State office, and/or remotely throughout the life of the Contract.				D-591	Y
40.1.2.72	Fiscal Agent (DDI Phase) shall support a minimum of twenty-five (25) simultaneous State testers, either at the local Fiscal Agent site and/or remotely.				D-591	Y
40.1.2.73	Fiscal Agent (DDI and Operations Phases) shall coordinate with State agencies for online and batch testing and execute online and batch testing as required to support State applications throughout the life of the Contract.				D-591	Y
40.1.2.74	Fiscal Agent (DDI and Operations Phases) shall execute online testing and batch test cycles and related activities to support State testing.				D-591	Y
40.1.2.75	Fiscal Agent (DDI and Operations Phases) shall support all ITF functions, files, and data elements necessary to meet the RFP requirements.				D-591	Y

Requirement #	Requirement Description	A	B	C	D	E
40.1.2.76	Fiscal Agent (DDI and Operations Phases) shall coordinate with the State and DHSR IT system vendor to perform appropriate system tests during implementation of the DHSR IT system.				D-591	Y
	Training					
40.1.2.77	Fiscal Agent (DDI and Operations Phases) shall develop training to incorporate policy, procedures, regulatory guidelines, business rules, and claim processes to ensure a comprehensive approach to meeting the training requirements of the State.				D-592	Y
40.1.2.78	Fiscal Agent (DDI and Operations Phases) shall develop State-approved training materials for all users and make them available online.				D-592	Y
40.1.2.79	Fiscal Agent (Operations Phase) shall submit the Training Plan to the State no less than ninety (90) days prior to the beginning of each Contract year.				D-592	Y
40.1.2.80	Fiscal Agent (DDI and Operations Phases) shall conduct instructor-led classroom training for all users prior to Replacement MMIS implementation and throughout the life of the Contract.				D-592	Y
40.1.2.81	Fiscal Agent (DDI and Operations Phases) shall provide and maintain a training classroom(s) and equipment within the Fiscal Agent's Raleigh, NC, facility, providing at least one (1) pre-scheduled classroom session per month for all users. Sessions shall accommodate up to fifty (50) attendees.				D-593	Y
40.1.2.82	Fiscal Agent (DDI and Operations Phases) shall monitor, track, and evaluate effectiveness of training using training industry standard methodologies.				D-593	Y
40.1.2.83	Fiscal Agent (DDI and Operations Phases) shall provide blended, consistent training for State, local agency, and Fiscal Agent staff for all Replacement MMIS application systems.				D-593	Y
40.1.2.84	Fiscal Agent (Operations Phase) shall report to the State monthly on Fiscal Agent staff training and proficiencies.				D-594	Y

Requirement #	Requirement Description	A	B	C	D	E
40.1.2.85	Fiscal Agent (DDI and Operations Phases) shall develop instructor-led classroom and CBT courses for provider education and training for all provider types.				D-594	Y
40.1.2.86	Fiscal Agent (Operations Phase) shall conduct seventy (70) instructor-based training workshops annually on State-approved content in geographical areas across the State after Replacement MMIS implementation.				D-594	Y
40.1.2.87	Fiscal Agent (Operations Phase) shall participate in semi-annual Finance and Reimbursement Officers (FARO) conferences as requested by the State.				D-594	Y
40.1.2.88	Fiscal Agent (Operations Phase) shall plan, organize, and conduct the annual Medicaid Fair.				D-594	Y
40.1.2.89	Fiscal Agent (Operations Phase) shall conduct on-site training sessions based on claims processing performance criteria or requests from providers, billing groups, or State/county staff.				D-595	Y
	Call Center Services					
40.1.2.90	Fiscal Agent (Operations Phase) shall provide sufficient staff for all call centers and help desks so that ninety (90) percent of all phone calls are not on hold for more than sixty (60) seconds before a staff person, not an automated answering device, answers.				D-595	Y
40.1.2.91	Fiscal Agent (Operations Phase) shall provide sufficient staff and phone lines for all call centers and help desks so that less than one (1) percent of all phone calls are abandoned, dropped, or receive a busy signal.				D-595	Y
40.1.2.92	Fiscal Agent (Operations Phase) shall provide technical Help Desk support during all hours of system availability.				D-596	Y
	LAN/WAN Management Operational Requirement					
40.1.2.93	Fiscal Agent (Operations Phase) shall provide technical expertise for the management, performance, and configuration of the Replacement MMIS network, LAN/WAN				D-596	Y

Requirement #	Requirement Description	A	B	C	D	E
	management, and support.					
	Audit					
40.1.2.94	Fiscal Agent (Operations Phase) shall provide assistance to the State, or any reviewing entity identified by the State, with resources, data, and reports in the audit of Fiscal Agent performance, compliance, and system reviews.				D-596	Y
40.1.2.95	Fiscal Agent (Operations Phase) shall contract with an independent qualified audit firm to perform a Statement on Auditing Standards (SAS) 70 audit of the Replacement MMIS and produce a SAS 70 Type 2 Report. The audit and report shall include the operations of the Fiscal Agent's local site as well as any other sites used by the Fiscal Agent for Replacement MMIS processing or related activities. Specific requirements of the SAS 70 Type 2 Report are identified in Appendix 40, Attachment D of this RFP.				D-596	Y
	System/Software Maintenance					
40.1.2.96	Fiscal Agent (Operations Phase) shall be required to perform system maintenance to the Replacement MMIS based on State-approved CSRs.				D-597	Y
40.1.2.97	Fiscal Agent (Operations Phase) shall develop specifications, impact statements, cost analysis, and consideration as to the long-term value of performing the maintenance requirements for the State's evaluation.				D-597	Y
40.1.2.98	Fiscal Agent (Operations Phase) shall perform timely updates to system and user documentation, desk procedures, provider manuals, and training materials prior to the release of changes into production.				D-597	Y
40.1.2.99	Fiscal Agent (Operations Phase) shall perform maintenance to include, without limitation: ▪ activities necessary for the system to meet the requirements described in the RFP; ▪ activities related to file growth and partitioning; ▪ support of updates to all files and databases;				D-597	Y

Requirement #	Requirement Description	A	B	C	D	E
	▪ software and hardware updates, as directed by the State; ▪ RDBMS routine activities; ▪ LAN/WAN administration and maintenance to ensure performance standards are met; ▪ activities necessary to ensure that all data, files, programs, utilities, and system and user documentation are current and that errors found are corrected; ▪ file maintenance, including manual table entry and programming, to support file maintenance changes, performance tuning, capacity planning, backup and recovery tasks, and archival tasks; ▪ all ongoing tasks, such as CPT, Healthcare Common Procedure Coding System (HCPCS), and Diagnosis-Related Group (DRG) International Classification of Diseases (ICD)-9/ICD-10 updates, to ensure system tuning, performance, response time, capacity planning, database stability, and processing conforming to the minimum requirements of this Contract; ▪ changes to tables for edit criteria; ▪ activities in support of updates to all files and databases, including the rules engine; ▪ add new values or changes to existing values found within internal program tables; ▪ enact rate changes, individual or mass adjustments, purging of files, research, system recycling, minor modifications, and repetitive requests that are done on a set frequency that have not been incorporated into the system by the Fiscal Agent, e.g., Healthcare Coordinator monthly payments, 1099s, monthly, quarterly, year-end, and fiscal year-end reporting; ▪ process improvements; ▪ State-approved recoupments and adjustments not related to errors and omissions that are the responsibility of the Fiscal Agent requiring programming support Operations Incident Reporting; and ▪ Rules engine configuration and maintenance.					

Requirement #	Requirement Description	A	B	C	D	E
	System Modifications					
40.1.2.100	Fiscal Agent (DDI and Operations Phases) shall perform system modifications when the State or the Fiscal Agent determines that an additional requirement must be met or that a modification to an existing file structure or current processing (outside of those discussed above as maintenance activities) is needed. Fiscal Agent billing for modification shall be in compliance with Section 30 of this RFP.				D-598	Y
40.1.2.101	Fiscal Agent (DDI and Operations Phases) shall develop specifications, impact statements, cost analysis, and consideration as to long-term value of performing the modification requirements for the State's evaluation.				D-599	Y
40.1.2.102	Fiscal Agent (Operations Phase) shall perform timely updates to system and user documentation, desk procedures, provider manuals, and training materials prior to the release of the modification into production.				D-599	Y
40.1.2.103	Fiscal Agent (Operations Phase) shall allocate system modification tasks against productive hours.				D-599	Y
40.1.2.104	Fiscal Agent (DDI and Operations Phases) shall manage system modification activities using the change management process.				D-599	Y
40.1.2.105	Fiscal Agent shall submit to the State for review and approval all modifications and other work estimate prior to beginning the work.				D-599	Y
40.1.2.106	Fiscal Agent (Operations Phase) shall assess only productive work hours against the modification hour pools, and the hours shall directly contribute to the modification of the Replacement MMIS.				D-599	Y
40.1.2.107	Fiscal Agent (Operations Phase) shall not allocate supervisory or other project work accomplished by key personnel towards the productive hours. The hours devoted to supervision or management by non-key personnel may be counted as productive hours, but they can make up no more than fifteen (15) percent of the total hours reported.				D-599	Y

Requirement #	Requirement Description	A	B	C	D	E
	Data Integrity					
40.1.2.108	Fiscal Agent (DDI and Operations Phases) shall maintain a copy of all documentation related to all versions of changed records and files that were saved and a mechanism to retrieve in their historical format	N	N	N	D-600	Y

40.1.3 Personnel Staffing

Requirement #	Requirement Description	A	B	C	D	E
40.1.3.1	The Fiscal Agent shall maintain documentation regarding current license and certification status for all who are required to be licensed or certified throughout the life of the Contract. The Fiscal Agent shall provide such documentation to the State, when requested. Refer to Appendix 50, Attachment I.				D-600	Y

40.2 Recipient Requirements

40.2.1 Recipient System Requirements

Requirement #	Requirement Description	A	B	C	D	E
40.2.1.1	Provides capability for access to recipient data using any combination of name or partial name, date of birth (DOB), gender, Medicare Health Insurance Claim Number (HICN), and/or county	N	N	N	D-157	Y
40.2.1.2	Provides capability for access to recipient data using any recipient ID number or SSN without other qualifiers	N	N	N	D-157	Y
40.2.1.3	Provides capability for name and partial-name search through use of a proven	N	N	N	D-157	Y

Requirement #	Requirement Description	A	B	C	D	E
	phonetic/mnemonic algorithm, such as Soundex or a State-approved alternative					
40.2.1.4	Provides capability to maintain an online audit trail of all updates to recipient data and provides online access to audit trail for all State-authorized individuals	N	N	N	D-157	Y
40.2.1.5	Provides capability to support classification of recipients into multiple concurrent eligibility groups by health benefit program and benefit plan based on State entities' concurrency rules	N	N	N	D-157	Y
40.2.1.6	Provides capability to accept and process online and batch update transactions of recipient data for all recipients from the State eligibility systems, EIS, CNDS, local managing entities (LMEs), and other State-authorized users			Y	D-157	Y
40.2.1.7	Provides capability to perform editing of eligibility transactions and report on transactions that updated successfully, transactions that updated successfully but received soft edits, and transactions that did not update due to receiving hard edits		Y		D-158	Y
40.2.1.8	Provides capability to identify and report on exact duplicate and potential duplicate recipient records within and across lines of business		Y		D-158	Y
40.2.1.9	Provides capability for maintenance of current and historical recipient identification numbers	N	N	N	D-158	Y
40.2.1.10	Provides capability to de-link recipient data when it is discovered that a recipient's eligibility has been collapsed erroneously into another recipient or re-link recipient's eligibility that has been erroneously split out from the recipient; this includes eligibility data, TPL, buy-in data, prior approvals, service limits, consents, and any other data identified by the State		Y		D-158	Y
40.2.1.11	Provides capability to use Enrollment Database (EDB) information to detect Medicare and Medicare HMO entitlement for use in claims processing	N	N	N	D-158	Y
40.2.1.12	Provides capability to maintain five (5) years of historical recipient information online and five (5) years near-line, including history of changes to name, DOB, SSN, and recipient address	N	N	N	D-158	Y

Requirement #	Requirement Description	A	B	C	D	E
40.2.1.13	Provides capability for notes tracking by recipient to accommodate tracking of calls regarding claims, complaints, customer service, and TPL, and provides easy access to the call information by authorized users	N	N	N	D-159	Y
40.2.1.14	Provides capability for updating recipient letter templates with free-form text to support cases specific to a recipient data issue or specific applicant/recipient		Y		D-159	Y
40.2.1.15	Provides capability to reconcile CNDS data with Replacement MMIS data each State business day in order to verify that all records and segments received through the CNDS interface are processed or are listed on error reports	N	N	N	D-159	Y
40.2.1.16	Provides capability to reconcile State-entity DMA eligibility data with the Replacement MMIS each State business day in order to verify that all records and segments received through the EIS interface are processed or are listed on error reports	N	N	N	D-159	Y
40.2.1.17**	Provides capability to reconcile DMH Accredited Standard Committee (ASC) X12N 834 transactions eligibility data with the Replacement MMIS each State business day in order to verify that all records and segments received via the 834 transaction are processed or are listed on error reports	N	N	N	D-159	Y
40.2.1.18	Provides capability for State staff to enter online recipient-specific overrides to the timely billing edit for claims processing			Y	D-159	Y
40.2.1.19	Provides capability to receive and process State entities' Eligibility History data from DIRM or ITS prior to operational startup	N	N	N	D-159	Y
40.2.1.20	Provides capability for Recipient/Client Eligibility Cross-Reference data for State entities, including all CNDS updates by participating organizations as appropriate to the State entity		Y		D-159	Y
40.2.1.21	Provides capability to allow access to the entire recipient record via a common CNDS ID for recipients with multiple cross-referenced IDs, regardless of the number of cross-references, including claims data, eligibility data, TPL data, buy-in data, prior approvals, service limits, and consents	N	N	N	D-160	Y

Requirement #	Requirement Description	A	B	C	D	E
40.2.1.22	Provides capability to retain the CNDS ID used for Federal reporting when recipient IDs are combined	N	N	N	D-160	Y
40.2.1.23	Provides capability for online updates to the CNDS for maintenance of cross-reference and demographic information	N	N	N	D-160	Y
40.2.1.24	Provides capability for online updates for performing client “combine” functions when multiple CNDS IDs are identified for a single client, according to CNDS rules	N	N	N	D-160	Y
40.2.1.25	Provides capability to produce a report of CNDS cross-reference ID updates within and across lines of business		Y		D-160	Y
40.2.1.26	Provides capability for online updates of fields not updated through the State’s eligibility update	N	N	N	D-160	Y
40.2.1.27	Provides capability to receive and process deductible information from the recipient eligibility record and make it available for claims processing	N	N	N	D-160	Y
40.2.1.28	Provides capability to process updates to recipients of North Carolina Health Choice for Children (NCHC) as any other recipient eligibility update (NCHC is equivalent to State Children's Health Insurance Program.)	N	N	N	D-160	Y
40.2.1.29	Provides capability to accept recipient eligibility segments from EIS and CNDS with no limitations on the number of eligibility segments maintained within the Replacement MMIS	N	N	N	D-161	Y
40.2.1.30	Provides capability to process and reconcile the full file of EIS and the Replacement MMIS recipient eligibility records		Y		D-161	Y
40.2.1.31	Provides capability for transmission and receipt of buy-in data to and from CMS via DIRM interface in accordance with CMS Redesign practices	N	N	N	D-161	Y
40.2.1.32	Provides capability to produce buy-in update transactions for Warrant Calculation and Previously Unknown County Warrant Calculation for Medicare Parts A and B	N	N	N	D-161	Y

Requirement #	Requirement Description	A	B	C	D	E
40.2.1.33	Provides capability to edit all buy-in transactions for completeness of required fields, reasonability of dates, accuracy of converted Railroad Retirement numbers, presence on the Replacement MMIS eligibility file, and unwanted duplication	N	N	N	D-161	Y
40.2.1.34	Provides capability for online inquiry into buy-in current status and full buy-in history for all affected individuals on the Replacement MMIS eligibility file(s)	N	N	N	D-161	Y
40.2.1.35	Provides capability to automatically create a buy-in deletion transaction in the month in which death of the recipient or termination of the Medicaid case is recorded on the Replacement MMIS file Date of death and termination of the Medicaid case are included in the eligibility record received from EIS.	N	N	N	D-161	Y
40.2.1.36	Provides capability to process buy-in updates from CMS via DIRM interface in accordance with CMS Redesign practices	N	N	N	D-161	Y
40.2.1.37	Provides capability to produce reports after each buy-in update to identify all transactions received, all transactions that processed successfully, and all transactions that had errors, invalid data, and/or could not be matched to a recipient in accordance with CMS Redesign practices	N	N	N	D-161	Y
40.2.1.38	Provides capability to void eligibility segments	N	N	N	D-162	Y
40.2.1.39**	Provides capability for State staff to enter an online request for a recipient ID card	N	N	N	D-162	Y
40.2.1.40	Provides capability for system notification from MMIS Recipient business area to MMIS Managed Care business area whenever retroactive managed care enrollment/disenrollment occurs		Y		D-162	Y
40.2.1.41	Provides capability to notify TPL electronically whenever retroactive Medicare enrollment occurs	N	N	N	D-162	Y
40.2.1.42	Provides capability to notify claims electronically whenever retroactive Medicaid eligibility occurs for a recipient eligible in another health benefit program	N	N	N	D-162	Y

Requirement #	Requirement Description	A	B	C	D	E
40.2.1.43	Provides capability to create claim financial transactions for each CMS buy-in update record		Y		D-162	Y
40.2.1.44	Provides capability to allow adjustments to buy-in claim financial transactions	N	N	N	D-162	Y
40.2.1.45	Provides capability to run the final buy-in cycle for receipt by CMS no later than the 25th of each month Date of final monthly cycle runs shall be directed by the State.	N	N	N	D-162	Y
40.2.1.46	Provides capability upon completion of the final cycle run to immediately produce buy-in final cycle reports on paper, if requested, and deliver to the State within two (2) business days	N	N	N	D-163	Y
40.2.1.47	Provides capability to accept and process updates to the EDB from CMS via DIRM interface	N	N	N	D-163	Y
40.2.1.48	Provides capability to accept and process updates to the Beneficiary Data Exchange (BENDEX) from the Social Security Administration via a DIRM interface	N	N	N	D-163	Y
40.2.1.49	Provides capability to edit online recipient update transactions for completeness, consistency, and valid values	N	N	N	D-163	Y
40.2.1.50	Provides capability to identify the correct eligibility group and associated premium using information on the recipient's eligibility record		Y		D-163	Y
40.2.1.51	Provides capability to produce and send correspondence related to recipient premiums—including invoices, notices of non-payment, cancellation notices, receipts, and refunds—in the recipient's preferred language		Y		D-163	Y
40.2.1.52	Provides capability to collect recipient premium payments		Y		D-163	Y
40.2.1.53	Provides capability to produce refunds of recipient premiums	N	N	N	D-163	Y

Requirement #	Requirement Description	A	B	C	D	E
40.2.1.54	Provides capability to process financial accounting records for premium payments and refunds	N	N	N	D-164	Y
40.2.1.55	Provides capability to produce reports for recipient premium payment and cost-sharing processes	N	N	N	D-164	Y
40.2.1.56	Provides capability to apply cost-sharing	N	N	N	D-164	Y
40.2.1.57	Provides capability to ensure cost-sharing does not exceed threshold for the family group		Y		D-164	Y
40.2.1.58	Provides capability to associate multiple cases in a family together to ensure cost-sharing does not exceed threshold			Y	D-164	Y
40.2.1.59	Provides capability to send recipient notices and Explanations of Benefits (EOB) in recipient's preferred language		Y		D-164	Y
40.2.1.60	Provides capability to produce a Certificate of Creditable Coverage (COCC) for each recipient deleted/terminated from specified Medicaid coverage		Y		D-164	Y
40.2.1.61	Provides capability to produce a COCC for a specific period if requested by the recipient/client or by the State	N	N	N	D-164	Y
40.2.1.62	Provides capability for an online request function to allow the State to request a COCC for a specific recipient for a specific period	N	N	N	D-164	Y
40.2.1.63	Provides capability to produce a Monthly Summary Report indicating all COCCs mailed to recipients per month that includes: ▪ Total number of COCCs mailed ▪ Total number of COCCs mailed within five (5) days of date of termination/request ▪ Total number of COCCs mailed later than five (5) days from the date of termination/request		Y		D-164	Y
40.2.1.64	Provides capability to use transfer of assets data on the Medicaid recipient record in		Y		D-165	Y

Requirement #	Requirement Description	A	B	C	D	E
	claims processing					
40.2.1.65	Provides capability to create a report of recipients with paid claims for targeted services for whom a transfer of assets indicator is not on file		Y		D-165	Y
40.2.1.66	Provides capability to provide DIRM an electronic copy of the report of recipients with paid claims for targeted services for whom a transfer of assets indicator is not on file for publication for county Department of Social Services (DSS) agencies		Y		D-165	Y
40.2.1.67	Provides capability to create a report of individuals with a transfer of assets sanction		Y		D-165	Y
40.2.1.68	Provides capability to provide DIRM an electronic copy of the report of individuals with a transfer of assets sanction for publication for county DSS agencies		Y		D-165	Y
40.2.1.69	Provides capability to create the Medicare Modernization Act (MMA) Enrollment File based on selection criteria provided by the State in the format specified by CMS		Y		D-165	Y
40.2.1.70	Provides capability to include data in the MMA Enrollment File necessary to count the number of enrollees for the phased-down State contribution payment	N	N	N	D-166	Y
40.2.1.71	Provides capability to include records in the MMA Enrollment File for those individuals for whom the State has made an enrollment determination for the Part D low income subsidy	N	N	N	D-166	Y
40.2.1.72	Provides capability to transmit the MMA Enrollment File to DIRM for transmission to CMS	N	N	N	D-166	Y
40.2.1.73	Provides capability to process the MMA Enrollment Response File from CMS transmitted via DIRM interface	N	N	N	D-166	Y
40.2.1.74	Provides capability to produce a report of all records transmitted on the MMA Enrollment File	N	N	N	D-166	Y
40.2.1.75	Provides capability to produce a report of all records received on the MMA Response File, identifying any errors, records unable to be matched to a recipient on the Replacement MMIS, and records unable to be processed	N	N	N	D-166	Y

Requirement #	Requirement Description	A	B	C	D	E
40.2.1.76	Provides capability for online access to MMA Response File records that were in error or unable to be matched with a recipient on the Replacement MMIS	N	N	N	D-166	Y
40.2.1.77	Provides capability for online access to a summary of the recipient's MMA Enrollment and Response File records	N	N	N	D-166	Y
40.2.1.78	Provides capability for online access to the MMA record selected from the summary	N	N	N	D-166	Y
40.2.1.79	Provides capability for online access to Medicare coverage data from EIS for Parts A, B, C, and D for Medicaid recipients		Y		D-166	Y
40.2.1.80	Provides capability to accept and process Medicaid/Medicare coverage data from EIS and make it available for claims processing	N	N	N	D-166	Y
40.2.1.81**	Provides capability for online access to add, update, and inquire into Medicare data for DMH and DPH recipients	N	N	N	D-167	Y
40.2.1.82	Provides capability to produce eligibility extracts for contractors with whom DMA does business		Y		D-167	Y
40.2.1.83	Provides capability to use CNDS governance rules to determine which demographic data has priority when a recipient is enrolled concurrently in multiple lines of business and benefit plans		Y		D-167	Y
40.2.1.84	Provides capability for multiple types of recipient addresses per line of business (LOB)		Y		D-167	Y
40.2.1.85	Provides capability for a Client Services Data Warehouse (CSDW) extract of recipient data		Y		D-167	Y
40.2.1.86	Provides capability to produce letters/notices to applicants/recipients		Y		D-167	Y
40.2.1.87	Provides capability to send, receive, and update Provider data between DHSR and the Replacement MMIS for placement of eligible recipient		Y		D-167	Y

Requirement #	Requirement Description	A	B	C	D	E
	DPH Online Enrollment					
40.2.1.88**	Provides capability to accept Web-submitted and hard copy financial eligibility applications (DHHS 3014) for program participation		Y		D-168	Y
40.2.1.89**	Provides capability for enrollment instructions and guidelines for supporting functions by selected enrollment options		Y		D-168	Y
40.2.1.90**	Provides capability to accept Web-submitted and hard copy supporting documentation for financial eligibility applications		Y		D-168	Y
40.2.1.91**	Provides capability to upload attachments electronically and associate attachments with submitted financial eligibility applications		Y		D-168	Y
40.2.1.92**	Provides capability to receive paper and facsimile documentation, scan it so it can be viewed online, and associate documentation with the submitted financial eligibility application		Y		D-168	Y
40.2.1.93**	Provides capability to identify and assign the applicant's CNDS ID and associate/link it to the financial eligibility application in accordance with CNDS Governance Rules		Y		D-168	Y
40.2.1.94**	Provides capability for State DPH staff to enter the status of the application as either complete or incomplete		Y		D-168	Y
40.2.1.95**	Provides capability to place all applications in an online work queue for State DPH eligibility staff to review		Y		D-168	Y
40.2.1.96**	Provides capability for State DPH staff to accept, reject, and/or modify income and deductions provided on the application and provides capability to indicate the reason income and/or deductions are rejected or modified		Y		D-169	Y
40.2.1.97**	Provides capability for State DPH staff to indicate if an application is complete and ready for disposition		Y		D-169	Y

Requirement #	Requirement Description	A	B	C	D	E
40.2.1.98**	Provides capability to calculate recipient income based on information provided on an application and compare it to program thresholds to determine financial eligibility		Y		D-169	Y
40.2.1.99**	Provides capability to electronically store and maintain DPH eligibility data in the Recipient business area		Y		D-169	Y
40.2.1.100**	Provides capability to electronically store and maintain multiple addresses for one recipient, including correspondence mailing, pharmacy mailing, residence, and alternate and to maintain history of addresses		Y		D-169	Y
40.2.1.101**	Provides capability to electronically store and maintain the name, mailing address, and agency of the application interviewer		Y		D-169	Y
40.2.1.102**	Provides capability to electronically store and maintain the name, mailing address, and relationship of an individual other than the applicant/recipient to receive copies of notices and letters if requested		Y		D-169	Y
40.2.1.103**	Provides capability to produce system-generated letters/notices of approvals or denials		Y		D-169	Y
40.2.1.104**	Provides capability to maintain the necessary data elements to produce reports on demand with date span parameters based on application and/or recipient characteristics		Y		D-169	Y
40.2.1.105**	Provides capability for inquiry selection for one (1) or more applications/records that meet specified criteria, by any of the following: ▪ Application/case number ▪ Applicant name (partial or complete) ▪ Applicant name phonetic (partial or complete) ▪ CNDS ID, ▪ SSN ▪ Date of birth		Y		D-170	Y

Requirement #	Requirement Description	A	B	C	D	E
40.2.1.106**	Provides capability to store abandoned or incomplete applications indefinitely		Y		D-170	Y
40.2.1.107**	Provides capability to store and maintain all applications for program participation			Y	D-170	Y
40.2.1.108**	Provides capability to maintain an audit trail to document time stamp and user ID information for all applications added to the application file	N	N	N	D-170	Y
40.2.1.109**	Provides capability to maintain an audit trail to document before and after image of changed data, time stamp of the change, and the user ID information for all changes made to the application data	N	N	N	D-170	Y
40.2.1.110**	Provides capability to document date and time of receipt of supporting documentation for applications		Y		D-170	Y
40.2.1.111**	Provides capability to produce a weekly aging report that lists work queue status		Y		D-170	Y
40.2.1.112**	Provides capability to produce identification cards for approved recipients; the card must identify the recipient, provide the recipient's identification number, and not contain eligibility information	N	N	N	D-170	Y
40.2.1.113	Provides capability for recipient lock-in/lock-out to a specific pharmacy and/or primary care provider and/or prescriber	N	N	N	D-170	Y
40.2.1.114	Provides capability for recipient lock-in/lock-out from a specific pharmacy and/or primary care provider and/or prescriber	N	N	N	D-171	Y
40.2.1.115	Provides capability for claims exceptions to process automatically when prior authorized by the lock-in/lock-out primary care provider or prescriber in accordance with State policy	N	N	N	D-171	Y
40.2.1.116	Provides capability for historical begin and end dates for each lock-in and lock-out segment, as well as the reason for lock-in/lock-out	N	N	N	D-171	Y
40.2.1.117	Provides capability for an unlimited number of lock-in/lock-out segments per recipient	N	N	N	D-171	Y

Requirement #	Requirement Description	A	B	C	D	E
40.2.1.118	Provides capability for multiple concurrent active lock-in/lock-out segments of any type	N	N	N	D-171	Y
40.2.1.119	Provides capability for online inquiry and update into lock-in/lock-out segments	N	N	N	D-171	Y
40.2.1.120	Provides capability to maintain an audit trail of all changes to lock-in/lock-out segments	N	N	N	D-171	Y
40.2.1.121	Provides capability for online inquiry into audit trail	N	N	N	D-171	Y
40.2.1.122**	Provides capability for confidential enrollment (when a potential client is unable or unwilling to identify himself or herself) for DMH These recipients will require separate tracking to avoid potential duplicate enrollment of applicants when they become clients.		Y		D-171	Y
40.2.1.123	Provides capability to associate an individual with a specific provider, including long-term care and group living arrangements, with a begin and end date for each segment, including sponsoring agency, authorizer, level of care, date certified, date of next certification, and patient share of cost, including deductibles and patient liability	N	N	N	D-171	Y

40.2.2 Recipient Operational Requirements

Requirement #	Requirement Description	A	B	C	D	E
40.2.2.1	Fiscal Agent shall reconcile specified CNDS data with the Replacement MMIS each State business day. This reconciliation process will verify that all records and segments received through the CNDS interface are processed or are listed on error reports.			Y	D-602	Y
40.2.2.2	Fiscal Agent shall reconcile specified State-entity DMA eligibility data with EIS each State business day. This reconciliation process will verify that all records and segments received through the EIS interface are processed or are listed on error reports.			Y	D-602	Y
40.2.2.3**	Fiscal Agent shall reconcile specified State-entity DMH eligibility data with ASC X12N 834 transactions each State business day. This reconciliation process will verify that all	N	N	N	D-602	Y

Requirement #	Requirement Description	A	B	C	D	E
	records and segments received via the 834 transaction are processed or are listed on error reports.					
40.2.2.4	Fiscal Agent shall coordinate with the applicable State entity to resolve Medicare enrollment problems.				D-602	Y
40.2.2.5	Fiscal Agent shall perform buy-in functions for the North Carolina Medicaid Program using automated and manual operating procedures.	N	N	N	D-602	Y
40.2.2.6**	Fiscal Agent shall support training requirements for LMEs, local health departments, Developmental Evaluation Centers/Children's Developmental Services Agencies (DECs/CDSAs), DPH, and other State-approved local entities.				D-602	Y
40.2.2.7	Fiscal Agent shall communicate with recipients and employers regarding COCCs verbally and in written correspondence.	N	N	N	D-603	Y
40.2.2.8**	Fiscal Agent shall identify and assign the applicant's CNDS ID and associate/link it to the financial eligibility application in accordance with CNDS Governance Rules.			Y	D-603	Y

40.2.3 Recipient Operational Performance Standards

Requirement #	Requirement Description	A	B	C	D	E
40.2.3.1	Fiscal Agent shall provide online access to State entities' eligibility edit/error reports by 7:00 A.M. Eastern Time each State business day.	N	N	N	D-604	Y
40.2.3.2	Fiscal Agent shall update the Replacement MMIS with batch eligibility data from each State entity by 7:00 A.M. Eastern Time each State business day.	N	N	N	D-604	Y
40.2.3.3	Fiscal Agent shall update each State entity's Eligibility Data from online processes for State EIS, CNDS, LMEs, and DPH in near-real time.	Y			D-604	Y

Requirement #	Requirement Description	A	B	C	D	E
40.2.3.4	Fiscal Agent shall generate COCC and log the mail date for each COCC mailed. Fiscal Agent shall provide a monthly report with the number of recipients/clients terminated from each health plan and the number of COCC mailed within one (1) month of the termination.			Y	D-604	Y

40.3 Eligibility Verification System Requirements

40.3.1 EVS System Requirements

Requirement #	Requirement Description	A	B	C	D	E
40.3.1.1	Provides capability to receive and process ASC X12N 270/271 eligibility inquiry and response transactions in real-time and batch transactions	N	N	N	D-175	Y
40.3.1.2	Provides capability for inquiry via ASC X12N 270 transactions by recipient identification number, recipient full name and DOB, recipient partial name and DOB, and recipient SSN and DOB	N	N	N	D-176	Y
40.3.1.3	Provides capability for ensuring safeguards in responses via ASC X12N 271 transactions, including: ▪ Limiting access to eligibility information to authorized medical providers, VANs, and authorized State personnel only; and ▪ Protecting the confidentiality of all recipient information	N	N	N	D-176	Y
40.3.1.4	Provides capability for access to eligibility verification inquiry to inquire for dates of service within the preceding twelve (12) months	N	N	N	D-176	Y
40.3.1.5	Provides capability for an online audit trail of all inquiries and verification responses made, the information conveyed, and to whom the information was conveyed	N	N	N	D-176	Y
40.3.1.6	Provides capability to report all EVS transactions online, segregating transaction data by provider and source of inquiry (Automated Voice Response System [AVRS], Web, EVS,	N	N	N	D-176	Y

Requirement #	Requirement Description	A	B	C	D	E
	etc.) at a minimum					
40.3.1.7	Provides capability to uniquely identify and track each EVS recipient eligibility verification inquiry and response	N	N	N	D-176	Y
40.3.1.8	Provides capability to issue a reference number to a provider for any Medicaid eligibility inquiry and response issued from the EVS	N	N	N	D-176	Y

40.3.2 EVS Operational Requirements

Requirement #	Requirement Description	A	B	C	D	E
40.3.2.1	Fiscal Agent shall obtain State approval and demonstrate acceptable test results to the State prior to implementing each VAN.				D-606	Y
40.3.2.2	Fiscal Agent shall provide necessary file specifications and testing assistance to VANs on how to access EVS.				D-606	Y
40.3.2.3	Fiscal Agent shall provide the necessary instructions to State and VANs in how to use the EVS. *Note: The VANS are responsible for training the providers who contract with them.*				D-606	Y

40.3.3 EVS Operational Performance Standards

Requirement #	Requirement Description	A	B	C	D	E
40.3.3.1	Fiscal Agent shall provide for a response from the EVS in three (3) seconds or less ninety-eight (98) percent of the time, twenty-four (24) hours a day, seven (7) days a week, three hundred sixty-five (365) days a year.				D-607	Y

Requirement #	Requirement Description	A	B	C	D	E
40.3.3.2	Fiscal Agent shall provide applicable documentation and successful test data for State approval within ten (10) State business days prior to VAN Replacement MMIS implementation.				D-607	Y
40.3.3.3	Fiscal Agent shall ensure the EVS is available ninety-nine and nine tenths (99.9) percent of the time, twenty-four (24) hours a day, seven (7) days a week, three hundred sixty-five (365) days a year, except for scheduled downtimes.				D-607	Y

40.4 Automated Voice Response System Requirements

40.4.1 AVRS System Requirements

Requirement #	Requirement Description	A	B	C	D	E
40.4.1.1	Provides AVRS capability and toll-free telephone access for providers and Medicaid recipients to access information from the Replacement MMIS AVRS, twenty-four (24) hours a day, seven (7) days a week, three hundred sixty-five (365) days a year except for agreed-upon scheduled down-time for maintenance	N	N	N	D-179	Y
40.4.1.2	Provides capability for an online audit trail of all inquiries and verification responses made, the information conveyed, and to whom the information was conveyed	N	N	N	D-179	Y
40.4.1.3	Provides capability for eligibility verification inquiry by recipient identification number, or SSN and DOB, and date of service			Y	D-179	Y
40.4.1.4	Provides capability for access to eligibility verification for dates of service within the preceding 365 days			Y	D-179	Y
40.4.1.5	Provides capability for access to eligibility verification for dates of service not greater than the current date for Medicaid recipients	N	N	N	D-179	Y
40.4.1.6**	Provides capability for access to eligibility verification for dates of service not greater than			Y	D-180	Y

Requirement #	Requirement Description	A	B	C	D	E
	the current date plus 365 days for DPH recipients					
40.4.1.7	Provides capability for system-generated monthly reporting of AVRS daily system availability checks				D-180	Y
40.4.1.8	Provides capability for an AVRS menu Help option, accessible at any time during the call, which allows callers a choice of being transferred to the Fiscal Agent call center or being directed to a specific Web site where detailed, written instructions are available			Y	D-180	Y
40.4.1.9	Provides capability for menu options to distinguish between NC DHHS provider and Medicaid recipient callers; designs cascading options appropriate to these two (2) caller types			Y	D-180	Y
40.4.1.10	Provides capability for AVRS to repeat to caller the recipient's full name and spelling of full name exactly as defined in the Recipient business area			Y	D-180	Y
40.4.1.11	Provides capability to process inquiries made by enrolled providers entering either a National Provider Identifier (NPI) or a legacy provider ID number (for atypical providers)			Y	D-180	Y
40.4.1.12	Provides capability to process inquiries made by Medicaid recipients entering the recipient's Medicaid ID number, DOB, and SSN			Y	D-180	Y
40.4.1.13	Provides capability to report all AVRS transactions online, segregating transaction data by caller type (provider or recipient), inquiry type (eligibility, claim status, etc.), and inquiry source (AVRS, Web, EVS, etc.)	Y			D-180	Y
40.4.1.14**	Provides capability to allow access by providers, aides, potential employers, etc. via AVRS to the Division of Health Service Regulation (DHSR) Health Care Personnel Registry (HCPR) and the DHSR Nurse Aide Training & Registry (NATRA) for inquiry on DHSR registry information			Y	D-180	Y
40.4.1.15	Provides capability to allow callers to interact with the AVRS by interactive voice response (IVR) or by touch-tone telephone keypad			Y	D-181	Y
40.4.1.16	Provides capability to retain and transfer all information entered and received when the			Y	D-181	Y

Requirement #	Requirement Description	A	B	C	D	E
	caller chooses to be transferred to the Fiscal Agent call center					
40.4.1.17	Provides capability to switch from English to other languages for all Medicaid recipient inquiry options			Y	D-181	Y
40.4.1.18	Provides capability to refer or transfer recipient calls for information about additional translator services				D-181	Y
40.4.1.19	Provides capability for providers to enter real-time requests for prior approval adjudication via AVRS			Y	D-181	Y
40.4.1.20	Provides capability to interface with the communication solution that will execute a fax verification (and/or e-mail verification, if no protected health information is involved) of entry, approval, or denial of a prior approval request			Y	D-181	Y
40.4.1.21	Provides capability for providers to request printed copies of their Remittance Advice (RA) statements			Y	D-181	Y
40.4.1.22	Provides capability for call flows for the following provider inquiry types: ▪ Claim status ▪ Checkwrite ▪ Drug coverage ▪ Procedure code pricing ▪ Modifier verification ▪ Procedure code and modifier combination ▪ Procedure code pricing for Medicaid Community Alternatives Program services ▪ Prior approval for procedure code ▪ Medicaid dental benefit limitations ▪ Medicaid refraction and eyeglass benefits ▪ Medicaid prior approval for durable medical equipment (DME), orthotics, and	Y	Y		D-181	Y

Requirement #	Requirement Description	A	B	C	D	E
	prosthetics ▪ Prior Approval for DPH benefits ▪ Recipient eligibility, enrollment, and Medicaid service limits ▪ Sterilization consent and hysterectomy statement inquiry ▪ Referrals ▪ Medicaid Carolina ACCESS Emergency Authorization Overrides					
40.4.1.23	Provides capability to allow the Carolina ACCESS referring provider and the Carolina ACCESS referred-to provider to inquire on the primary care provider referral status			Y	D-182	Y
40.4.1.24	Provides capability for call flows for responses for the following Medicaid recipient inquiry types: ▪ Medicaid eligibility ▪ Managed care enrollment information, including the primary care provider name, address, and daytime and after-hours phone numbers ▪ Third party liability ▪ Medicare coverage ▪ Well child checkup dates ▪ Hospice eligibility			Y	D-182	Y
40.4.1.25	Provides capability to uniquely identify and track each AVRS recipient eligibility verification inquiry and response	Y			D-182	Y
40.4.1.26	Provides capability to return a reference number to a provider for any DMA/Medicaid eligibility verification inquiry and response issued from the AVRS			Y	D-183	Y
40.4.1.27	Provides capability for Web-accessible downloads of AVRS training documentation that will be synchronized with application system updates	Y			D-183	Y

Requirement #	Requirement Description	A	B	C	D	E
	Web Inquiry					
40.4.1.28	Provides capability for an online, HIPAA-compliant inquiry of all information available via the AVRS	N	N	N	D-183	Y
40.4.1.29	Provides capability to return a reference number to a provider for any DMA/Medicaid eligibility verification inquiry and response issued from the Web			Y	D-183	Y
40.4.1.30	Provides capability for Medicaid recipient access to recipient eligibility and enrollment information, including: ▪ Medicaid eligibility ▪ Carolina ACCESS enrollment information to include the primary care provider name, address, and daytime and after-hours phone numbers ▪ Third party liability ▪ Medicare coverage ▪ Well child checkup dates ▪ Hospice eligibility	Y			D-183	
40.4.1.31	Provides capability for the option to switch from English to non-English (Spanish, Russian, Hmong, etc.) static content on each non-secure page that is targeted for consumers/recipients for all Medicaid recipient inquiry options			Y	D-183	Y
40.4.1.32	Provides capability for the option to switch from English to non-English (Spanish, Russian, Hmong, etc.) static content on each secure page targeted for recipients for all Medicaid recipient inquiries and responses			Y	D-184	Y
40.4.1.33	Provides capability for English and non-English (Spanish, Russian, Hmong, etc.) versions of all downloadable written materials targeted for recipients/consumers	N	N	N	D-184	Y
40.4.1.34	Provides capability to report all Web inquiry transactions online, segregating transaction data by provider and recipient inquiry, by inquiry type (eligibility, claim status, etc.), and			Y	D-184	Y

Requirement #	Requirement Description	A	B	C	D	E
	inquiry source (AVRS, Web, EVS, etc.)					
40.4.1.35	Provides capability to uniquely identify and track each online recipient eligibility verification and nurse aide verification inquiry and response			Y	D-184	Y
40.4.1.36**	Provides capability to provide access to providers, nurse aides, potential employers of nurse aides, etc., via the Web query functionality to the DHSR Health Care Personnel Registry (HCPR) and the DHSR Nurse Aide Training & Registry (NATRA) for inquiry on DHSR registry information			Y	D-184	Y
40.4.1.37	Provides capability to report all Web Inquiry transactions online, segregating transaction data by caller type (provider or recipient), inquiry type (eligibility, claim status, etc.) and inquiry source (AVRS, Web, EVS, etc.)			Y	D-184	Y

40.4.2 AVRS Operational Requirements

Requirement #	Requirement Description	A	B	C	D	E
40.4.2.1	Fiscal Agent shall perform daily systems check to ensure that the AVRS electronic interface is working properly and report the findings monthly.	N	N	N	D-609	Y
40.4.2.2	Fiscal Agent shall perform transaction analysis by hour of the day, indicate the number of transactions processed, and report the findings monthly.	N	N	N	D-609	Y
40.4.2.3	Fiscal Agent shall perform telephone analysis by hour of the day, track the number of transactions, number of transactions with less than a ten-second (10-second) response time, and number of transactions with greater than a ten-second (10-second) response time, and report the findings monthly.	N	N	N	D-609	Y
40.4.2.4	Fiscal Agent shall operate and maintain a Web site for providers and recipients, nurse aides, potential employers of nurse aides, etc. twenty-four (24) hours a day, seven (7) days a week, three hundred sixty-five (365) days a year, with the exception of State-approved scheduled maintenance.	N	N	N	D-609	Y

40.4.3 AVRS Operational Performance Standards

Requirement #	Requirement Description	A	B	C	D	E
40.4.3.1	Fiscal Agent shall provide for a response from the AVRS in three (3) seconds or less ninety-eight (98) percent of the time, twenty-four (24) hours a day, seven (7) days a week, three hundred sixty-five (365) days a year, with the exception of State-approved scheduled system maintenance.	N	N	N	D-610	Y
40.4.3.2	Fiscal Agent shall provide system checks to the AVRS daily and log the findings.	N	N	N	D-610	Y
40.4.3.3	Fiscal Agent shall provide monthly AVRS logs within five (5) State business days from the end of the previous month.	N	N	N	D-610	Y
40.4.3.4	Fiscal Agent shall ensure the Web inquiry functionality is available twenty-four (24) a day, seven (7) days a week, three hundred sixty-five (365) days a year, except during State-approved maintenance periods.	N	N	N	D-611	Y

40.5 Provider Requirements

40.5.1 Provider System Requirements

Requirement #	Requirement Description	A	B	C	D	E
	Provider Enrollment					
40.5.1.1	Provides capability to interactively enroll eligible providers in a multi-payer environment using a single enrollment strategy to eliminate process redundancy	N	N	N	D-194	Y
40.5.1.2	Provides capability to generate and accept electronic and hard copy supporting documentation for enrollment and re-enrollment or verification functions	N	N	N	D-194	Y
40.5.1.3	Provides capability for provider access to online and batch enrollment functionality			Y	D-194	Y

Requirement #	Requirement Description	A	B	C	D	E
40.5.1.4	Provides capability for secure log-on that allows providers to retrieve and update incomplete application or check status of a submitted application	N	N	N	D-194	Y
40.5.1.5	Provides capability for a provider to download application for paper submission	Y			D-194	Y
40.5.1.6	Provides capability to edit against duplicate provider record during enrollment, addition, or change processes			Y	D-194	Y
40.5.1.7	Provides capability to image, link, and reference all provider correspondence, enrollment applications, contracts, and supporting documentation to be retrieved by the Fiscal Agent or State-authorized staff		Y		D-194	Y
40.5.1.8	Provides capability for a provider to select services that will be provided at a practice location or by the provider entity	N	N	N	D-194	Y
40.5.1.9	Provides capability to capture and maintain demographic information of the LME from which the provider is seeking and/or has received endorsement			Y	D-194	Y
40.5.1.10	Provides capability to capture and maintain Medicare numbers and crossover information	N	N	N	D-195	Y
40.5.1.11	Provides capability for a provider to access enrollment functions, download enrollment package, recall a saved application, submit, and check the status of an application online	N	N	N	D-195	Y
40.5.1.12	Provides capability to receive, image, and link hard copy attachments, executed contracts, and signatory documentation to the provider application		Y		D-195	Y
40.5.1.13	Provides capability to capture and maintain all provider data elements necessary to support the enrollment, credentialing, inquiry, and participation by program	N	N	N	D-195	Y
40.5.1.14	Provides capability to electronically store multiple historic provider identifiers	N	N	N	D-195	Y
40.5.1.15	Provides capability to accept and electronically store multiple occurrences of provider demographic information, including e-mail	N	N	N	D-195	Y

Requirement #	Requirement Description	A	B	C	D	E
40.5.1.16	Provides capability to capture information on provider billing agents	N	N	N	D-195	Y
40.5.1.17	Provides capability to present customized enrollment application options	Y	Y		D-195	Y
40.5.1.18	Provides capability to edit data during the enrollment process to ensure that all required information is captured based on provider's participation and contractual requirements	N	N	N	D-195	Y
40.5.1.19	Provides capability to present enrollment instructions and guidelines for supporting functions by selected enrollment options	N	N	N	D-195	Y
40.5.1.20	Provides capability to system-generate application attachments based on required criteria and affirmative responses			Y	D-195	Y
40.5.1.21	Provides capability to identify and enroll providers classified as special, atypical, State-funded, or funded by other assistance programs	N	N	N	D-195	Y
40.5.1.22	Provides capability to identify and assign unique identifiers to providers	N	N	N	D-195	Y
40.5.1.23	Provides capability to support a time-limited, abbreviated, or expedited enrollment process that collects a limited amount of information to enroll a provider for a limited period	N	N	N	D-196	Y
40.5.1.24	Provides capability to capture the requestor, sender, and status for all hard copy provider enrollment form requests	N	N	N	D-196	Y
40.5.1.25	Provides capability to capture all enrollment events	N	N	N	D-196	Y
40.5.1.26	Provides capability to accept and electronically store electronic funds transfer (EFT) information	N	N	N	D-196	Y
40.5.1.27	Provides capability to flag provider records to support operational activities	N	N	N	D-196	Y
40.5.1.28	Provides capability to capture and validate nine-digit (9-digit) zip code to geographic location	N	N	N	D-196	Y

Requirement #	Requirement Description	A	B	C	D	E
40.5.1.29	Provides capability to store abandoned or incomplete applications for ninety (90) days	N	N	N	D-196	Y
40.5.1.30	Provides capability to capture provider eligibility, program eligibility, and participation status codes with associated affiliations, effective dates, and end dates	N	N	N	D-196	Y
40.5.1.31	Provides capability to capture the providers' preference to use electronic submittal of claims, remittance, and/or EFT	N	N	N	D-196	Y
40.5.1.32	Provides capability to capture, link, and reference multiple provider affiliations, specialties, and taxonomies, by program, with associated effective and end dates	N	N	N	D-196	Y
40.5.1.33	Provides capability to capture providers' legal business filing status, including Non-profit, Corporate, State-owned, Federally owned, For Profit, and Tribal-owned	N	N	N	D-196	Y
40.5.1.34	Provides capability to capture, verify, and cross-reference provider ownership information	N	N	N	D-196	Y
40.5.1.35	Provides capability to recognize predefined events requiring State determination or intervention		Y		D-196	Y
40.5.1.36	Provides capability to accommodate NPI and multiple associated taxonomies	N	N	N	D-197	Y
40.5.1.37	Provides capability to validate all NPIs	N	N	N	D-197	Y
40.5.1.38	Provides capability for option selection for a provider to indicate preference to receive a paper RA	N	N	N	D-197	Y
40.5.1.39	Provides capability for the system to capture electronic signatures			Y	D-197	Y
40.5.1.40	Provides capability to use workflow functionality to forward a completed application for credentialing/re-credentialing or verification		Y		D-197	Y
40.5.1.41	Provides capability for batch and/or online real-time access between EIS, Mental Health Eligibility Inquiry, CSDW, Medicaid Quality Control, Online Verification, Automated Collection and Tracking System (ACTS), and Health Information System (HIS) and the			Y	D-197	Y

Requirement #	Requirement Description	A	B	C	D	E
	Replacement MMIS using API and SOA concepts					
40.5.1.42	Provides capability to send, receive, and update data between DHSR and the Replacement MMIS in support of provider participation for enrollment functionality		Y		D-197	Y
	Provider Credentialing					
40.5.1.43	Provides capability to conduct provider credentialing and source verification of provider participation criteria and requirements		Y		D-197	Y
40.5.1.44	Provides capability for credentialing to include Office of Inspector General (OIG) participation “exclusion” data or capability to receive and employ OIG file interface		Y		D-197	Y
40.5.1.45	Provides capability for credentialing process to include criminal background checks and query of the North Carolina State Provider Penalty Tracking “exclusions” data		Y		D-197	Y
40.5.1.46	Provides capability to restrict or eliminate provider billable services if the service requirements are no longer supported (by endorsement, certification, or licensure) with associated begin and end date by service	N	N	N	D-198	Y
40.5.1.47	Provides capability to send and receive electronic communications to support credentialing data verifications		Y		D-198	Y
40.5.1.48	Provides capability to exclude a provider from licensure requirements based on provider type or category		Y		D-198	Y
40.5.1.49	Provides capability to generate notification to providers of status, changes, enrollment, termination, credentialing, re-verification, penalties, and termination		Y		D-198	Y
40.5.1.50	Provides capability to capture and electronically store critical credentialing data missing from current Legacy MMIS+ to support licensure, credentialing, and verification processes		Y		D-198	Y
40.5.1.51	Provides capability to share licensure, endorsement, and accreditation information with issuing agencies, authorized State entities, and users	N	N	N	D-198	Y

Requirement #	Requirement Description	A	B	C	D	E
40.5.1.52	Provides capability to send notification to a provider of impending renewal	Y			D-198	Y
40.5.1.53	Provides capability to send notification to providers who failed to respond to renewal information requests	Y			D-198	Y
40.5.1.54	Provides capability to send, receive, and update data between DHSR and the Replacement MMIS in support of provider credentialing functionality		Y		D-198	Y
	Provider Maintenance					
40.5.1.55	Provides capability to present to the provider selected data for verification and update	N	N	N	D-199	Y
40.5.1.56	Provides capability to support different business rule definitions by program and services to be provided	N	N	N	D-199	Y
40.5.1.57	Provides capability to make State-approved forms available online	Y			D-199	Y
40.5.1.58	Provides capability to process online requests for generation and distribution of provider contracts			Y	D-199	Y
40.5.1.59	Provides capability to accept and process online requests for additions and changes to the provider data	N	N	N	D-199	Y
40.5.1.60	Provides capability to capture, identify, and report suspected duplicate provider identification numbers and applicable expiration dates	N	N	N	D-199	Y
40.5.1.61	Provides capability to capture, update, and maintain Clinical Laboratory Improvement Amendments (CLIA) information for providers	N	N	N	D-199	Y
40.5.1.62	Provides capability to track, identify, and provide notification the status of licenses, certifications, endorsements, and State-defined participation requirements or criteria	N	N	N	D-199	Y
40.5.1.63	Provides capability to systematically suspend and notify providers who do not meet enrollment or participation criteria			Y	D-199	Y

Requirement #	Requirement Description	A	B	C	D	E
40.5.1.64	Provides capability to cross-reference all provider identifiers that correspond to the providers' tax identification/reporting number	N	N	N	D-199	Y
40.5.1.65	Provides capability for online access of providers to training materials, training registrations, and tracking, including audit history of all provider trainings				D-199	Y
40.5.1.66	Provides capability to generate on-demand reports with date span parameters for provider data	N	N	N	D-199	Y
40.5.1.67	Provides capability to enter and maintain tax and financial information, including budget codes for accessing State funds	N	N	N	D-199	Y
40.5.1.68	Provides capability to capture data regarding agency-specific provider incentives, sanctions, withholds, and review processes by issuing agency with beginning and end dates	N	N	N	D-200	Y
40.5.1.69	Provides capability to capture the providers who participate in the Competitive Acquisition Program with begin and end dates by program	N	N	N	D-200	Y
40.5.1.70	Provides capability to suspend, sanction, or terminate providers	N	N	N	D-200	Y
40.5.1.71	Provides capability to identify and report on out-of-state provider claims denied for non-enrollment	N	N	N	D-200	Y
40.5.1.72	Provides capability to maintain 1099 and associated payment summary data	N	N	N	D-200	Y
40.5.1.73	Provides capability to identify and reference ownership across multiple occurrences and entities	N	N	N	D-200	Y
40.5.1.74	Provides capability to generate provider notifications of licensure, certification, accreditation, and endorsement renewals or expirations and monitor all response activity	N	N	N	D-200	Y
40.5.1.75	Provides capability for providers to enter requested updates to data and identify instances that require operational review	N	N	N	D-200	Y

Requirement #	Requirement Description	A	B	C	D	E
40.5.1.76	Provides capability to identify to the State those providers with issues under review, giving the State equal access to work queue and documents to support the business decision process	N	N	N	D-200	Y
40.5.1.77	Provides capability to identify providers for whom mail has been returned and suppress all printing and claims activity				D-200	Y
40.5.1.78	Provides capability to place the provider on pre-payment, post-payment, payment review, compliance payment withholds, and denial as directed by the State	N	N	N	D-200	Y
40.5.1.79	Provides capability to leverage electronic listserv technology to allow providers to register for notifications and facilitate communications		Y		D-200	Y
40.5.1.80	Provides capability for online access by State-authorized users to view and update information on sanctioned providers by LOB	N	N	N	D-200	Y
40.5.1.81	Provides capability to perform manual and automated updates to provider data	N	N	N	D-200	Y
40.5.1.82	Provides capability for online real-time access to Provider data using API and SOA concepts between EIS and the Replacement MMIS			Y	D-201	Y
40.5.1.83	Provides capability for a daily provider table extract			Y	D-201	Y
40.5.1.84	Provides capability for online, real-time responses to EIS and DIRM applications for all provider data processing transactions	N	N	N	D-201	Y
40.5.1.85	Provides capability to send, receive, and update data between DHSR and the Replacement MMIS in support of provider maintenance functionality		Y		D-201	Y
	Provider Training					
40.5.1.86	Provides capability for online automated provider training and related documentation access		Y		D-201	Y

Requirement #	Requirement Description	A	B	C	D	E
40.5.1.87	Provides capability to capture and maintain provider-written, verbal, or electronic correspondence requesting an on-site visit or training	Y			D-201	Y
40.5.1.88	Provides capability for automated workflow functionalities to process call center and provider training requests and educational monitoring activities		Y		D-201	Y
40.5.1.89	Provides capability for an online provider training tutorial that can be tailored by selection to facilitate training in a variety of subject matters	Y			D-201	Y
40.5.1.90	Provides capability to image, maintain, and make accessible all (current and historic) course instructional materials	N	N	N	D-201	Y
40.5.1.91	Provides capability to image instructional materials, training evaluations, and other correspondence linked to a site visit to the provider record		Y		D-201	Y
40.5.1.92	Provides capability to track and report on provider requested visits	Y			D-201	Y
40.5.1.93	Provides capability for online and on-site training evaluation questionnaires for providers to complete		Y		D-202	Y
40.5.1.94	Provides capability to develop a State-approved training evaluation process				D-202	Y
40.5.1.95	Provides capability to maintain and submit to the State provider training sessions participants				D-202	Y
40.5.1.96	Provides capability to identify providers with a claims denial rates of twenty (20) percent or higher	N	N	N	D-202	Y
40.5.1.97	Provides capability to maintain State-approved instructional materials for viewing and retrieval				D-202	Y
40.5.1.98	Provides capability for initial and updated State-approved Provider Basic Training Tutorials to be available through Web access	Y			D-202	Y

Requirement #	Requirement Description	A	B	C	D	E
	Secure, Browser-Based, Web-Enabled Capability To Record and Track All Verbal Communication between State/Fiscal Agent and Providers					
40.5.1.99	Provides capability to record, track, and report on provider and recipient communication			Y	D-202	Y
40.5.1.100	Provides capability to make provider contact data accessible and retrievable	N	N	N	D-202	Y
40.5.1.101	Provides capability to report on queries for call-related data			Y	D-202	Y
40.5.1.102	Provides capability for communication tracking business area to interface with other MMIS functional areas	N	N	N	D-202	Y
40.5.1.103	Provides capability for individual access to query tools	N	N	N	D-202	Y
40.5.1.104	Provides capability to auto-populate Replacement MMIS provider data into the Web-based provider enrollment and maintenance functions	N	N	N	D-202	Y

40.5.2 Provider Operational Requirements

Requirement #	Requirement Description	A	B	C	D	E
	General					Y
40.5.2.1	Fiscal Agent shall provide State-authorized access to the Provider database.	N	N	N	D-613	Y
40.5.2.2	Fiscal Agent shall receive and process provider complaints and summarize this activity in the Status Report.	N	N	N	D-613	**Y**
40.5.2.3	Fiscal Agent shall respond to and report on activities and outcomes of all inquiries referred by the State.	N	N	N	D-613	**Y**
40.5.2.4	Fiscal Agent shall perform imaging of all provider documents, contracts, agreements,	N	N	N	D-613	**Y**

Requirement #	Requirement Description	A	B	C	D	E
	attachments, training and publication material and forms, and on-site visitation documentation, linking them to the provider for viewing and retrieval by State and Fiscal Agent staff.					
40.5.2.5	Fiscal Agent shall provide the capability to link provider applications in PDF format for retrieval via a document management system.		Y		D-613	Y
40.5.2.6	Fiscal Agent shall initiate and complete re-credentialing procedures on all providers who have not been previously credentialed and on providers whose data indicates expiration of any license, accreditation, certification, or other authorizing agencies. All re-credentialing and credentialing should be completed within twelve (12) months of contract start up.	N	N	N	D-613	Y
40.5.2.7	Fiscal Agent shall generate and distribute provider contract renewals to providers seventy-five (75) days before expiration.		Y		D-614	Y
40.5.2.8**	Fiscal Agent shall accept, process, and maintain DMH attending-only provider records entered by the LME	Y			D-614	Y
	Provider Enrollment, Credentialing, and Verification					
40.5.2.9	Fiscal Agent shall implement at the direction of the State suspension or termination action for providers whose licenses have been revoked or suspended by State licensing or accrediting bodies.	N	N	N	D-614	Y
40.5.2.10	Fiscal Agent shall conduct activities to suspend, terminate, or withhold payments, percentages, and incentives from providers under investigation by State or Federal agencies at the sole discretion of the State.	Y			D-614	Y
40.5.2.11	Fiscal Agent shall implement provider sanctions, as directed by the State.	N	N	N	D-614	Y
40.5.2.12	Fiscal Agent shall initiate recoupment/collection of claims and non-claims payments made subsequent to the effective date of an action or sanction, as directed by the State.	N	N	N	D-614	Y
40.5.2.13	Fiscal Agent shall send enrollment information and instructions to a provider whose				D-615	Y

Requirement #	Requirement Description	A	B	C	D	E
	claims have denied for non-enrollment.					
40.5.2.14	Fiscal Agent shall retain all active and historical provider documents, contracts, participation agreements, and supporting documentation for control, balance, audit, and State retrieval.		Y		D-615	Y
40.5.2.15	Fiscal Agent shall capture and maintain information on all billing agents, including information necessary to identify and contact billing agents and providers using each billing agent within a specified timeframe.	N	N	N	D-615	Y
40.5.2.16	Fiscal Agent shall test potential Trading Partners to be implemented into MMIS production and maintain signed and State-approved Trading Partner Agreements.	N	N	N	D-615	Y
40.5.2.17	Fiscal Agent shall obtain and maintain all executed EFT Agreements.	N	N	N	D-615	Y
40.5.2.18	Fiscal Agent shall create and distribute to each independent enrolled provider or provider site a New Provider Participation Packet.				D-615	Y
40.5.2.19	Fiscal Agent shall respond to provider requests for participation in a NC DHHS program.				D-615	Y
40.5.2.20	Fiscal Agent shall review applications and contracts for completeness, original signature, and required participation criteria.				D-615	Y
40.5.2.21	Fiscal Agent shall update provider data based on information received during the credentialing, re-credentialing, and subsequent enrollment of the provider.	N	N	N	D-616	Y
40.5.2.22	Fiscal Agent shall initiate communication to providers advising them of the potential for suspension of services.		Y		D-616	Y
40.5.2.23	Fiscal Agent shall route any incomplete credentialing or re-credentialing requests to the State for final disposition as to the provider's initial or ongoing participation.		Y		D-616	Y
	Urgent Reviews					

Requirement #	Requirement Description	A	B	C	D	E
40.5.2.24	Fiscal Agent shall perform "Urgent Reviews" when the State or Fiscal Agent has become aware of negative provider information that may affect the provider's participation status.			Y	D-616	Y
40.5.2.25	Fiscal Agent shall route imaged data regarding Urgent Review through Workflow to the Quality Review/Appeals Coordinator for assessment.			Y	D-616	Y
40.5.2.26	Fiscal Agent shall send a system-generated letter to the provider advising disposition of the case and appeal process procedures.		Y		D-616	Y
40.5.2.27	Fiscal Agent shall notify the State's Medical Board or other appropriate agencies of its intent to suspend/terminate a provider's participation.		Y		D-617	Y
	Appeals					
40.5.2.28	Fiscal Agent shall receive, image, and link provider appeals correspondence to the provider record.	N	N	N	D-617	Y
40.5.2.29	Fiscal Agent shall system-generate appeal letters advising the provider of the date the appeal request is received and that a written response shall be sent within thirty (30) days.	Y			D-617	Y
40.5.2.30	Fiscal Agent shall ensure the Review/Appeals Coordinator obtains any additional information to provide to the State Review Committee to support an informed decision.				D-617	Y
40.5.2.31	Fiscal Agent shall route appeals and all supporting documentation to the State Review Committee Work Queue for disposition.			Y	D-617	Y
40.5.2.32	Fiscal Agent shall update Provider data with the completed dates and disposition of appeal information.	N	N	N	D-617	Y
	Provider Communications					
40.5.2.33	Fiscal Agent shall staff a separate Provider communications business function area to include toll-free telephone lines that are staffed from 8 A.M. to 5:00 P.M. Eastern Time	N	N	N	D-618	Y

Requirement #	Requirement Description	A	B	C	D	E
	Monday through Friday, except for State-approved holidays.					
40.5.2.34	Fiscal Agent shall respond to all verbal provider inquiries immediately. If an immediate response is not possible, then a written or verbal response shall be provided within two (2) business days.	N	N	N	D-618	Y
40.5.2.35	Fiscal Agent shall track and report on all State-referred or provider-initiated calls and/or complaints.			Y	D-618	Y
40.5.2.36	Fiscal Agent shall respond in writing to written provider inquiries within five (5) business days of the date of receipt.	N	N	N	D-618	Y
40.5.2.37	Fiscal Agent shall refer questions regarding eligibility and program benefits to the State.				D-618	Y
40.5.2.38	Fiscal Agent shall refer questions regarding rates and budgets to the State.				D-618	Y
40.5.2.39	Fiscal Agent shall respond to all other provider inquiries as referred by the State.				D-618	Y
40.5.2.40	Fiscal Agent shall track and trend the number and nature of inquiries or complaints and status of resolution, referring clarification of policy issues to the State.			Y	D-618	Y
40.5.2.41	Fiscal Agent shall coordinate and conduct all training for new and ongoing State and Fiscal Agent employees on Fiscal Agent MMIS procedures.				D-618	Y
	Provider Publications					
40.5.2.42	Fiscal Agent shall prepare and post provider publications and instructions online.	N	N	N	D-619	Y
40.5.2.43	Fiscal Agent shall publish approved bulletins via e-mail and Web.	N	N	N	D-619	Y
40.5.2.44	Fiscal Agent shall provide the State with current update of MMIS-related forms to be accessible via the State's Web site.				D-619	Y
40.5.2.45	Fiscal Agent shall use the workflow management tools to publish drafts and receive approvals of all provider publications, e.g., bulletins, training materials, standard letters,			Y	D-619	Y

Requirement #	Requirement Description	A	B	C	D	E
	etc.					
	Provider Training					
40.5.2.46	Fiscal Agent shall present mock training sessions to the State for approval prior to conducting provider training workshops.				D-619	Y
40.5.2.47	Fiscal Agent shall determine topics for workshops by assessing and targeting provider types with special need.				D-620	Y
40.5.2.48	Fiscal Agent shall track and report on provider requested visits.	N	N	N	D-620	**Y**
40.5.2.49	Fiscal Agent shall implement annual marketing plans for electronic commerce options.	N	N	N	D-620	**Y**
40.5.2.50	Fiscal Agent shall conduct provider workshops at State-approved locations.				D-620	Y
40.5.2.51	Fiscal Agent shall assist the State with annual meetings of billing providers.				D-620	Y
40.5.2.52	Fiscal Agent shall assist the State with quarterly training conferences.				D-620	Y
40.5.2.53	Fiscal Agent shall distribute on-site training evaluation questionnaires for providers to complete.				D-620	Y
40.5.2.54	Fiscal Agent shall analyze completed evaluation questionnaires and provide the State with a compiled summary report within five (5) business days from the training seminar date.				D-620	Y
40.5.2.55	Fiscal Agent shall maintain and submit to the State lists of provider training session participants.				D-620	Y
40.5.2.56	Fiscal Agent shall prepare State-approved online provider enrollment and billing instructions, ensuring the inclusion of all revisions and policy-related communications, such as special bulletins and/or newsletters, in the format and number specified by the State.	N	N	N	D-620	**Y**

Requirement #	Requirement Description	A	B	C	D	E
40.5.2.57	Fiscal Agent shall ensure the accuracy and consistency of initial and ongoing updated State-approved tutorials.				D-621	Y
40.5.2.58	Fiscal Agent shall ensure that whenever changes are made that affect the information available on the tutorials that State-approved changes are made as a part of the CSR change documentation, provider publication/ALERT, or as directed by the State.				D-621	Y
40.5.2.59	Fiscal Agent shall maintain State-approved instructional materials for viewing and retrieval.	N	N	N	D-621	Y
40.5.2.60	Fiscal Agent shall provide training workshop materials and evaluations imaged and electronically available with ninety-nine and nine tenths (99.9) percent accuracy.	N	N	N	D-621	Y
	Imaging Provider Communications					
40.5.2.61	Fiscal Agent shall image all provider written communications.	N	N	N	D-621	Y
	Imaging Provider On-Site Visit Materials and Evaluation					
40.5.2.62	Fiscal Agent shall perform imaging of all materials and the provider on-site evaluation applicable to a provider site visit, linking to the provider identification number for complete profile data retrieval.	N	N	N	D-622	Y
	Imaging Provider Training Workshop Materials and Provider Evaluation Forms					
40.5.2.63	Fiscal Agent shall perform imaging of all Provider Training Workshop materials and Provider Training Evaluations, linking to the provider identification number for complete profile data retrieval.		Y		D-622	Y
40.5.2.64	Fiscal Agent shall provide training to State staff in the use of the Customer Call Center System, initially and on an ongoing basis.				D-622	Y
40.5.2.65	Fiscal Agent shall provide all Customer Service Call Center reports according to State specification.	Y			D-622	Y

Requirement #	Requirement Description	A	B	C	D	E
40.5.2.66	Fiscal Agent shall maintain up-to-date complete system and user documentation.	N	N	N	D-622	Y
40.5.2.67	Fiscal Agent shall develop workflow processes for customer service support activities.	N	N	N	D-622	Y
	E-mail Communications					
40.5.2.68	Fiscal Agent shall produce listserv lists that are updated as appropriate to new enrollments, disenrollments, and provider change requests for individual or mass communications based on State protocols and approval for types of communications.		Y		D-623	Y
	Recording/Tracking Provider/Recipient Verbal Communications					
40.5.2.69	Fiscal Agent shall ensure recording and tracking verbal communications with provider and recipients are available for use between the hours of 7:00 A.M. to 11:00 P.M. Eastern Time Monday through Friday and from 7:00 A.M. to 6:00 P.M. Saturday and Sunday.	N	N	N	D-623	Y
40.5.2.70	Fiscal Agent shall perform daily system checks to ensure that the recording/tracking business area is functioning as designed and provides system logging of check date, time, operator, comments, and reporting as directed by the State.	N	N	N	D-623	Y
40.5.2.71	Fiscal Agent shall provide State-approved instructional materials and secure, browser-based, Web-enabled tutorial for use of the Recording/Tracking Provider/Recipient Communications function/query tool.			Y	D-624	Y
40.5.2.72	Fiscal Agent shall provide appropriate staff to monitor and support the continuous availability of the recording/tracking query tool.				D-624	Y

40.5.3 Provider Operational Performance Standards

Requirement #	Requirement Description	A	B	C	D	E
40.5.3.1	Fiscal Agent shall log and image all hard copy provider applications received within one	N	N	N	D-624	Y

Requirement #	Requirement Description	A	B	C	D	E
	(1) State business day of receipt.					
40.5.3.2	Fiscal Agent shall initiate credentialing and source verification to ensure participation guidelines are met on all completed applications within three (3) business days.	N	N	N	D-625	Y
40.5.3.3	Fiscal Agent shall complete and approve all providers for participation who have no negative responses to credentialing requirements within two (2) State business days of receipt of all data necessary to adjudicate the application.	N	N	N	D-625	Y
40.5.3.4	Fiscal Agent shall send approval letters and other State-required information within one (1) State business day of provider participation approval.	N	N	N	D-625	Y
40.5.3.5	Fiscal Agent shall send denial letters and other State-required information within one (1) State business day of provider participation denial.	N	N	N	D-625	Y
40.5.3.6	Fiscal Agent shall initiate Urgent Reviews within one (1) State business day of receipt of any adverse provider information.	N	N	N	D-625	Y
40.5.3.7	Fiscal Agent shall acknowledge receipt of provider appeal requests within one (1) State business day of receipt.	N	N	N	D-625	Y
40.5.3.8	Fiscal Agent shall ensure that all appeals are adjudicated within thirty (30) calendar days of receipt unless permission for delay is received from the State.				D-625	Y
40.5.3.9	Fiscal Agent shall provide the State with an extract of the MMIS Provider tables each business night.			Y	D-625	Y
40.5.3.10	Fiscal Agent shall support online real-time access between EIS, Mental Health Eligibility Inquiry, Medicaid Quality Control, Online Verification, ACTS, and HIS and the Replacement MMIS using API and SOA concepts, from 7:00 A.M. until 7:00 P.M. Eastern Time Monday through Friday, including non-State business days when EIS is available for online processing, and from 10:00 A.M. to 5:00 P.M. Eastern Time on weekends when EIS is available for online processing.			Y	D-626	Y
40.5.3.11	Fiscal Agent shall provide online real-time access to provider data for State-designated	N	N	N	D-626	Y

Requirement #	Requirement Description	A	B	C	D	E
	staff using API and SOA concepts between EIS and the Replacement MMIS 7:00 A.M. until 8:00 p.m. Eastern Time Monday through Friday, including non-State business days when EIS is available for online processing, and from 10:00 A.M. to 5:00 P.M. Eastern Time on weekends and when EIS is available for online processing.					
40.5.3.12	Fiscal Agent shall provide batch access to provider data using API and SOA concepts between EIS and the Replacement MMIS from 5:30 P.M. Eastern Time Monday through Friday until batch processing is completed.			Y	D-626	Y
40.5.3.13	Fiscal Agent shall provide online real-time access to Provider data for State-designated staff using API and SOA concepts between EIS and the Replacement MMIS.	N	N	N	D-626	Y
40.5.3.14	Fiscal Agent shall provide initial and ongoing updated e-mail listservs based on initial and ongoing provider enrollments, disenrollments, and change requests the same day the transaction occurs ninety-nine and nine tenths (99.9) percent of the time.		Y		D-626	Y
40.5.3.15	Fiscal Agent shall provide initial and ongoing capability for recording and tracking communications with providers and recipients during State business days between the hours of 7:00 A.M. to 11:00 P.M. Eastern Time Monday through Friday and from 7:00 A.M. to 6:00 P.M. Saturday and Sunday ninety-nine and nine tenths (99.9) percent of the time.	N	N	N	D-626	Y
40.5.3.16	Fiscal Agent shall provide monthly system check logs in the content, frequency, format, and media as directed by the State.	N	N	N	D-627	Y
40.5.3.17	Fiscal Agent shall produce State-approved initial and ongoing updates to training materials and secure, browser-based, Web-enabled tutorials in the content, frequency, format, and all media as directed by the State.			Y	D-627	Y

40.6 Reference Requirements

40.6.1 Reference System Requirements

Requirement #	Requirement Description	A	B	C	D	E
40.6.1.1	Provides capability for necessary data to accommodate multiple population groups, their benefit packages, and payment methodologies	N	N	N	D-217	Y
40.6.1.2	Provides capability for online access to all Reference and pricing data	N	N	N	D-218	Y
40.6.1.3	Provides capability to accept online and batch updates, additions, and deletions to all Reference data with the capability to make changes to individual records or mass changes to groups or classes/records	N	N	N	D-218	Y
40.6.1.4	Provides capability to identify all covered and non-covered ICD-9/ICD-10 Diagnosis codes and any field value differences based upon a match of the Replacement MMIS Diagnosis Codes to the Diagnosis Update Tape/data			Y	D-218	Y
40.6.1.5	Provides capability to produce a report that demonstrates the differences of all covered and non-covered ICD-9/ICD-10 Diagnosis codes and any field value differences based upon a match of the Legacy MMIS+ Diagnosis Codes to the Diagnosis Update Tape/Data for State use in determining appropriateness to update ICD-9/ICD-10 data	N	N	N	D-218	Y
40.6.1.6	Provides capability for diagnosis codes to be accessible from the National Council of Prescription Drug Programs (NCPDP) claims and physician drug program	N	N	N	D-218	Y
40.6.1.7	Provides capability to configure maximum rates and algorithms that permit rates to be assigned based on one of the following for all providers: ▪ Financial payer ▪ Billing provider (i.e., single county or multi-county) ▪ Population group ▪ Procedure code ▪ Begin and end date of service	Y			D-218	Y

Requirement #	Requirement Description	A	B	C	D	E
	▪ Attending provider (i.e., single county or multi-county) ▪ Recipient					
40.6.1.8	Provides capability to allow reformatting of automated files to develop or update fee schedules and/or rate files			Y	D-219	**Y**
40.6.1.9	Provides capability for system logging of receipt date of each Reference File Maintenance Request, file maintenance initiation completion date, operator completing request, and supervisor validation date	N	N	N	D-219	**Y**
40.6.1.10	Provides capability for parameter-driven, ad hoc activity logging reports	N	N	N	D-219	Y
40.6.1.11	Provides capability to ensure appropriate tracking, controls, and audit logs are associated with all file updates	N	N	N	D-219	**Y**
40.6.1.12	Provides capability to link Reference File updates to applicable edits/audits	Y			D-219	Y
40.6.1.13	Provides capability to maintain the diagnosis data set using State-approved number of characters of the ICD-9/ICD-10 coding system that supports relationship between diagnosis code and claim information, including: ▪ Valid age ▪ Valid gender ▪ Family planning indicator ▪ Health Check indicator ▪ Prior approval requirements ▪ Reference indicator ▪ TPL, emergency, accident trauma diagnosis, and cause code/indicator ▪ Inpatient length of stay criteria ▪ Description of the diagnosis	N	N	N	D-219	Y

Requirement #	Requirement Description	A	B	C	D	E
	▪ Attachment required ▪ Primary and secondary diagnosis code usage ▪ Cross-reference to procedure codes ▪ Drug by designated parameters					
40.6.1.14	Provides capability for online, updateable edit disposition tables and files that contain unlimited edit numbers with: ▪ Description of edit ▪ Description of edit for RA per RA media ▪ RA print indicator, exception print detail, or list indicator ▪ Disposition, force indicator, deny indicator, location code, prior approval override indicator, location override per claim type, per claim media, per program, per provider ▪ Cross-referencing edits/audits ▪ Information line	N	N	N	D-220	Y
40.6.1.15	Provides capability to audit HCPCS codes and associated National Drug Codes (NDCs) against pharmacy NDCs to prevent duplicative services	N	N	N	D-220	Y
40.6.1.16	Provides capability to maintain an online, updateable claims Edit Resolution Manual that reflects correct processes for adjudicating edits and audits	N	N	N	D-220	Y
40.6.1.17	Provides capability to cross-reference new CPT codes and ICD-9/ICD-10 codes to Replacement MMIS edits and audits that support the code's data set within the same or specified range	N	N	N	D-220	Y
40.6.1.18	Provides capability to generate a report of edits/audits associated with codes that will be end-dated			Y	D-221	Y
40.6.1.19	Provides capability to categorize edits/audits	N	N	N	D-221	Y

Requirement #	Requirement Description	A	B	C	D	E
40.6.1.20	Provides capability to link each procedure code, diagnosis code, revenue code, dental code, etc. to the associated current and reverse (historical) edit	N	N	N	D-221	Y
40.6.1.21	Provides capability to create online Edit Manuals that enables access by edit or specific procedure code, revenue code, diagnosis code, dental code, etc. that displays: ▪ Edit relationships ▪ Other procedure, revenue, diagnosis, dental codes ▪ Modifiers related ▪ Sex, age indicators (by day, month, year) ▪ State Memo effective date with a link to a separate promulgated policy file to obtain policy or related detail information ▪ Any other parameters that drive the edit			Y	D-221	Y
40.6.1.22	Provides capability to upload State-approved HCPCS updates from CMS, including Resource-Based Relative Value Scale (RBRVS)	N	N	N	D-221	Y
40.6.1.23	Provides capability for a procedure code data set that contains the current five-character (5-character) HCPCS/CPT code and can accommodate the future six-character (6-character) HCPCS codes, second-level HCPCS codes, State-specific local Level III codes, and ICD-9 procedure codes and can accommodate the future ICD-10 procedure codes, acceptance of a one-character (1-character) or a two-character (2-character) field for HCPCS pricing modifier(s); and at a minimum, the following elements: ▪ Valid tooth surface codes and tooth number/quadrant designation ▪ Date-specific pricing segments by program code, provider taxonomy, and/or provider type and or specialty ▪ Five (5) date-specific pricing segments, including two (2) occurrences of pricing action ▪ Five (5) status code segments with effective beginning and end dates for each segment	Y			D-221	Y

Requirement #	Requirement Description	A	B	C	D	E
	▪ Indicator of covered/not-covered and effective and end dates by program code ▪ Allowed amount for each pricing segment ▪ Multiple modifiers and the percentage of the allowed price applicable to each modifier or procedure code/modifier combination ▪ State-specified restrictions on conditions to be met for a claim to be paid, including, but not limited to: o Recipient eligibility o Pricing Action Code o Category of service o Specialty o Lab certification o Recipient age/sex restrictions o Allowed diagnosis codes o Prior approval required o Medical review required o Place of service o Pre- and post-operative days o Appropriate diagnosis o Acceptable place of service o Units of service o Once-in-a-lifetime indicator o Attachments required o Valid provider type/specialty o NDC codes and units					

Requirement #	Requirement Description	A	B	C	D	E
	○ Claim type ○ Purge criteria ○ Provider subspecialty ○ Drug Coverage (effective/term dates) ○ Health Check reporting indicator ○ Family Planning indicator ○ Family Planning Waiver Indicator ▪ Narrative language of procedure codes in both short and long description ▪ Indication of when or whether claims for the procedure can be archived from online history (such as once-in-a-lifetime procedures) ▪ Indication of TPL actions, such as cost avoidance, benefit recovery, or pay and chase by procedure code ▪ Indication of third party payers, non-coverage by managed care organizations by managed care organization type ▪ Other information, such as accident/trauma indicators for possible TPL, Federal cost-sharing indicators, and Medicare coverage indicator					
40.6.1.24	Provides capability to maintain Pharmacy Point-of-Sale (POS) reference files that include: ▪ NDC number ▪ Generic Code Number (GCN) or formulation ID ▪ Generic Code Number-Sequence (GCN-Sequence) or clinical formulation ID ▪ Therapeutic class-specific (TxCL) or Therapeutic class code (General Classification Code 3 [GC3]) ▪ Ingredient list ID (HICL-S, relational and non-relational) ▪ HICL sequence number			Y	D-223	Y

Requirement #	Requirement Description	A	B	C	D	E
	▪ Med ID ▪ Routed DF Med ID ▪ Routed MED ID ▪ Med Name ID ▪ HIC Sequence ▪ Generic name (GNN) ▪ Ingredient List ID (HICL) ▪ Brand name ▪ Label name ▪ Manufacturer ▪ Enhanced Therapeutic Classification (ETC) system ▪ American Hospital Formulary (AHF) classification ▪ Universal Product Code (UPC) Search criteria should also include edit description, claim exceptions, explanation of benefits (EOBs), and NCPDP rejects.					
40.6.1.25	Provides capability for the procedure code data set to contain a minimum of five (5) years of data to support claims online history	N	N	N	D-224	Y
40.6.1.26	Provides capability to upload annual Diagnosis Related Group (DRG) and Medicare Code Editors (MCE) software based on a Federal fiscal year no later than October 1st each year and report all errors that occur in processing of the annual DRG code update		Y		D-224	Y
40.6.1.27	Provides capability to receive all weekly, biweekly, or daily drug updates from the drug update service vendor and upload within one (1) business day, including all new modules developed by the Vendor	N	N	N	D-224	Y
40.6.1.28	Provides capability to process updates from the contracted or State-owned drug update service upon receipt without overwriting exact updates previously made by the State or at			Y	D-224	Y

Requirement #	Requirement Description	A	B	C	D	E
	the request of the State					
40.6.1.29	Provides capability to produce a report that identifies contracted drug updates bypassed identifying the data on the database and the update received from the State-owned or contracted drug update service			Y	D-224	Y
40.6.1.30	Provides capability for State-specified customized updates to the drug file from a contracted or State-owned drug update service			Y	D-224	Y
40.6.1.31	Provides capability for specific “facility rate times DRG weight” as well as appropriate facility disproportionate share information for inpatient reimbursement annually	N	N	N	D-224	Y
40.6.1.32	Provides capability to maintain rate files for all services and institutional rates to support pricing that conforms to program requirements	N	N	N	D-224	Y
40.6.1.33	Provides capability to create NC Title XIX Tables Manual and Edit Resolution Manuals	N	N	N	D-225	Y
40.6.1.34	Provides capability to apply edit criteria across claim types, provider type, and specialty types of service, provider taxonomy, provider type and/or specialty by procedure code and therapeutic class, generic product indicator, generic code, and all other drug codes		Y		D-225	Y
40.6.1.35	Provides capability to electronically store State-assigned EOB and ESC message descriptions	N	N	N	D-225	Y
40.6.1.36	Provides capability to store unlimited policy changes received via State/Fiscal Agent Memo regarding file changes for procedure codes, diagnosis codes, revenue codes, dental codes, etc.	N	N	N	D-225	Y
40.6.1.37	Provides capability to electronically store accommodation rate data	N	N	N	D-225	Y
40.6.1.38	Provides capability to maintain indefinitely procedure codes that have timeframe limitations	N	N	N	D-225	Y
40.6.1.39	Provides capability to electronically store modifier information with appropriate multiple modifier and payment calculations	N	N	N	D-225	Y

Requirement #	Requirement Description	A	B	C	D	E
40.6.1.40	Provides capability to produce electronic copies of Reference Files				D-225	Y
40.6.1.41	Provides capability to electronically store an unlimited number of pricing files and methodologies by date range that support NC DHHS program requirements	Y			D-226	Y
40.6.1.42	Provides capability to create crosswalk of all claim type/provider type/taxonomy combinations to State, Family Planning, and Federal Categories of Service for all Types of Service	Y			D-226	Y
40.6.1.43	Provides capability to apply State-approved policy to: ▪ HCPCS, including CPT, American Dental Association (ADA) codes, HCPCS Level II codes, NDCs, State local codes, International Classification of Diseases diagnosis and procedure codes (ICD-9) and future ICD codes ▪ Drug codes ▪ Edits ▪ Rate methodology and calculations ▪ Professional services fees	Y			D-226	Y
40.6.1.44	Provides capability for the Replacement MMIS Reference diagnosis file to interface with pharmacy claims processing to ensure that the diagnosis data is the same in both systems	N	N	N	D-226	Y
40.6.1.45	Provides capability to maintain a Reference Modifier File that contains procedure code and modifier information, including sub-database/matrix that supports State/Fiscal Agent staff-authorized access by procedure code and modifier that displays: ▪ Narrative of procedure code ▪ Narrative of modifier, including effective end dates by either date of service, date of processing, or date of receipt ▪ Modifier and narrative applicable to the use of the procedure code/modifier combination	N	N	N	D-226	Y

Requirement #	Requirement Description	A	B	C	D	E
	▪ Modifier pricing information, including effective end dates by either date of service, date of processing, or date of receipt ▪ Applicable modifier combinations ▪ Applicable procedure/modifier combinations ▪ Applicable providers for each modifier, including effective and end dates					
40.6.1.46	Provides capability to maintain Reference data with all procedure codes and pricing action codes (PAC) that indicate where pricing occurs based on: ▪ Procedure code, type of service, and/or modifier ▪ Provider type, provider specialty, taxonomy, and procedure code ▪ Type of service ▪ Place of service ▪ Provider and per diem rate ▪ Provider, DRG rate, and financial payer ▪ Provider accommodation code ▪ Provider number, percentage of charges, and financial payer ▪ Pharmacy dispensing fee ▪ Enhanced pharmacist professional services fee for performing cognitive services and State-approved interventions ▪ Revenue code ▪ Accommodation code on the Accommodation Rate File ▪ Capitation payments and management fees	N	N	N	D-227	Y
40.6.1.47	Provides capability to indicate whether pricing is performed on the revenue code or the CPT code when a combination of the two is billed	Y			D-227	Y
40.6.1.48	Provides capability to determine if auditing/editing occurs on procedure code or revenue	Y			D-227	Y

Requirement #	Requirement Description	A	B	C	D	E
	code when a combination of revenue code and procedure code is used					
40.6.1.49	Provides capability to search for drugs using the following search criteria: ▪ NDC number ▪ Generic code number or formulation ID ▪ Generic sequence number or clinical formulation ID ▪ Therapeutic class specific or Therapeutic class code ▪ Ingredient list ID (HICL-S, relational and non-relational) ▪ HICL sequence number ▪ Med ID ▪ Routed DF Med ID ▪ Routed Med ID ▪ Med Name ID ▪ HIC Sequence ▪ Generic name (GNN) ▪ Ingredient List ID (HICL) ▪ Brand name ▪ Label name ▪ Manufacturer ▪ Enhanced Therapeutic Classification (ETC) ▪ AHF classification ▪ UPC		Y		D-228	Y
40.6.1.50	Provides capability to search for Drug Utilization Review (DUR) parameter data, drug name, NDC, TxCL, GCN, GCN-Sequence, or State-defined data elements			Y	D-228	Y

Requirement #	Requirement Description	A	B	C	D	E
40.6.1.51	Provides capability for an online, updateable GCN data set to maintain references and associations of drugs with similar indications/therapeutic benefits	N	N	N	D-228	Y
40.6.1.52	Provides capability for an online, updateable GCN data set to identify acute level and duration of a drug before prior approval is required	N	N	N	D-228	Y
40.6.1.53	Provides capability to electronically store and maintain all State-approved pharmacy pricing methodologies	Y			D-228	Y
40.6.1.54	Provides capability to create a crosswalk of HCPCS Level I and Level II codes in the Physician Drug Program (PDP) to NDC/GC3 codes	N	N	N	D-229	Y
40.6.1.55	Provides capability to create a crosswalk of HCPCS Level I and Level II codes to rebateable NDCs	N	N	N	D-229	Y
40.6.1.56	Provides capability to identify Drug Efficacy Study Implementation (DESI) drugs	N	N	N	D-229	
40.6.1.57	Provides capability for State-approved provider maximum reimbursement rates for claims processing to ensure the ability to modify, add, or delete any rates on an individual provider basis or mass provider basis	N	N	N	D-229	
40.6.1.58	Provides capability to electronically store maximum reimbursement rates for DME by procedure code priced for rental or purchase (new or used)	N	N	N	D-229	Y
40.6.1.59	Provides capability to electronically store laboratory maximum reimbursement rates for individual and “panel” laboratory procedures	N	N	N	D-229	Y
40.6.1.60	Provides capability to maintain an online audit trail of all updates to Reference data, including PRO-DUR data, identifying source of the change, CSR number, memo number, before and after images, and change dates to assure State and Federal auditing requirements are met			Y	D-229	Y
40.6.1.61	Provides capability to receive memos from the State online and send memos to the State online for approval	N	N	N	D-229	Y

Requirement #	Requirement Description	A	B	C	D	E
40.6.1.62	Provides capability to electronically store and track State Memos with online status updates	N	N	N	D-229	Y
40.6.1.63	Provides capability to generate an online status report of State Memos	N	N	N	D-229	Y
40.6.1.64	Provides capability for note entry	N	N	N	D-229	Y
40.6.1.65	Provides capability for electronic storage of unlimited policy changes received via State/Fiscal Agent Memos and link to all the memo contents for all record changes				D-229	Y
40.6.1.66	Provides capability to link a State/Fiscal Agent Memo with associated procedure codes			Y	D-230	Y
40.6.1.67**	Provides capability to maintain budget criteria information	N	N	N	D-230	Y
40.6.1.68	Provides capability to replicate rates from one (1) type of provider and service to another like type of provider when the service and rate are equal	N	N	N	D-230	Y
40.6.1.69	Provides capability to supply claims pricing information to the Division of Vocational Rehabilitation and the Division of Services for the Blind			Y	D-230	Y
40.6.1.70	Provides capability to retain MMIS Reference data change requests received from the State in the format received for control, balance, and audit purposes for the life of the Fiscal Agent Contract				D-230	Y
40.6.1.71	Provides capability for a user-controlled method to maintain edit criteria online	Y			D-230	Y
40.6.1.72	Provides capability to access or link with State online policies to facilitate search of policies for changes in CPT and ICD-9/ICD-10 codes			Y	D-230	Y
40.6.1.73	Provides capability for inquiry, entry, and updates to group-level pricing parameters for the determination of pharmacy reimbursement calculations	N	N	N	D-230	Y
40.6.1.74	Provides capability to maintain and electronically store pharmacy pricing methodologies to appropriately price claims according to the appropriate financial payer or population	Y			D-231	Y

Requirement #	Requirement Description	A	B	C	D	E
	according to State policy and business rules					
40.6.1.75	Provides capability to maintain and electronically store new pricing methodologies, criteria, and/or parameters	Y			D-231	Y
40.6.1.76	Provides capability to search for drug data using as primary search criteria: ▪ NDC ▪ Generic code number ▪ Generic sequence number ▪ Therapeutic class ▪ Drug name ▪ Any State-identified First DataBank (FDB) data element			Y	D-231	Y
40.6.1.77	Provides capability for inquiry, entry, and updates of existing and new drug data for a specific drug	N	N	N	D-231	Y
40.6.1.78	Provides capability to search for claim exception parameter data using primary and/or secondary search criteria		Y		D-231	Y
40.6.1.79	Provides capability to search by phonetic and partial description or user-defined selection criteria	N	N	N	D-231	Y
40.6.1.80	Provides capability to electronically store and update drug rates on a schedule determined by the State that allows drug price indicator to be turned on or off for coverage	Y			D-231	Y
40.6.1.81	Provides capability to restrict pharmacy services according to State policy and business rules	N	N	N	D-232	Y
40.6.1.82	Provides capability to handle recipient opt-in to specified lock-in pharmacies according to State policy and business rules	N	N	N	D-232	Y

Requirement #	Requirement Description	A	B	C	D	E
40.6.1.83	Provides capability to electronically store and maintain the Prescription Advantage List (PAL) tiers	N	N	N	D-232	Y
40.6.1.84	Provides capability to maintain and use list of Medicare Part D drugs for dual-eligible recipients according to State policy and business rules	Y			D-232	Y
40.6.1.85	Provides capability to search inquiry, entry, and updates for step care data	N	N	N	D-232	Y
40.6.1.86	Provides capability for inquiry, entry, and updates to a list of preferred agents for a specific step care plan	N	N	N	D-232	Y
40.6.1.87	Provides capability to ensure that all prior approval requirements and associated edits and audits are linked	Y			D-232	Y
40.6.1.88	Provides an online separate file in the Prior Approval business area that includes all services that require prior approval with a minimum of code, definition, initial date the prior approval was required, and end date when prior approval is no longer required			Y	D-232	Y
40.6.1.89	Provides capability to create Fee Schedule reports detailed in the bullets below: ▪ Adult Care Home Personal Care ▪ Ambulance ▪ Ambulatory Surgical Centers/Birthing Centers ▪ Behavioral Health (separate schedules) ▪ Certified Clinical Supervisor and Addictions Specialist ▪ Children's Developmental Service Agencies ▪ Licensed Clinical Social Worker and Licensed Professional Counselor and Licensed Marriage and Family Therapist ▪ Licensed Psychological Associate ▪ Mental Health Enhanced Services			Y	D-232	Y

Requirement #	Requirement Description	A	B	C	D	E
	▪ Mental Health (LME) ▪ Mental Health Non-Licensed Clinical Fee Schedule ▪ Nurse Practitioner ▪ Nurse Specialist ▪ Prospective Rates ▪ Psychologist ▪ Residential Treatment Level III and IV ▪ Community Alternatives Program (CAP) Rates (separate rates) ▪ CAP/AIDS ▪ CAP/Children ▪ CAP/DA ▪ CAP/Mentally Retarded-Development Disability (MR-DD) ▪ DRG Weight Table ▪ Dental Services ▪ Durable Medical Equipment ▪ Federally Qualified Health Center ▪ Home Health Agency Services ▪ Home Infusion Therapy ▪ Hospice ▪ Local Education Agency Practitioners ▪ Local Health Department ▪ Multi-specialty Independent Practitioner ▪ Nursing Facility Rates					

Requirement #	Requirement Description	A	B	C	D	E
	▪ Occupational Therapy ▪ Orthotics and Prosthetics ▪ Physical Therapy ▪ Physician Drug Program ▪ Respiratory Therapy ▪ Rural Health Center ▪ Speech and Audiology Services					
40.6.1.90	Provides capability to create fee schedules and related rate reports for State users and division Web site, including: ▪ Dialysis Centers ▪ Nurse Midwife ▪ Portable X-ray ▪ Optical and Visual Aids ▪ Private Duty Nursing ▪ Targeted Case Management	N	N	N	D-234	Y
40.6.1.91	Provides capability to create rate reports for internal State use only, including: ▪ Lower Level NF Rates ▪ Outpatient Hospital Pricing, Ratio-Cost-to-Charge ▪ Nursing Facility Rates			Y	D-234	Y
40.6.1.92	Provides capability to electronically store a daily file of county DSS mailing addresses			Y	D-234	Y
New Requirement 40.6.1.93	Provides capability to calculate selected physician fee schedule records based on periodic Resource-Based Relative Value Scale (RBRVS) updates	N	N	N	D-234	Y

40.6.2 Reference Operational Requirements

Requirement #	Requirement Description	A	B	C	D	E
40.6.2.1	Fiscal Agent shall log receipt date of each Reference File maintenance request, file maintenance initiation completion date, operator completing request, and supervisor validation date.	N	N	N	D-630	Y
40.6.2.2	Fiscal Agent shall notify the State in writing when a file maintenance request has not been made in accordance with the State Memo and/or as applicable to the contractual performance criteria.				D-630	Y
40.6.2.3	Fiscal Agent shall maintain procedure code updates and applicable editing data as directed by the State or upon receipt of all pertinent information requested from the State; produce before and after images; and return them to the originator of the State request.	N	N	N	D-630	Y
40.6.2.4	Fiscal Agent shall retain MMIS Reference data change requests received from the State in the format received for control, balance, and audit purposes for the life of the Fiscal Agent Contract.				D-630	Y
40.6.2.5	Fiscal Agent shall verify the accuracy of all file maintenance activities; produce weekly reports that summarize, by operator, file maintenance activities, including timeliness of updates and operator accuracy; reports shall be made available to the Contract Monitoring Unit by 7:00 A.M. Eastern Time each Monday following the update activity.	N	N	N	D-631	Y
40.6.2.6	Fiscal Agent shall perform research and analysis for adjudication and policy issues.				D-631	Y
40.6.2.7	Fiscal Agent shall analyze the appropriateness of the cross-reference of new CPT codes and ICD-9/ICD-10 codes to MMIS edits and audits and make recommendations to the State for incorporation of the codes into the established edit criteria or for additional edits/audits as appropriate.				D-631	Y
40.6.2.8	Fiscal Agent shall update edit criteria and all applicable documentation and notify the State when updates occur.	N	N	N	D-631	Y
40.6.2.9	Fiscal Agent shall provide PAL tiers information for provider inquiries.	N	N	N	D-631	Y

Requirement #	Requirement Description	A	B	C	D	E
40.6.2.10	Fiscal Agent shall notify providers of DESI drug denials of payment through the Pharmacy Newsletter or other State-approved medium for communication.				D-631	Y

40.6.3 Reference Operational Performance Standards

Requirement #	Requirement Description	A	B	C	D	E
40.6.3.1	Fiscal Agent shall initiate all Reference File maintenance requests within one (1) State business day of receipt of a request and complete such maintenance according to State-defined timeframe: ▪ Online updates within two (2) State business days of receipt ▪ Mass adjustments within two (2) claims cycles ▪ Other within timeframe, as directed by the State.	N	N	N	D-633	Y
40.6.3.2	Fiscal Agent shall apply Reference File updates (mass updates and subscription service updates) to the Replacement MMIS according to State-defined schedule.	N	N	N	D-633	Y
40.6.3.3	Fiscal Agent shall notify the State in writing when a file maintenance request has not been completed, as directed by the State.				D-633	Y
40.6.3.4	Fiscal Agent shall produce before and after images and return them to the originator of the State Memo the same day the change is made.	N	N	N	D-634	Y
40.6.3.5	Fiscal Agent shall verify the accuracy of all file maintenance activities, producing weekly reports for the Contract Monitoring Unit by 7:00 A.M. Eastern Time each State business Monday.	N	N	N	D-634	Y

40.7 Prior Approval Requirements

40.7.1 Prior Approval System Requirements

Requirement #	Requirement Description	A	B	C	D	E
40.7.1.1	Provides capability to receive and adjudicate prior approval requests and adjustments	N	N	N	D-248	Y
40.7.1.2	Provides capability to integrate prior approval functionality for all applicable claims and benefit plans (services and drugs)	N	N	N	D-248	Y
40.7.1.3	Provides capability for secure electronic submissions of adjudicated Prior Approval data from State-contracted Prior Approval vendors		Y		D-249	Y
40.7.1.4	Provides capability for receipt and response of prior approval and referral requests and adjustments via a secure electronic transmission medium, such as AVRS/IVR, Web, ASC X12 278 transactions, and/or NCPDP		Y		D-249	Y
40.7.1.5	Provides capability to receive and manage prior approval, override, and referral requests via telephone, mail, and fax		Y		D-249	Y
40.7.1.6	Provides capability to create and maintain electronic copies of all prior approval, override, and referral requests and all supporting documentation, including medical photographs		Y		D-249	Y
40.7.1.7	Provides capability to electronically link supporting documentation to prior approval, override, and referral request for on-demand online retrieval by staff		Y		D-249	Y
40.7.1.8	Provides capability for real-time, online prior approval and referral adjudication and notification of response via secure electronic transmission medium, such as AVRS/IVR, Web, ASC X12 278 transactions, and/or NCPDP		Y		D-249	Y
40.7.1.9	Provides capability to review online claims and stored electronic health information	N	N	N	D-249	Y
40.7.1.10	Provides capability for automated screening of drug claims to ensure that evidenced-based, drug-specific criteria are met for pharmacy claims, medical claims data (ICD-9/ICD-10, revenue, and CPT codes), laboratory data, and eligibility data		Y		D-249	Y

Requirement #	Requirement Description	A	B	C	D	E
40.7.1.11	Provides capability for entry, inquiry, updates, and reporting for prior approvals, overrides, and referrals		Y		D-250	Y
40.7.1.12**	Provides capability to manage and adjudicate prior approval requests for individuals who are not currently on the Recipient File		Y		D-250	Y
40.7.1.13	Provides capability for entry and adjudication of prior approval request by LOB	N	N	N	D-250	Y
40.7.1.14	Provides capability for online, real-time update and adjudication of prior approval requests by State and State Prior Approval contractors	N	N	N	D-250	Y
40.7.1.15	Provides capability for interface with State-contracted Prior Approval vendors to accept adjudicated prior approvals		Y		D-250	Y
40.7.1.16	Provides capability for interface with the contracted Pre-Admission, Screening, and Annual Resident Review (PASARR) Vendor and retain PASARR number and associated start/end dates		Y		D-250	Y
40.7.1.17	Provides capability to retain the relationship of recipient-based hospice information (recipient, diagnosis, provider, and coverage dates)		Y		D-250	Y
40.7.1.18	Provides capability for a secure online entry of overrides and referrals	N	N	N	D-251	Y
40.7.1.19	Provides capability to enter comments (free-form text) within a prior approval, referral, or override	N	N	N	D-251	Y
40.7.1.20	Provides capability for online inquiry, data entry, and update access for prior approval, referral, and override requests 6:00 A.M. until 11:00 P.M. Eastern Time Monday through Friday and 7:00 A.M. to 7:00 P.M. on Saturday and Sunday	N	N	N	D-251	Y
40.7.1.21	Provides capability for tracking prior approval date of receipt, date of decision, denial/reduction in service reason, and decision notification date	N	N	N	D-251	Y
40.7.1.22	Provides capability for tracking override date and time of receipt and date decision was	N	N	N	D-251	Y

Requirement #	Requirement Description	A	B	C	D	E
	rendered					
40.7.1.23	Provides capability to generate Prior Approval statistical processing report detailing contracted Prior Approval vendors' submissions that indicates the date and time file received, date and time processed, number of transactions received, number of transactions processed, number of transactions updated, and number of transaction errors, listing each error transaction and error reason		Y		D-251	Y
40.7.1.24	Provides capability to ensure each keyed prior approval, referral, and override by Fiscal Agent, State agency, or vendor has complete audit trail	N	N	N	D-251	Y
40.7.1.25	Provides capability to enter prior approval, referral, and override services and limitations		Y		D-251	Y
40.7.1.26	Provides capability to retain prior approvals for each State program's recipients for five (5) years from last occurrence online and an additional five (5) years near-line; provides capability to maintain all usage by recipient for those benefits that are considered to be periodical or lifetime	N	N	N	D-251	Y
40.7.1.27	Provides capability to retain overrides and referrals for each recipient for five (5) years from last occurrence online and an additional five (5) years near-line	N	N	N	D-252	Y
40.7.1.28	Provides capability to assign system-generated unique prior approval, referral, and override numbers to approved, pended, and denied requests	N	N	N	D-252	Y
40.7.1.29**	Provides capability to encumber funds associated with approved prior approval/authorizations		Y		D-252	Y
40.7.1.30**	Provides capability to establish variable recipient co-pay percentages on a prior approval		Y		D-252	Y
40.7.1.31	Provides capability for incrementing approved units, Prior Approval pricing amounts, and frequencies of authorizations resulting from adjusted claims and voided claims or fully refunded claims back to the Prior Approval data	N	N	N	D-252	Y
40.7.1.32	Provides capability for decrementing approved units, Prior Approval pricing amounts, and frequencies of authorizations of services reimbursed from paid claims, adjusted claims,	N	N	N	D-252	Y

Requirement #	Requirement Description	A	B	C	D	E
	and fully refunded claims to Prior Approval data until all services are used up or zero units remaining within approved timeframe in which time closure of prior approval should occur					
40.7.1.33	Provides capability to generate letters of notification for approved, denied, reduced, or pended prior approval requests	N	N	N	D-252	Y
40.7.1.34	Provides capability for automated denial of prior approval and referral requests for providers who are determined to be on suspension or under review		Y		D-252	Y
40.7.1.35	Provides capability to request prior approval recipient profiles by name, recipient ID number, specific or range of time from five-year (5-year) Prior Approval history online; near-line five (5) years and lifetime procedures in State-approved format		Y		D-253	Y
40.7.1.36	Provides capability to apply Prior Approval logic by LOB, benefit, and recipient eligibility category	N	N	N	D-253	Y
40.7.1.37	Provides capability for online, updateable letter templates to all prior approval letters with the ability to add free-form text specific to a provider or recipient	N	N	N	D-253	Y
	Prior Approval Customer Service Center					
40.7.1.38	Provides capability to support inquiries regarding prior approval, referrals and overrides from physicians, pharmacists, recipients, and other health care professionals	N	N	N	D-253	Y
40.7.1.39	Provides capability to generate a prior approval to limit drug claims for a specific NDC, GCN, GCN-Sequence, GC3 therapeutic class, American Hospital Formulary Service (AHFS) therapeutic class, or any other State-determined FDB-selected data element		Y		D-253	Y
40.7.1.40	Provides capability to change services authorized and to extend or limit the effective dates of the authorization while maintaining the original and the change data on the prior approval, referral, or override	N	N	N	D-254	Y
40.7.1.41	Provides capability to search prior approval and overrides by service type, name of		Y		D-254	Y

Requirement #	Requirement Description	A	B	C	D	E
	provider (issuing and authorized), provider number, name of recipient, recipient number, prior approval and override number, category of service, clerk identification, effective dates, prior approval type, diagnosis, HCPCS, or revenue code and any combinations thereof					
40.7.1.42	Provides capability to search referrals by recipient ID, referring provider ID, referred provider ID, and referral number		Y		D-254	Y
40.7.1.43	Provides capability to validate the need for prior approvals based upon NDC, GCN, GCN-Sequence, GC3 therapeutic class, AHFS therapeutic class, or any other State-determined FDB-selected data element		Y		D-254	Y
40.7.1.44	Provides capability to dispense a seventy-two-hour (72-hour) supply of drugs without prior approval in emergency situations	N	N	N	D-254	Y
40.7.1.45	Provides capability to tie in the date of delivery to the Prior Approval logic for Medicaid for Pregnant Women (MPW) (actually requiring prior approval for anything but postpartum care after the date of delivery)		Y		D-254	Y
40.7.1.46	Provides capability for inquiry and update of prior approval, overrides, and referrals reason/exception codes and descriptions	N	N	N	D-254	Y
40.7.1.47	Provides capability to edit DME prior approvals online to include: ▪ Valid provider identification and eligibility, including other payers and place of residence ▪ Valid recipient age for service ▪ Duplicate approval check for previously authorized or previously adjudicated services, including the same service over the same timeframe by different providers		Y		D-254	Y
40.7.1.48	Provides capability to maintain multiple referral types		Y		D-254	Y
40.7.1.49	Provides capability for data validation and duplicate prior approval, referral, and override		Y		D-255	Y

Requirement #	Requirement Description	A	B	C	D	E
	editing					
40.71.50	Provides capability for authorized users to search for a provider number for purposes of authorizing a referral	N	N	N	D-255	Y
40.7.1.51	Provides capability to make available to a provider, his/her last twenty-five (25) unique referred-to provider IDs and provider names used during the submission of referrals via Web entry		Y		D-255	Y
40.7.1.52	Provides capability to return to the provider, upon successful submission of a referral, a confirmation page in a readable PDF format		Y		D-255	Y
40.7.1.53	Provides capability to allow the referring provider and the referred-to provider to inquire on referrals		Y		D-255	Y
40.7.1.54	Provides capability to produce a report that lists all open referrals not used within a specified period of time		Y		D-255	Y
40.7.1.55	Provides capability for a monthly report that lists the total number of referrals processed within a given month, broken out by referral media type and referral type		Y		D-255	Y
40.7.1.56	Provides capability for workflow imaging application, to enable automated processing and work queue functionality for prior approvals and overrides		Y		D-255	Y
	Searching and Tracking of Therapeutic Leave					
40.7.1.57	Provides capability for online searchable tracking of therapeutic leave in child care facilities, nursing facilities, and intermediate care facilities for the mentally retarded (ICF-MR) by patient identification number and number of days used per calendar year to State staff		**Y**		D-256	Y
	Pharmacy Benefits Management					
40.7.1.58	Provides capability for workflow imaging and work queue functionality to ensure that prior approval requests are listed in each work queue based on first in, first out		Y		D-256	Y

Requirement #	Requirement Description	A	B	C	D	E
40.7.1.59	Provides capability to generate adjudicated prior approval appeal letters to recipients and providers when prior approval was denied or reduced	N	N	N	D-256	Y
40.7.1.60	Provides capability to identify and capture recipient drug information where aberrant drug patterns have been identified		Y		D-256	Y
40.7.1.61	Provides capability for providers to link to the DHHS Web site to obtain the current Prescription Advantage List (PAL) and other pharmacy-related information		Y		D-256	Y
40.7.1.62	Provides capability to ensure verification of recipient eligibility, provider program participation, and third party coverage during adjudication of prior approvals		Y		D-256	Y
40.7.1.63	Provides a prior approval Web site (prior approval-enhanced pharmacy program Web site to include: Home page/Welcome page, What's New section, prior approval list/criteria, prior approval forms, authorization via e-mail, provider information, FAQs, Contact Us page, link to NC Medicaid Home page), and PAL, including upgrades to drug list, updates to criteria, EBM prescriber updates to clinical pearls, and updates to information for providers and recipients		Y		D-257	Y
40.7.1.64	Provides for search capability of covered drugs by: • Effective, termination, or a range of dates • NDC. Generic name, brand name • HICL, HICL-Sequence, HICL code, GCN, GCN-Sequence, GNN, label name manufacturer, UPC, GC3, TxCL, AHF		Y		D-257	Y

40.7.2 Prior Approval Operational Requirements

Requirement #	Requirement Description	A	B	C	D	E
40.7.2.1	Fiscal Agent shall record telephone pharmacy prior approval requests in the same format	N	N	N	D-639	Y

Requirement #	Requirement Description	A	B	C	D	E
	as the pharmacy paper/facsimile hard copy version.					
40.7.2.2	Fiscal Agent shall enter each prior approval request online to include the following: receipt date of each prior approval request made to the Fiscal Agent, denial code, decision date, and mailing date of decision.	N	N	N	D-640	Y
40.7.2.3	Fiscal Agent shall adjudicate prior approvals and mail system-generated disposition letters.	N	N	N	D-640	Y
40.7.2.4	Fiscal Agent shall receive and determine resolution (e.g. approval, denial, or pending) of prior approval and override requests, including retroactive requests based on State-approved medical criteria and medical judgment.	N	N	N	D-640	Y
40.7.2.5	Fiscal Agent shall notify the State via a quarterly report of the number of prior approval requests received, number entered into the system within one (1) State business day, and the number entered into the system after more than one (1) State business day.	N	N	N	D-640	Y
40.7.2.6	Fiscal Agent shall provide a weekly batch processing report that indicates the date and time the file was received, date and time processed, number of transactions received, number of transactions processed, number of transactions updated, and number of transactions errored, listing each error transaction and error reason.	N	N	N	D-640	Y
40.7.2.7	Fiscal Agent shall notify the State monthly when it takes more than one (1) business day from receipt to process and render a decision on a non-emergency prior approval and override request that does not require additional research or additional information.	N	N	N	D-640	Y
40.7.2.8	Fiscal Agent shall notify the State monthly when it takes more than one (1) business day from receipt of all required information to process and render a decision on a non-emergency prior approval and override request that required additional information or research.	N	N	N	D-641	Y
40.7.2.9	Fiscal Agent shall notify the State when it takes more than five (5) business days to process, render a decision, and mail a status report on a prior approval request for retrospective and therapeutic days.	N	N	N	D-641	Y

Requirement #	Requirement Description	A	B	C	D	E
40.7.2.10	Fiscal Agent shall provide the capability for authorized services to be flagged for pre-payment review.	N	N	N	D-641	Y
40.7.2.11	Fiscal Agent shall represent the State throughout the hearing/appeals process for all prior approval decisions made by the Fiscal Agent. Fiscal Agent shall attend Office of Administrative Hearings Representation and must include the Fiscal Agent staff that rendered the final decision of denial.				D-641	Y
40.7.2.12	Fiscal Agent shall perform long-term care facility on-site visits with or without State staff as requested for specific provider problems.				D-641	Y
40.7.2.13	Fiscal Agent shall evaluate and determine prior approval adjudication for: ▪ Eye exams or refraction ▪ Visual aids ▪ Hearing aids, accessories, ear molds, FM systems, repairs ▪ Dental and orthodontics ▪ Hyperbaric oxygenation therapy ▪ Blepharoplasty/blepharoptosis eyelid repair ▪ Panniculectomy ▪ Breast surgery ▪ Clinical severe obesity surgery ▪ Lingual frenulum surgery ▪ Stereotactic pallidotomy ▪ Electrical osteogenic stimulators ▪ Keloids ▪ Craniofacial/facial surgeries ▪ Out-of-state ambulance	N	N	N	D-641	Y

Requirement #	Requirement Description	A	B	C	D	E
	▪ Rhinoplasty ▪ Chiropractic and podiatry ▪ Durable medical equipment ▪ Orthotics and prosthetics ▪ Pharmacy ▪ All services for DPH payment programs					
40.7.2.14	Fiscal Agent shall present prior approval, referral, and override information and provide education at provider workshops.				D-642	Y
40.7.2.15	Fiscal Agent shall respond to and resolve all phone inquiries/questions from recipients, providers, Office of Citizen Services, and manufacturers pertaining to pharmacy drug-related issues and concerns.	N	N	N	D-642	**Y**
40.7.2.16	Fiscal Agent shall ensure that the Pharmacy Prior Approval Customer Service Center is available from 7:00 A.M. until 11:00 P.M. Eastern Time on State business days Monday through Friday, and from 7:00 A.M. until 6:00 P.M. Eastern Time on Saturday and Sunday.	N	N	N	D-642	**Y**
40.7.2.17	Fiscal Agent shall ensure that the non-pharmacy Customer Service Center is available for prior approval, referral and override requests from 7:00 A.M. until 7:00 P.M. Eastern Time Monday through Friday and from 8:00 A.M. until 5:00 P.M. Eastern Time on Saturday				D-642	Y
40.7.2.18	Fiscal Agent shall ensure that adequate prior approval staff, including a clinical pharmacist, is on-site during all hours of call center operation (including evenings and weekends).				D-642	Y
40.7.2.19	Fiscal Agent shall locate a Prior Approval Customer Service Center within the State-approved Fiscal Agent's local facility unless otherwise approved by the State.				D-642	Y
40.7.2.20	Fiscal Agent shall provide capability to receive prior approval requests for stem cell and bone marrow transplants. If all clinical information is included in the request, then the				D-643	Y

Requirement #	Requirement Description	A	B	C	D	E
	Fiscal Agent forwards the request to the DMA Hospital Consultant for review. If all clinical information is not included in the request, the Fiscal Agent must contact the requesting provider for additional clinical information before forwarding the request to the DMA Hospital Consultant for review.					
40.7.2.21	Fiscal Agent shall provide training for Prior Approval Vendors and State staff.				D-643	Y
40.7.2.22	Fiscal Agent shall ensure verification of recipient eligibility, provider program participation, and third party coverage during adjudication of prior approvals.	N	N	N	D-643	Y
40.7.2.23	Fiscal Agent shall ensure automated prior approval adjudication is not available when TPL coverage exists for recipient. Manual review and verification of coverage must be conducted to determine prior approval authorization.			Y	D-643	Y
40.7.2.24	Fiscal Agent shall provide for toll-free telephone and fax number access for providers to request prior approvals, referrals, and overrides				D-643	Y
	Pharmacy Benefits Management					
40.7.2.25	Fiscal Agent shall prepare the CMS Annual Report that includes all information, charts, and statistics relating/pertaining to the Prospective and Retrospective DUR Programs in the format and media as directed by the State.	N	N	N	D-644	Y
40.7.2.26	Fiscal Agent shall coordinate with the DUR Contractor to assure functionality of the Pharmacy Point-of-Sale Business Area, including adding edits, PRO-DUR informational alerts and intervention, conflict, and outcome codes (NCPDP 5.1 standards) and shall assist DUR Vendor with the Retrospective DUR Program.				D-644	Y
40.7.2.27	Fiscal Agent shall provide for updating clinical data, dosing limits to DUR alerts, changes in GCN, GCN-Sequence, weekly DUR file updates, and State-selected FDB data elements.	N	N	N	D-645	Y
40.7.2.28	Fiscal Agent shall prepare monthly Pharmacy Newsletter for State approval and distribute as directed by the State.				D-645	Y

Requirement #	Requirement Description	A	B	C	D	E
40.7.2.29	Fiscal Agent shall ensure daily supervisor signoffs of each Pharmacy Prior Approval Service Representative work queue transferring any prior approvals to the next shift's work queue to ensure performance standards are met.				D-645	Y
40.7.2.30	Fiscal Agent shall coordinate with the State's Drug Utilization Review Vendor or the State to ensure appropriate Pharmacy POS alerts for potential drug therapy problems are identified; shall meet each month; and shall prepare meeting minutes.	N	N	N	D-645	Y
40.7.2.31	Fiscal Agent shall post on the Web site the EBM updates to PAL clinical pearls.	N	N	N	D-645	Y
40.7.2.32	Fiscal Agent shall maintain the Prior Approval Web site that will contain the State Maximum Allowable Cost (SMAC) list and linkage to the Drug Effective Review Process (DERP) reports.				D-645	Y
40.7.2.33	Fiscal Agent shall notify DMA weekly of new drugs with recommended criteria/protocol that become available in the marketplace that are in the same classes as those drugs included in the Prior Approval drug list and PAL.				D-645	Y
40.7.2.34	Fiscal Agent shall develop criteria-driven recommendations for each new drug within an existing Prior Approval therapeutic class category.				D-646	Y
40.7.2.35	Fiscal Agent shall coordinate with the State's Retrospective DUR Vendor or the State to capture claim data specific to aberrant drug patterns; shall meet each month; and shall prepare meeting minutes.	N	N	N	D-646	Y
40.7.2.36	Fiscal Agent shall coordinate with the State's Community Care Program to prevent duplication or fragmentation of effort related to pharmacy benefit coverage; shall meet each month; and shall prepare meeting minutes.				D-646	Y
40.7.2.37	Fiscal Agent shall adjudicate provider appeals.	N	N	N	D-646	Y
40.7.2.38	Fiscal Agent shall prepare monthly Pharmacy Bulletin/Newsletter information for State approval in format, content, and media as directed by the State, including the production, updating of preferred drug lists, prior approvals and lists, and other informational				D-646	Y

Requirement #	Requirement Description	A	B	C	D	E
	materials for prescribers.					
40.7.2.39	Fiscal Agent shall provide for dispensing and reimbursement of a seventy-two-hour (72-hour) supply of prior approval drug in emergency situations.	N	N	N	D-646	Y
40.7.2.40	Fiscal Agent shall identify pharmacy provider training issues related to prior approvals and shall address at workshops	N	N	N	D-646	Y
40.7.2.41	Fiscal Agent shall make recommendations to the State on drugs for a preferred drug list and drugs for which prior approval and/or step therapy protocols would be appropriate. The list shall be based on utilization patterns and shall take into consideration clinical value, recipient and provider disruption, and cost savings.				D-646	Y
40.7.2.42	Fiscal Agent shall add the new drug(s) to their respective therapeutic Prior Approval categories and to add new Prior Approval categories after final approval and notification from DMA; updates must be included on Web site within forty-eight (48) hours of notification.	N	N	N	D-646	Y

40.7.3 Prior Approval Operational Performance Standards

Requirement #	Requirement Description	A	B	C	D	E
40.7.3.1	Fiscal Agent shall update the Prior Approval business area with all prior approval results received from other entities within twenty-four (24) hours of receipt from each entity, except Fridays, when the updates shall be available by 7:00 A.M. Eastern Time on the following Monday.	N	N	N	D-647	Y
40.7.3.2	Fiscal Agent shall render a decision for non-pharmacy prior approval within one (1) State business days of the receipt of all of the required information or research for non-emergency prior approval requests.	N	N	N	D-647	Y
40.7.3.3	Fiscal Agent shall generate and mail prior approval decisions to appropriate designees within two (2) State business days of rendering a decision.	N	N	N	D-648	Y

Requirement #	Requirement Description	A	B	C	D	E
40.7.3.4	Fiscal Agent shall apply the State Prior Approval Policy with ninety-nine and nine-tenths (99.9) percent accuracy rate based on the information available when rendering a prior approval decision.	N	N	N	D-648	Y
40.7.3.5	Fiscal Agent shall provide online inquiry and data entry to the Prior Approval data to providers, Fiscal Agent staff, and State-designated staff from 6:00 A.M. until 11:00 P.M. Eastern Time Monday through Friday and 7:00 A.M. to 7:00 P.M. on Saturday and Sunday ninety-nine and nine-tenths (99.9) percent of the time.	N	N	N	D-648	Y
40.7.3.6**	Fiscal Agent shall provide online inquiry and data entry to the Prior Approval data to AP/LME staff and State-designated staff from 7:00 A.M. until 7:00 P.M. Eastern Time Monday through Friday ninety-nine and nine-tenths (99.9) percent of the time.	N	N	N	D-648	Y
40.7.3.7	Fiscal Agent shall provide online Prior Approval for Pharmacy Prior Approval from 7:00 A.M. to 11:00 P.M. Eastern Time Monday through Friday and 7:00 A.M. to 6:00 P.M. Eastern Time Saturday and Sunday ninety-nine and nine-tenths (99.9) percent of the time.	N	N	N	D-648	Y
40.7.3.8	Fiscal Agent shall produce system-generated letters to recipients and providers of the status of prior approval requests within twenty-four (24) hours from the time of receipt.	N	N	N	D-648	Y
40.7.3.9	Fiscal Agent shall produce weekly Pharmacy Alerts.	N	N	N	D-648	Y
40.7.3.10	Fiscal Agent shall adjudicate each complete pharmacy prior approval request within one (1) State business day of receipt.	N	N	N	D-648	Y
40.7.3.11	Fiscal Agent shall meet monthly with DUR, the State and/or Retrospective DUR vendors and Community Care Program and include minutes in bi-weekly Project Status Report.	N	N	N	D-648	Y
40.7.3.12	Fiscal Agent shall adjudicate provider pharmacy prior approval request appeals within one (1) State business days of receipt.	N	N	N	D-649	Y
40.7.3.13	Fiscal Agent shall respond to a requesting provider within one (1) hour for a telephone request for an emergency override.	N	N	N	D-649	Y

40.8 Claims Processing Requirements

40.8.1 Claims Processing System Requirements

Requirement #	Requirement Description	A	B	C	D	E
	Mailroom					
40.8.1.1	Provides capability for mechanized date stamping of all mail				D-287	Y
40.8.1.2	Provides capability to access system for logging receipt of packages and envelopes received from couriers				D-287	Y
40.8.1.3	Provides capability to access system log for entering checks received	N	N	N	D-287	Y
40.8.1.4	Provides capability for system-generated logging of regular mail costs		Y		D-287	**Y**
40.8.1.5	Provides capability for automated Return to Provider (RTP) letter		Y		D-287	**Y**
40.8.1.6	Provides capability for automated system log/accounting for mailroom		Y		D-287	**Y**
	Claim Acquisition					
40.8.1.7	Provides capability to assign a unique number for each claim, adjustment, and financial transaction that contains date of receipt, batch number, and sequence of document within the batch, upon receipt of each claim and adjustment	N	N	N	D-288	Y
40.8.1.8	Provides capability for tracking of all claims, adjustments, and financial transactions from receipt to final disposition	N	N	N	D-288	Y
40.8.1.9	Provides capability for mechanized images of all claims, attachments, adjustment requests, and other claims-related documents and ability to link these documents to the unique claim number they are associated with	N	N	N	D-288	Y
40.8.1.10	Provides capability to maintain batch and online entry controls for all claims, batch audit trails, and all other transactions entered into the system	N	N	N	D-288	Y

Requirement #	Requirement Description	A	B	C	D	E
40.8.1.11	Provides capability to identify any activated claim batches that fail to balance to control counts	N	N	N	D-288	Y
40.8.1.12	Provides capability for editing to prevent duplicate entry of electronic media claims	N	N	N	D-288	Y
40.8.1.13	Provides capability to perform CLIA editing based on the provider CLIA number and the CLIA number for the service	N	N	N	D-288	Y
40.8.1.14	Provides capability to perform diagnosis editing by line item	N	N	N	D-289	Y
40.8.1.15	Provides capability to adjudicate a claim to the fullest extent possible in order to report all errors	N	N	N	D-289	Y
40.8.1.16	Provides capability to adjudicate claims for Medicare Part D dual-eligible recipients according to State business rules and policies	Y			D-289	Y
40.8.1.17	Provides capability for key re-verification of critical fields, data entry software editing, and supervisor audit verification of keyed claims	N	N	N	D-289	Y
40.8.1.18	Provides capability to maintain extract tables that contain key elements to verify the validity of entered claim information	Y			D-289	Y
40.8.1.19	Provides capability to perform presence and format editing on all entered claims	N	N	N	D-289	Y
40.8.1.20	Provides capability to perform validity editing on all entered claims using current information on Provider, Recipient, Claims History, Prior Approval, and Reference Files or business area/interfaces	N	N	N	D-289	Y
40.8.1.21	Provides capability to support the Medicare Correct Coding Initiative (CCI)	Y			D-289	Y
40.8.1.22	Provides capability for front-end claim, adjustment, or crossover denials when required attachments are not present	N	N	N	D-289	Y
40.8.1.23	Provides capability to generate RTP letters with entry available to denote front-end claim				D-290	Y

Requirement #	Requirement Description	A	B	C	D	E
	error conditions					
40.8.1.24	Provides capability for individual paper and electronic claim overrides on edits such as presumptive eligibility, Medicare A, B, and C, HMO coverage, TPL, and timely filing limit	N	N	N	D-290	Y
40.8.1.25	Provides capability to override service limitations for Early Periodic Screening, Diagnosis, and Treatment (EPSDT) -eligible recipients	N	N	N	D-290	Y
40.8.1.26	Provides capability to identify and allow online correction to claims suspended as a result of data entry errors	N	N	N	D-290	Y
40.8.1.27	Provides capability to return to submitters an acknowledgement of all electronic submissions and claim status within twenty-four (24) hours of original receipt	N	N	N	D-290	Y
40.8.1.28	Provides capability to pre-screen batch electronic media claims to identify global error conditions and prevent entry of such claims into the system	Y			D-290	Y
40.8.1.29	Provides capability to reject electronic claims at the claim level	Y			D-290	Y
40.8.1.30	Provides capability to process claims and financial transaction adjustments	N	N	N	D-290	Y
40.8.1.31	Provides capability to perform duplicate editing of drugs billed by physicians and pharmacy	Y			D-290	Y
40.8.1.32	Provides capability to use transfer of assets data on the Medicaid recipient record in claims processing			Y	D-291	Y
40.8.1.33	Provides capability to populate each claim detail with appropriate header level EOB	N	N	N	D-291	Y
40.8.1.34	Provides capability to use Medicaid/Medicare coverage data from EIS to adjudicate claims	Y			D-291	Y
40.8.1.35	Provides capability to update the Claims History tables with paid and denied claims from the previous audit run	N	N	N	D-291	Y

Requirement #	Requirement Description	A	B	C	D	E
40.8.1.36	Provides capability for inquiry on suspended claims, accessible for online inquiry	N	N	N	D-291	Y
40.8.1.37	Provides capability to accept the indicator denoting whether a third party was billed for TPL claims	N	N	N	D-291	Y
40.8.1.38	Provides capability to use EDB and BENDEX information to detect Medicare and Medicare HMO entitlement for use in claims processing	N	N	N	D-291	Y
40.8.1.39**	Provides capability to define parameters and create a file for the negative and positive eligibility quality control sampling for DMH			Y	D-291	Y
40.8.1.40**	Provides capability to produce reports regarding the results of the DMH negative and positive sampling			Y	D-291	Y
40.8.1.41**	Provides capability to accept an MEQC positive sample file from DMA via DIRM			Y	D-291	Y
40.8.1.42	Provides capability to produce claim history reports using the MEQC positive sample file from DMA via DIRM			Y	D-291	Y
40.8.1.43	Provides capability to reflect all premium payments and adjustments on the online paid Claims History files	N	N	N	D-292	Y
40.8.1.44	Provides capability to maintain a complete history of all claims: paid, adjusted, and denied	N	N	N	D-292	Y
40.8.1.45	Provides capability to accrue all appropriate EOBs messages for relevant claim adjudication for each detail line and report on RA	N	N	N	D-292	Y
40.8.1.46	Provides capability to maintain a minimum five-year (5-year) history of previously paid or denied claims to support duplicate checking and utilization review	N	N	N	D-292	Y
40.8.1.47	Provides capability to assign the status of claims in the system to determine course of each action to be taken in the claims adjudication process and completion of appropriate financial processing tasks	N	N	N	D-292	Y

Requirement #	Requirement Description	A	B	C	D	E
40.8.1.48	Provides capability to adjust paid claims history for State-specified TPL recoveries at the detail level to include duplicate check	Y			D-292	Y
40.8.1.49	Provides capability to allow DME claims to span across calendar months in order to be consistent with Medicare and thus allow appropriate claims payment for Medicaid-covered items	Y			D-292	Y
40.8.1.50	Provides capability for providers to bill ambulance services using multiple claim types	Y			D-292	Y
40.8.1.51**	Provides capability for an extract of DMH claims denied due to insufficient budget			Y	D-292	Y
	Pharmacy Point-of-Sale					
40.8.1.52	Provides capability for an interactive session that accepts submitted pharmacy claims and processes to identify and alert the provider of problems associated with inappropriate drug use prior to dispensing	Y			D-293	Y
40.8.1.53	Provides capability to allow for the submitting provider to respond to alerts by overriding alerts or reversing the claim submitted based on State-determined hierarchy	Y			D-293	Y
40.8.1.54	Provides capability to identify informational alerts for warning on claim denials			Y	D-293	Y
40.8.1.55	Provides capability for an audit trail of all inquiries (event logging), including who made the inquiry, information input, and response provided	N	N	N	D-293	Y
40.8.1.56	Provides capability for alerts for drugs requiring prior approval; provides capability to allow providers to immediately apply for prior approval; provides capability to receive approval if appropriate and complete claim adjudication online	Y			D-293	Y
40.8.1.57	Provides capability to price all pharmacy claims using lesser of logic incorporating all State-approved pricing methodologies	Y			D-293	Y
40.8.1.58	Provides capability for online prospective drug utilization review POS/PRO-DUR) for all pharmacy claims using 5.1 formats or newer, more recent NCPDP format updates	Y			D-293	Y

Requirement #	Requirement Description	A	B	C	D	E
40.8.1.59	Provides capability for submittal of decimal units on claims up to the maximum allowed by NCPDP standards and calculate payment based on the actual decimal versus rounding to a whole unit	N	N	N	D-294	Y
40.8.1.60	Provides capability to interface with Comprehensive Neuroscience (CNS) Program-Behavioral Pharmacy Management System (BPMS); provides capability to interface with BPMS quality indicator algorithms developed by an outside vendor (CNS)			Y	D-294	Y
40.8.1.61	Provides capability for PRO-DUR and Retroactive DUR	Y			D-294	Y
40.8.1.62	Provides capability to process all pharmacy claims in POS/PRO-DUR inclusive with edits/audits/overrides consistent with current State policy			Y	D-294	Y
40.8.1.63	Provides capability to allow for online pharmacy claim reversal/adjustment within one (1) year of date of service	N	N	N	D-294	Y
40.8.1.64	Provides capability to allow for duplicate editing across lines of business, claim types, including pharmacy against HCPCS (e.g., J codes) or NDC codes to ensure both are not billing for nursing home and inpatient stays or pharmacy claims against DME, physician, or Competitive Acquisition Program (CAP) B claims	Y			D-294	Y
40.8.1.65	Provides capability for an online audit trail of all POS/PRO-DUR transactions	Y			D-295	Y
40.8.1.66	Provides capability for submissions and responses for all Replacement MMIS POS/PRO DUR via the Web Portal	N	N	N	D-295	Y
40.8.1.67	Provides capability to accept multiple NDCs and associated prices to calculate total allowed for compound drugs to price and pay compound drugs that include multiple NDCs, rebateable legend drugs, and selected covered over-the-counter products	Y			D-295	Y
40.8.1.68	Provides capability for flexible State-determined dispensing fees	Y			D-295	Y
40.8.1.69	Provides capability to set edits that cannot be overridden when the potential drug conflict reaches certain State-approved severity or significance levels	Y			D-295	Y

Requirement #	Requirement Description	A	B	C	D	E
40.8.1.70	Provides capability to exempt a drug or a recipient from the State-specific prescription limit according to policy	Y			D-295	Y
40.8.1.71	Provides capability to maintain an online audit trail of all updates to Reference and POS/PRO-DUR data, identifying the source of the change, before and after, and change dates	N	N	N	D-295	Y
40.8.1.72	Provides capability to allow for the submitting provider to respond to alerts by overriding alerts or reversing the claim submitted	Y			D-295	Y
40.8.1.73	Provides capability to edit for and deny FDA DESI-identified drugs	Y			D-296	Y
40.8.1.74	Provides capability to pay or deny (but not suspend) all pharmacy claims entered through POS devices	N	N	N	D-296	Y
40.8.1.75	Provides capability to edit against lock-in/lock-out recipient data for pharmacy, primary care provider, and/or prescriber	Y			D-296	Y
40.8.1.76	Provides capability to process claims for pharmacist's professional services and to price according to the cognitive service provided	Y			D-296	Y
40.8.1.77	Provides capability for State-specified customized updates from a contracted drug update service and provides the State all clinical and editorial highlights, newsletter, product information, and modules	N	N	N	D-296	Y
40.8.1.78	Provides capability to edit all claims entered into the system to ensure claims for drugs mandated by Federal regulations, the Federal upper limit (FUL) drugs, and the SMAC drugs are processed correctly; provides capability to edit claims entered into the system to ensure claims are not paid for the drugs listed on the Federal DESI list	Y			D-296	Y
40.8.1.79	Provides capability to edit against all State-determined DUR alerts	Y			D-296	Y
40.8.1.80	Provides capability for e-prescribing services, e.g., Rx HUB , and access to formulary and benefit information to enrolled providers using NCPDP Version 1.0 (or more recent)			Y	D-297	Y

Requirement #	Requirement Description	A	B	C	D	E
	Formulary and benefit standard					
40.8.1.81	Provides capability to apply edits for coverage of non-legend drugs within compound drugs	Y			D-297	Y
40.8.1.82	Provides capability to ensure use of the appropriate package size in calculating the maximum allowable unit cost for reimbursement	N	N	N	D-297	Y
40.8.1.83	Provides capability to edit for Part D eligibility or suspect and deny appropriately	Y			D-297	Y
40.8.1.84	Provides capability to ensure drugs have not been previously issued within the Physician Drug Program and Pharmacy POS	N	N	N	D-297	Y
	Determination of Financial Payer and Population Group					
40.8.1.85	Provides capability to ensure that financial payer and population group determination is based on the recipient's program, enrollment, and related benefit packages, the enrollment of the provider, the inclusion of services in eligible benefit packages, and the dates services were rendered	Y			D-297	Y
40.8.1.86	Provides capability to determine the most appropriate LOB and benefit plan for each claim (by line detail)	Y			D-298	Y
40.8.1.87	Provides capability to perform Payer Determination process daily after input conversion process to accurately route the claim according to financial payer	Y			D-298	Y
40.8.1.88	Provides capability to re-perform Payer Determination process before the claims processing cycle to incorporate any data corrections made subsequent to the initial Payer Determination process	N	N	N	D-298	Y
40.8.1.89	Provides capability to determine financial payer hierarchy	Y			D-298	Y
40.8.1.90	Provides capability to determine population group hierarchy within a specified financial payer	Y			D-299	Y

Requirement #	Requirement Description	A	B	C	D	E
40.8.1.91	Provides capability to maintain, report, and view the original claim and associated actions that changed the original makeup of claim details			Y	D-299	Y
40.8.1.92	Provides capability to identify any claim details and track back to the original claim	N	N	N	D-299	Y
40.8.1.93	Provides capability to identify a claim detail line that has been processed independent of the original claim and tie it to the original claim	N	N	N	D-299	Y
40.8.1.94	Provides capability to apply appropriate Replacement MMIS edits to any claim detail that is processed independent of the original claim	N	N	N	D-299	Y
40.8.1.95	Provides capability to require prior approval for recipients covered in the Medicaid for Pregnant Women (MPW) program for services (other than postpartum care) that are provided after date of delivery	Y			D-299	Y
40.8.1.96	Provides capability to format key-entered POS, batch, and electronic claims submission/electronic data interchange (ECS/EDI) claims into common processing formats for each claim type	N	N	N	D-299	Y
40.8.1.97	Provides capability to perform claims processing based on recipient's enrollment and eligibility information	N	N	N	D-299	Y
40.8.1.98	Provides capability to edit claim detail identifying all error codes for claims that fail daily edit processing at initial processing of the claim to minimize the need for multiple re-submissions of claims	N	N	N	D-299	Y
40.8.1.99	Provides capability to identify the processing outcome of claims (suspend, deny, or pay and report) that fail edits, based on the edit disposition	N	N	N	D-300	Y
40.8.1.100	Provides capability for online claims correction and resolution of suspended claims	N	N	N	D-300	Y
40.8.1.101	Provides capability to receive paper/electronic claims for Medicare and Medicare HMO cost sharing	N	N	N	D-300	Y

Requirement #	Requirement Description	A	B	C	D	E
40.8.1.102	Provides capability for the identification of potential TPL (including Medicare) and suspend, deny, or pay and report the claim	N	N	N	D-300	Y
40.8.1.103	Provides capability to distinguish between a Medicare denial versus private insurance denials	N	N	N	D-300	Y
40.8.1.104	Provides capability for editing to assure that TPL has been satisfied or that a TPL denial attachment is present if required	Y			D-300	Y
40.8.1.105	Provides capability for editing and suspending of claims for pre-payment review based on provider, recipient, procedure code, diagnosis code, third party insurance, and authorized services	Y			D-300	Y
40.8.1.106	Provides capability for editing to assure that the services for which payment is requested are covered by the appropriate State Medical Assistance program	N	N	N	D-301	Y
40.8.1.107	Provides capability for editing to ensure that all required attachments are present	N	N	N	D-301	Y
40.8.1.108	Provides capability to edit for cost-sharing requirements on applicable claims	Y			D-301	Y
40.8.1.109	Provides capability to edit any suspended claims requiring provider or recipient prepayment review	Y			D-301	Y
40.8.1.110	Provides capability to process all claims against the edit criteria	N	N	N	D-301	Y
40.8.1.111	Provides capability for editing to assure that reported diagnosis, procedures, revenue codes, and denial codes are present on Medicare primary claims and all other appropriate claim types	Y			D-302	Y
40.8.1.112	Provides capability to edit for recipient eligibility on date(s) of service	N	N	N	D-302	Y
40.8.1.113	Provides capability to edit for valid recipient identification, using DOB and a minimum of the first two (2) characters of last name and the first character of first name	N	N	N	D-302	Y

Requirement #	Requirement Description	A	B	C	D	E
40.8.1.114	Provides capability to edit for special eligibility records, indicating recipient participation in special programs where program service limitations or restrictions may vary	Y			D-302	Y
40.8.1.115	Provides capability to edit for recipient living arrangement within the dates of service	Y			D-302	Y
40.8.1.116	Provides capability to edit for Provider program eligibility to perform procedure rendered on date of service	N	N	N	D-302	Y
40.8.1.117	Provides capability to edit for provider participation as a member of the billing group	N	N	N	D-302	Y
40.8.1.118	Provides capability to edit claims for recipients in nursing facilities against recipient approval data, level of care, patient liability, patient deductible, Medicare denial, reserve bed and leave days, and admit/discharge information			Y	D-302	Y
40.8.1.119	Provides capability to edit for prior approval and ensure an active prior approval number is on file	N	N	N	D-303	Y
40.8.1.120	Provides capability to edit for prior approval claims and cut back billed units or dollars	Y			D-303	Y
40.8.1.121	Provides capability to edit for step therapy criteria and protocol for selected drugs	Y			D-303	Y
40.8.1.122	Provides capability to override the thirty-four-day (34-day) supply limit edit for drugs	Y			D-303	Y
40.8.1.123	Provides capability to maintain edit disposition to deny claims for services that require prior approval if no prior approval is identified or active	N	N	N	D-303	Y
40.8.1.124	Provides capability to update the Prior Approval record(s) to reflect the services paid on the claim, including units, amount paid, and the number of services still remaining to be used	N	N	N	D-303	Y
40.8.1.125	Provides capability for automated cross-checks and relationship edits on all claims	N	N	N	D-303	Y
40.8.1.126	Provides capability for automated audit processing against history, suspended, and same cycle claims			Y	D-303	Y

Requirement #	Requirement Description	A	B	C	D	E
40.8.1.127	Provides capability to apply Medical Procedure Audit Policy (MPAP) to determine audits on a specific claim detail	Y			D-304	Y
40.8.1.128	Provides capability to ensure that auditing supports claim denials, automatic recoupments or cutbacks, suspended for review, or specific pricing	N	N	N	D-304	Y
40.8.1.129	Provides capability for automatic system recoupment and denial of hospital claim when prior approval for surgery was not granted	N	N	N	D-304	Y
40.8.1.130	Provides capability to apply clinical and pricing business rules in claims processing	Y			D-304	Y
40.8.1.131	Provides capability to identify paid and denied claims in Claims History	N	N	N	D-304	Y
40.8.1.132	Provides capability for editing an unlimited number of claim lines	N	N	N	D-304	Y
40.8.1.133	Provides capability to process multiple units of service for a span of dates of service	Y			D-304	Y
40.8.1.134	Provides capability to edit for potential duplicate claims based on a cross-reference of group and rendering provider, multiple provider locations, and across provider and claim types			Y	D-304	Y
40.8.1.135	Provides capability to identify potential and/or exact duplicate claims in the MMIS and POS within and across financial payers	N	N	N	D-304	Y
40.8.1.136	Provides capability to edit using duplicate audit and suspect-duplicate criteria to validate against history, suspended claims, and same-cycle claims	N	N	N	D-304	Y
40.8.1.137	Provides capability for audit trail of all claims that identify timing and suspense status, error codes, and occurrences per claim header and claim detail as processed to final adjudication status	N	N	N	D-305	Y
40.8.1.138	Provides capability for an unlimited number of edits per claim	N	N	N	D-305	Y
40.8.1.139	Provides capability to identify and track all edits and audits posted to the claim from	N	N	N	D-305	Y

Requirement #	Requirement Description	A	B	C	D	E
	suspense through adjudication					
40.8.1.140	Provides capability for each error code to have a resolution code, an override, force or deny indicator, and the date that the error was resolved, forced, or denied	N	N	N	D-305	Y
40.8.1.141	Provides capability for the acceptance of overrides of claim edits and audits	N	N	N	D-305	Y
40.8.1.142	Provides capability to turn off and on edits/audits for program types as specified by State Memo	N	N	N	D-305	Y
40.8.1.143	Provides capability to identify the claim deposition, based on the edit status or force code with the highest severity specific to each LOB	N	N	N	D-305	Y
40.8.1.144	Provides capability to maintain a record of service codes required for audit processing where the audit criteria covers a period longer than five (5) years (such as once-in-a-lifetime procedures)	N	N	N	D-305	Y
40.8.1.145	Provides capability to modify the disposition of edits by LOB to: ▪ Suspend for special handling ▪ Deny and print an explanatory message on the provider RA ▪ Suspend to a specific location unit ▪ Pay and report to a specific location/unit ▪ Pay	Y			D-305	Y
40.8.1.146	Provides capability to set claim edits to allow dispositions and exceptions to edits based on claim type submission media, provider type and specialty and subspecialty or taxonomy, recipient Medical Assistance program, or individual provider number	Y			D-306	Y
40.8.1.147	Provides capability to perform edits against claims for limits on dollars, units, and percentages			Y	D-306	Y
40.8.1.148	Provides capability to override the Prior Approval edit to allow for emergency seventy-two-hour (72-hour) supply of a drug and does not count toward service limitations for	Y			D-306	Y

Requirement #	Requirement Description	A	B	C	D	E
	prescriptions					
40.8.1.149	Provides capability for variable limitations of pharmacy prescription benefits, such as number of prescriptions, quantity of drugs, specific drugs, and upper limits			Y	D-306	Y
40.8.1.150	Provides capability to allow for exceptions to pharmacy lock-ins	N	N	N	D-306	Y
40.8.1.151	Provides capability to edit claims with billed amounts that vary by a specified degree above or below allowable amounts	Y			D-306	Y
40.8.1.152	Provides capability to validate provider IDs for billing, attending, referring, and prescribing providers	N	N	N	D-306	Y
40.8.1.153	Provides capability to edit for valid CLIA certification for laboratory procedures	N	N	N	D-306	Y
40.8.1.154	Provides capability to edit claim for tooth numbers for procedures requiring tooth number, surface, or quadrant	N	N	N	D-306	Y
40.8.1.155	Provides capability to edit for procedure to procedure on same date of service	N	N	N	D-306	Y
40.8.1.156	Provides capability to edit for service limitations	N	N	N	D-307	Y
40.8.1.157	Provides capability to edit for the identification of the quadrant based on tooth number for editing	Y			D-307	Y
40.8.1.158	Provides capability to track service limitations online	N	N	N	D-307	Y
40.8.1.159	Provides capability to edit and suspend with procedure codes set to manually price unless there is a prior approval for the procedure code for the recipient with the servicing provider	N	N	N	D-307	Y
40.8.1.160	Provides capability to edit for program and allow for services to ICF-MR adults for procedures limited to those individuals under twenty-one (21) years of age	Y			D-307	Y

Requirement #	Requirement Description	A	B	C	D	E
40.8.1.161	Provides capability to edit for timely filing	N	N	N	D-307	Y
40.8.1.162	Provides capability to cut back units on claims, retaining the original units billed and units paid	N	N	N	D-307	Y
40.8.1.163	Provides capability to process Medicare cost-sharing charges using the full claim input information and system edit capability	N	N	N	D-307	Y
40.8.1.164	Provides capability to edit across claim types, including the ability to process with a minimum of four (4) modifiers and edit for modifier appropriateness	N	N	N	D-307	Y
40.8.1.165	Provides capability to edit for disproportionate share hospitals	Y			D-307	Y
40.8.1.166	Provides capability for all edits as listed by the State	N	N	N	D-307	Y
40.8.1.167	Provides capability for encounter-specific editing and auditing	Y			D-308	Y
40.8.1.168	Provides capability to edit billed charges for high and low variances	Y			D-308	Y
	Suspended Claims					
40.8.1.169	Provides capability to suspend claims for review, as required by the State	N	N	N	D-308	Y
40.8.1.170	Provides capability for manual review of claims for specific services, such as hysterectomies, abortions, sterilizations, DME claims for external insulin pumps, equipment repairs, miscellaneous pediatric items, miscellaneous drugs, off-labeled drugs, and all PAC “1” codes	Y			D-308	Y
40.8.1.171	Provides capability to process Medicare cost-sharing charges	Y			D-308	Y
40.8.1.172	Provides capability to electronically store and report comparable codes used to price unlisted procedure codes			Y	D-308	Y
40.8.1.173	Provides capability to subject all pharmacy claims to the automated POS PRO-DUR	N	N	N	D-309	Y

Requirement #	Requirement Description	A	B	C	D	E
	consistently					
40.8.1.174	Provides capability to provide adjudication of the pharmacy POS claim as paid or denied when it passed all edits and audits, sending a response back to the provider via a VAN	N	N	N	D-309	Y
	General Claims Resolution					
40.8.1.175	Provides capability for online claims resolution, edit override capabilities for all claim types, and online adjudication	N	N	N	D-309	Y
40.8.1.176	Provides capability to ensure that all corrected claims are completely re-edited	N	N	N	D-309	Y
40.8.1.177	Provides capability for claims correction process that allows inquiry and update by transaction control number, provider ID, recipient ID, location code, adjustment initiator ID, clerk ID, claim type, date of service, ranges of dates, and prior approval number			Y	D-309	Y
40.8.1.178	Provides capability to sort suspended claims into applicable work queues	N	N	N	D-309	Y
40.8.1.179	Provides capability to forward suspended claims to multiple locations	N	N	N	D-310	Y
40.8.1.180	Provides capability to accept mass adjustments to suspended claims	N	N	N	D-310	Y
40.8.1.181	Provides capability to link free-form notes from all review outcomes and directions to the imaged claim	N	N	N	D-310	Y
40.8.1.182	Provides capability to maintain error codes and messages that clearly identify the reason(s) for the suspension	N	N	N	D-310	Y
40.8.1.183	Provides capability for the methodology to process the adjustment offset in the same payment cycle as the adjusting claim	N	N	N	D-310	Y
40.8.1.184	Provides capability to adjust Claims History only	N	N	N	D-310	Y
40.8.1.185	Provides capability to re-edit, re-price, and re-audit each adjustment, including checking	N	N	N	D-310	Y

Requirement #	Requirement Description	A	B	C	D	E
	for duplication against other regular and adjustment claims, in history, and in process					
40.8.1.186	Provides capability to allow online changes to the adjustment claim record to reflect corrections or changes to information during the claim correction (suspense resolution) process	N	N	N	D-311	Y
40.8.1.187	Provides capability to maintain primary and secondary adjustment reason codes that indicate who initiated the adjustment, the reason for the adjustment, and the disposition of the claim for use in reporting the adjustment	N	N	N	D-311	Y
40.8.1.188	Provides capability for the methodology to allow online changes to the adjustment claim record to reflect corrections or changes to information during the claim correction (suspense resolution) process	N	N	N	D-311	Y
Requirement Deleted 40.8.1.189	~~Provides capability to generate exception sheets online~~					
40.8.1.190	Provides capability to capture and maintain the medical reviewer ID and claims resolution worker ID by date and by error/edit for each suspended claim	N	N	N	D-311	Y
40.8.1.191	Provides capability to identify and access the status of any related limitations for which the recipient has had services	N	N	N	D-312	Y
40.8.1.192	Provides capability to enter multiple error codes for a claim to appear on the RA	N	N	N	D-312	Y
40.8.1.193	Provides capability to assign a unique status to corrected claims	N	N	N	D-312	Y
40.8.1.194	Provides capability of entering multiple error codes for a claim to appear on the RA	N	N	N	D-312	Y
40.8.1.195	Provides capability to maintain all claims on the suspense file until corrected, automatically recycled, or automatically denied	N	N	N	D-312	Y
40.8.1.196	Provides capability to adjudicate special batches of claims	N	N	N	D-312	Y

Requirement #	Requirement Description	A	B	C	D	E
40.8.1.197	Provides capability to force release of claims	N	N	N	D-312	Y
40.8.1.198	Provides capability to adjudicate and track non-covered service claims for EPSDT recipients	Y			D-312	Y
40.8.1.199	Provides capability to capture rebateable NDCs for all administered drugs in the Physician Drug Program, including drugs administered with HCPCS codes	N	N	N	D-313	Y
	Retrospective Drug Utilization Review					Y
40.8.1.200	Provides capability to generate a file of paid drug claims to the Retrospective DUR Vendor			Y	D-313	Y
40.8.1.201	Provides capability to generate a file of physician, clinic, hospital, and pharmacy Provider data to the Retrospective DUR Vendor			Y	D-313	Y
40.8.1.202	Provides capability to generate a file of the recipient data to the Retrospective DUR Vendor			Y	D-313	Y
40.8.1.203	Provides capability to produce the CMS Annual Drug Utilization Review Report			Y	D-313	Y
	Adjustment Processing					
40.8.1.204	Provides capability for online search inquiry for pharmacy claims via any available FDB data element/module, including, but not limited to: ▪ Recipient identifier ▪ Provider identifier ▪ Pharmacy number ▪ Internal control number (ICN) ▪ Prescription number ▪ Therapeutic class			Y	D-314	Y

Requirement #	Requirement Description	A	B	C	D	E
	▪ Drug codes ▪ GCN ▪ GCN-Sequence ▪ NDC					
40.8.1.205	Provides capability to update provider payment history and recipient claims history with all appropriate financial records and reflect adjustments in subsequent reporting, including claim-specific and non-claim-specific recoveries	N	N	N	D-314	Y
40.8.1.206	Provides capability to link an original claim with all adjustment transactions	N	N	N	D-314	Y
40.8.1.207	Provides capability for an online mass-adjustment function to re-price claims, within the same adjudication cycle, for retroactive pricing changes	N	N	N	D-314	Y
40.8.1.208	Provides capability to correct the tooth surface on dental claims and process as an adjustment	N	N	N	D-314	Y
40.8.1.209	Provides capability to process unit dose credits			Y	D-314	Y
40.8.1.210	Provides capability to input transactions to Drug Rebate and TPL of all collected dollars	N	N	N	D-314	Y
40.8.1.211	Provides capability to capture pharmacy/drug rebates on professional and institutional claims	N	N	N	D-314	Y
40.8.1.212	Provides capability to capture and electronically store the clerk ID of the individual who initially entered the adjustment and the clerk ID who worked the suspended adjustment	N	N	N	D-315	Y
	General Payment Processing					
40.8.1.213	Provides capability to process all claims and adjustments in accordance with Replacement MMIS policy and procedure	Y			D-315	Y
40.8.1.214	Provides capability to assign the status of claims in the system to determine the course of	N	N	N	D-315	Y

Requirement #	Requirement Description	A	B	C	D	E
	each action to be taken in the claims adjudication process and completion of appropriate financial processing tasks					
40.8.1.215	Provides capability to apply payments to open accounts receivables when the provider has a positive balance, apply third party collections, create Adjudication Claims File for checkwrite period, and update Provider Earnings file	N	N	N	D-315	Y
40.8.1.216	Provides capability to generate Health Insurance Premium Payments (HIPP)	N	N	N	D-315	Y
40.8.1.217	Provides capability for claims exceptions to process automatically when prior authorized by the lock-in primary care provider or prescriber in accordance with State policy			Y	D-315	Y
	Financial and Related Processing					
40.8.1.218	Provides capability to maintain complete audit trails of adjustment processing activities	N	N	N	D-316	Y
40.8.1.219	Provides capability to assign the status of claims in the system to determine course of each action to be taken in the claims adjudication process and completion of appropriate financial processing tasks	N	N	N	D-316	Y
40.8.1.220	Provides capability to calculate claims payments by payer source, balancing payments due from adjudicated claims with any increase/decrease for adjustments or other financial transactions	N	N	N	D-316	Y
40.8.1.221	Provides capability to apply payments to open accounts receivables when the provider has a positive balance, apply third party collections, create Adjudication Claims File for checkwrite period, and update Provider Earnings file	N	N	N	D-316	Y
40.8.1.222	Provides capability to produce system-generated check registers, provider checks, and RAs and update control totals by LOB			Y	D-316	Y
40.8.1.223	Provides capability to print provider voucher statements and checks by LOB	N	N	N	D-316	Y
40.8.1.224	Provides capability to validate a provider's status prior to issuing payments or processing refund checks and voided checks	N	N	N	D-316	Y

Requirement #	Requirement Description	A	B	C	D	E
40.8.1.225	Provides capability to produce a monthly file of all adjudicated claims and other financial transactions by LOB			Y	D-316	Y
40.8.1.226	Provides capability to track the status of all financial transactions by payer source	N	N	N	D-316	Y
40.8.1.227	Provides capability to run separate payment cycles by each LOB	N	N	N	D-316	Y
40.8.1.228	Provides capability to override the system date used for the payment cycle through a system parameter	N	N	N	D-316	Y
40.8.1.229	Provide the capability to use the same system date for all outputs of a claims payment cycle	N	N	N	D-317	Y
40.8.1.230	Provides capability to create a single check or EFT per payment cycle for each provider by LOB	N	N	N	D-317	Y
40.8.1.231	Provides capability to generate beneficiary Recipient Explanation of Medicaid Benefits (REOMBs)	N	N	N	D-317	Y
40.8.1.232**	Provides capability to generate beneficiary Recipient Explanation of Benefits (REOBs) by LOB			Y	D-317	Y
40.8.1.233	Provides capability to produce and distribute paper RAs formatted separately for individual provider types	N	N	N	D-317	Y
40.8.1.234	Provides capability to produce ANSI 835 and 820 transactions	N	N	N	D-317	Y
40.8.1.235	Provides capability for EFT by LOB	N	N	N	D-317	Y
40.8.1.236	Provides capability to update historical files with information from RAs/835s and checks			Y	D-317	Y
40.8.1.237	Provides capability to ensure RAs contain State-approved EOB messages by LOB	N	N	N	D-317	Y
40.8.1.238	Provides capability for producing statistically valid sampling reports for use in provider	N	N	N	D-317	Y

Requirement #	Requirement Description	A	B	C	D	E
	audits by LOB					
40.8.1.239	Provides capability to rerun a payment cycle by LOB before the next regularly scheduled cycle and within eight (8) clock hours of State notification, when the original cycle is considered unacceptable	N	N	N	D-317	Y
40.8.1.240	Provides capability to produce EFT register and ANSI 835	N	N	N	D-317	Y
40.8.1.241	Provides capability for balancing process associated with financial month-end reporting	N	N	N	D-317	Y
40.8.1.242	Provides capability to modify payment cycle schedule	N	N	N	D-317	Y
40.8.1.243	Provides capabilities to provide independent and separate banking	N	N	N	D-317	Y
40.8.1.244	Provides capability to combine claims from MMIS and POS for payment processing	N	N	N	D-318	Y
40.8.1.245	Provides capability to withhold adjudicated claims from the payment cycle by payer source	N	N	N	D-318	Y
40.8.1.246	Provides capability to retrieve budget and available balance data from North Carolina Accounting System (NCAS)			Y	D-318	Y
40.8.1.247**	Provides capability to accept and process budget data from a DMH file			Y	D-318	Y
40.8.1.248	Provides capability to use approved budget data for expenditure allotment and control	N	N	N	D-318	Y
40.8.1.249**	Provides capability to process and pay claims, based on the applicable budget hierarchy, from the first eligible benefit plan where money is available and the service is covered, within the same payment cycle	N	N	N	D-318	Y
40.8.1.250**	Provides capability to deny claims for services for lack of available funds	N	N	N	D-318	Y
40.8.1.251	Provides capability to hold payment of a claim for a specified period of time	N	N	N	D-318	Y

Requirement #	Requirement Description	A	B	C	D	E
40.8.1.252	Provides capability to exclude “to be paid” claims for payment processing when the provider is in hold status	N	N	N	D-318	Y
40.8.1.253	Provides capability to accumulate by LOB the reimbursement amounts of all original claims, voids, adjustments, and financial transactions in a “to-be-paid” status to determine an initial net payment amount for a provider	N	N	N	D-318	Y
40.8.1.254	Provides capability to create a receipt for individual claims that were overpaid or paid in error and produce a void or adjustment claim showing the transaction	N	N	N	D-319	Y
40.8.1.255	Provides capability to create a financial transaction to correct overpayments, link to original transaction, and apply to offset future payments	N	N	N	D-319	Y
40.8.1.256	Provides capability to apply all or a portion of the provider’s initial payment amount, if it is positive, to recoup monies against any outstanding accounts receivable balances present for the provider	N	N	N	D-319	Y
40.8.1.257	Provides capability to use the Thursday following the processing date as the last payment cycle of the month	Y			D-319	Y
40.8.1.258	Provides capability to process adjustment claims and credit the appropriate budgets before processing any new day claims	N	N	N	D-319	Y
40.8.1.259	Provides capability to apply Patient Monthly Liability (PML) to specific types of claims and post liability amounts used	N	N	N	D-319	Y
40.8.1.260	Provides capability to apply recipient deductible balance to specified types of claims			Y	D-319	Y
40.8.1.261	Provides the capability for positive pay processing				D-319	Y
40.8.1.262	Provides the capability for provider payment data	N	N	N	D-319	Y
40.8.1.263	Provides capability to apply withholds to capitation payments			Y	D-319	Y

Requirement #	Requirement Description	A	B	C	D	E
40.8.1.264	Provides capability to release withholds to capitation payments			Y	D-319	Y
40.8.1.265	Provides capability to apply provider sanctions by rate or percentage	Y			D-320	Y
40.8.1.266	Provides capability to apply provider incentives to management fee claims	N	N	N	D-320	Y
40.8.1.267	Provides all payments, adjustments, and other financial transactions to enrolled providers for approved services	N	N	N	D-320	Y
40.8.1.268	Provides the capability to associate all drug rebates to the claim detail	N	N	N	D-320	Y
	Financial Management and Accounting Business Area					
40.8.1.269	Provides capability to establish accounts receivable in the format of withholds, liens, levy data, and advance payment/recovery of advance payment	N	N	N	D-320	**Y**
40.8.1.270	Provides capability for claims that have passed all edit and pricing processing or that have been denied to be documented on the RA by LOB	N	N	N	D-320	Y
40.8.1.271	Provides capability to create financial transactions	N	N	N	D-320	Y
40.8.1.272	Provides capability to create ~~r~~eceivables generated from other MMIS functions	N	N	N	D-320	Y
40.8.1.273	Provides capability to create provider, recipient, reference, and account receivable/payout data	N	N	N	D-321	Y
40.8.1.274	Provides capability to make retroactive changes to deductibles	N	N	N	D-321	Y
40.8.1.275	Provides capability to create ~~t~~ransactions for corrections to receivables entered into the Replacement MMIS	N	N	N	D-321	Y
40.8.1.276	Provides capability to create transactions for manual checks	N	N	N	D-321	Y
40.8.1.277	Provides capability to create transactions for paper checks	N	N	N	D-321	Y

Requirement #	Requirement Description	A	B	C	D	E
40.8.1.278	Provides capability to validate new and updated EFT provider information				D-321	Y
40.8.1.279	Provides capability to requests an override EFT and create paper checks for a date range and check pulls for void and replacement			Y	D-321	Y
40.8.1.280	Provides capability to create transactions of check voucher status from the State Controller's Office			Y	D-321	Y
40.8.1.281	Provides capability for notes tracking to accommodate tracking of calls	N	N	N	D-321	Y
40.8.1.282	Provides capability for online access to all recipient, provider, encounter (shadow claims), and reference data related to Financial Management and Accounting by LOB	N	N	N	D-321	Y
40.8.1.283	Provides capability for Financial Management and Accounting functions with system update capability	N	N	N	D-321	Y
40.8.1.284	Provides capability to maintain a consolidated accounting function, by program, type, and provider	N	N	N	D-321	Y
40.8.1.285	Provides capability to process capitation payments	N	N	N	D-321	Y
40.8.1.286	Provides capability to withhold a percentage of capitation payments			Y	D-321	Y
40.8.1.287	Provides capability to process Managed Care management fees	N	N	N	D-321	Y
40.8.1.288	Provides capability to process management fees for Health Check			Y	D-322	Y
40.8.1.289	Provides capability to process capitation and/or management fee adjustments	N	N	N	D-322	Y
40.8.1.290	Provides capability to process management fees for APs/LMEs	Y			D-322	Y
40.8.1.291	Provides capability to process encounter claims through the payment cycle, updating the final status of the claims to "paid" or "denied" but not producing an associated payment	N	N	N	D-322	Y

Requirement #	Requirement Description	A	B	C	D	E
40.8.1.292	Provides capability to produce an output extract of encounters (an Encounter RA)	Y			D-322	Y
40.8.1.293	Provides capability to produce an output extract of enhanced Pharmacist Professional fee (on a Pharmacy RA)			Y	D-322	Y
40.8.1.294	Provides capability for system-generated log and tracking of receipt date of request for changes			Y	D-322	Y
40.8.1.295	Provides capability to ensure that provider payments are generated by the processing of claims for eligible recipients and provides capability for adjustments	N	N	N	D-322	Y
40.8.1.296	Provides capability to carry the provider's selection of receiving checks or EFT form of payment	N	N	N	D-322	Y
40.8.1.297	Provides capability to carry the provider's selection of receiving hard copy, electronic RAs, or both	N	N	N	D-322	Y
40.8.1.298	Provides capability to accept pended and adjudicated claims against Provider Earnings file	N	N	N	D-322	Y
40.8.1.299	Provides capability to generate or reproduce provider RAs, to include: ▪ An itemization of submitted claims that were paid, denied, or adjusted, and any financial transactions that were processed for that provider, including subtotals and totals by LOB ▪ An itemization of suspended claims, including dates of receipt and suspense and dollar amount billed by LOB ▪ Adjusted claim information showing the original claim information and the adjusted information, with an explanation of the adjustment reason code and credits pending by LOB ▪ Reason for recoupment or adjustment by LOB ▪ Indication that a claim has been rejected due to TPL coverage on file for the recipient; include available relevant TPL data on the RA by LOB	N	N	N	D-322	Y

Requirement #	Requirement Description	A	B	C	D	E
	▪ Tooth number and surface ▪ Explanatory messages relating to the claim payment cutback, denial, or suspension ▪ Summary section containing earnings information, by program, regarding the number of claims paid, denied, suspended, adjusted, in process, and financial transactions for the current payment period, month-to-date, and year-to-date ▪ Listing of all relevant error messages per claim header and claim detail that would cause a claim to be denied by LOB					
40.8.1.300	Provides capability to print global informational messages on RAs by LOB; provides capability to make multiple messages available on an online, updateable, user-maintainable message text table; provides capability for unlimited free-form text messages; provides capability for parameters such as provider category of service, provider type, provider specialty, program enrollment, claim type, individual provider number, or pay cycle to control the printing of RA messages	N	N	N	D-323	Y
40.8.1.301	Provides capability to suppress the generation of (both zero-pay and pay) check requests for any provider or provider type but generates associated RAs			Y	D-323	Y
40.8.1.302	Provides capability to update provider payment data	N	N	N	D-323	Y
40.8.1.303	Provides capability to maintain a process of fiscal pends	N	N	N	D-323	Y
40.8.1.304	Provides capability to not accumulate claims in a “to be paid” status that have been excluded from payment	N	N	N	D-323	Y
40.8.1.305	Provides capability to suppress the print of a RA when the only thing that is being printed is related to a credit balance			Y	D-324	Y
40.8.1.306	Provides capability to maintain all data items received on all incoming claims, including the tooth number and tooth surface(s)	N	N	N	D-324	Y
40.8.1.307	Provides capability to update Claims History and online financial files with the date of	N	N	N	D-324	Y

Requirement #	Requirement Description	A	B	C	D	E
	payment and amount paid					
40.8.1.308	Provides capability for summary-level provider accounts receivable and payable data and pending recoupment amounts that are automatically updated after each claims processing payment cycle	N	N	N	D-324	Y
40.8.1.309	Provides capability to adjust claim money fields to net out	N	N	N	D-324	Y
40.8.1.310	Provides capability to automatically establish new accounts receivables	N	N	N	D-324	Y
40.8.1.311	Provides identification of providers with credit balances and no claim activity, by program, during a State-specified number of months	N	N	N	D-324	Y
40.8.1.312	Provides capability for the issuance of provider checks and/or EFTs for all claims in the current checkwrite cycle	N	N	N	D-324	Y
40.8.1.313	Provides capability to ensure accurate balances for each checkwrite in accordance with State-approved policy and procedures	N	N	N	D-324	Y
40.8.1.314	Provides capability to process transactions for manually written checks generating a Claims History record	N	N	N	D-324	Y
40.8.1.315	Provides capability to process EFT provider information, updating provider records to reflect their status with EFT	N	N	N	D-324	Y
40.8.1.316	Provides capability to accept requests to override EFT payment to a provider	N	N	N	D-324	Y
40.8.1.317	Provides capability to process check voucher information from the State Controller's Office			Y	D-324	Y
40.8.1.318	Provides capability to update Claims History with RA number and RA issued date from the State Controller's Register file			Y	D-324	Y
40.8.1.319	Provides capability to ensure that the weekly budget reporting is consistent with the costs	N	N	N	D-324	Y

Requirement #	Requirement Description	A	B	C	D	E
	allocated during the checkwrite by LOB					
40.8.1.320	Provides capability to produce reports and RAs within the financial processing function of the checkwrite cycle by LOB			Y	D-325	Y
40.8.1.321	Provides capability to process and/or set up a recoupment against a provider without specifying a credit balance by LOB			Y	D-325	Y
40.8.1.322	Provides capability to use a hierarchy table when a provider has multiple recoupment accounts			Y	D-325	Y
40.8.1.323	Provides capability to identify and recoup payments from the provider made for services after a recipient's date of death	N	N	N	D-325	Y
40.8.1.324	Provides capability to apply claims payments recoupments to more than one (1) account receivable at a time	N	N	N	D-325	Y
40.8.1.325	Provides capability to support a methodology that allows the portion of payments made against each account receivable to be controlled by State staff	N	N	N	D-325	Y
40.8.1.326	Provides capability to validate provider tax identification numbers and associated tax names	N	N	N	D-325	Y
40.8.1.327	Provides capability to process any change transactions received for corrections to checks by LOB	N	N	N	D-325	Y
40.8.1.328	Provides capability to ensure that all financial reports can be tied into the basic financial activity recorded in Provider histories by LOB	Y			D-325	Y
40.8.1.329	Provides capability to generate weekly, monthly, quarterly, and annual financial reports after checkwrites	Y			D-325	Y
40.8.1.330	Provides capability for Advance Provider payments by LOB	N	N	N	D-325	Y

Requirement #	Requirement Description	A	B	C	D	E
40.8.1.331	Provides capability to receive online requests from authorized users to retrieve paid claims data to produce Recipient Profiles by LOB and return the data in a printable electronic format	Y			D-325	Y
40.8.1.332	Provides capability to include all buy-in premium payments and adjustments in the online paid Claims History files and in Recipient Profile Reports	Y			D-325	Y
40.8.1.333	Provides the capability to obtain approval from NC DHHS for the amount to be applied for payment prior to each checkwrite				D-326	Y
40.8.1.334	Provides the capability to check remaining balance as each payment amount is calculated to verify that the budgeted amount is not exceeded	N	N	N	D-326	Y
40.8.1.335	Provides capability to identify and calculate pricing amounts according to the fee schedules, per diems, rates, and business rules	N	N	N	D-326	Y
40.8.1.336	Provides capability to apply pricing and reimbursement methodologies to appropriately price claims according to NC DHHS pricing standards	Y			D-326	Y
40.8.1.337	Provides capability to price using any combination of procedure code, population group, billing provider, attending provider, and client	N	N	N	D-326	Y
40.8.1.338	Provides capability to establish fee schedules based on procedures, procedure/modifier, or procedure/type of service, including provider specific rates, DRGs, anesthesia base units, and global surgery days	Y			D-326	Y
40.8.1.339	Provides capability to apply percentages for dual-eligible recipients	Y			D-326	Y
40.8.1.340	Provides capability for pricing of pharmacy claims and reimbursement methodologies to appropriately price claims according to the appropriate financial payer or population group in accordance with State policy, including a dispensing fee and pricing actions	N	N	N	D-326	Y
40.8.1.341	Provides capability to determine calculations for the PAL tiers			Y	D-326	Y

Requirement #	Requirement Description	A	B	C	D	E
40.8.1.342	Provides capability to process and reimburse pharmacy-enhanced professional service fees as defined by State policy and business rules	Y			D-326	Y
40.8.1.343	Provides capability to price pharmacy claims using lesser of logic incorporating all State-approved pricing methodologies	Y			D-326	Y
40.8.1.344	Provides capability to price using State-specific services from the Prior Approval File			Y	D-326	Y
40.8.1.345	Provides capability to apply recipient liability and co-pay rules, including varying co-pay amounts	N	N	N	D-327	Y
40.8.1.346	Provides capability to identify and calculate payment amounts for Health Check procedures when higher rate applies	Y			D-327	Y
40.8.1.347	Provides capability to deduct either the provider reported or recipient database deductible amount	Y			D-327	Y
40.8.1.348	Provides capability to use non-Medicaid charges first and apply the remainder to allowed charges based on first bill received for processing for the deductible for recipients classed as medically needy			Y	D-327	Y
40.8.1.349	Provides capability to allow the deductible amount to be assigned to specific providers for recipients classed as medically needy	Y			D-327	Y
40.8.1.350	Provides capability to invoke State-approved “Medicare Suspect” procedures			Y	D-327	Y
40.8.1.351	Provides capability to deduct or otherwise apply TPL amounts when pricing claims	N	N	N	D-327	Y
40.8.1.352	Provides capability to price procedure codes, allowing for multiple modifiers that enable reimbursement by program at varying percentages of allowable amounts			Y	D-327	Y
40.8.1.353	Provides capability to price units for procedures based on the cutback units	N	N	N	D-327	Y
40.8.1.354	Provides capability to price encounter claims at equivalent fee for service payment less	Y			D-327	Y

Requirement #	Requirement Description	A	B	C	D	E
	deductions, such as TPL or co-payments					
40.8.1.355	Provides capability to maintain multiple date-specific prices for each applicable provider, procedure code, revenue code, and DRG	N	N	N	D-327	Y
40.8.1.356	Provides capability to maintain multiple date-specific rates for each procedure code, population group, billing provider, attending provider, and/or client specific combination	Y			D-327	Y
40.8.1.357	Provides capability to ensure that NC DHHS programs are payers of last resort with respect to private insurance	N	N	N	D-328	Y
40.8.1.358	Provides capability to ensure that claims with known TPL are reduced by the liability in accordance with NC DHHS standards	N	N	N	D-328	Y
40.8.1.359	Provides capability to support application of State-specific services for claims processing			Y	D-328	Y
40.8.1.360	Provides capability to pay only out-of-plan services for capitated program enrollees as fee-for-service and deny in-plan services	N	N	N	D-328	Y
40.8.1.361	Provides capability to automate the calculation for Ambulatory Surgical Centers			Y	D-328	Y
40.8.1.362	Provides capability to apply Graduate Medical Education (GME), both direct and indirect, to inpatient claims			Y	D-328	Y
40.8.1.363	Provides capability to price NDC codes	N	N	N	D-328	Y
40.8.1.364	Provides capability to price or deny claims with Medicare participation, including Medicare HMOs Part C, according to program pricing rules	Y			D-328	Y
40.8.1.365	Provides capability to calculate a DRG per diem for undocumented alien's claims	Y			D-328	Y
40.8.1.366	Provides capability to apply a percentage of an existing fee schedule rate for a different provider specialty	Y			D-328	Y

Requirement #	Requirement Description	A	B	C	D	E
40.8.1.367	Provides capability to apply variable recipient co-pay percentages to a claim from a prior approval			Y	D-328	Y
40.8.1.368	Provides capability to prorate monthly rate for days billed according to State business rules			Y	D-328	Y
40.8.1.369	Provides capability to calculate provider reimbursement according to business rules	N	N	N	D-328	Y
40.8.1.370	Provides capability to price pharmacy claims up to a maximum level allowed by current NCPDP and FDB	Y			D-328	Y
40.8.1.371	Provides capability to price a claim at the lower of the maximum applicable rate, the provider's billed amount, applicable manual pricing, or invoice pricing			Y	D-329	Y
40.8.1.372	Provides capability to accommodate and provide for claims sampling specific to Payment Error Rate Measurement (PERM) Program requirements mandated by CMS and/or their Federal contract agent within designated timeframes Refer to *2007 PERM Data Submission Instructions–Jan 2007[1].pdf* for current PERM data submission requirements.	N	N	N	D-329	Y
40.8.1.373	Provides capability to process HIPP payments	N	N	N	D-329	Y
40.8.1.374	Provides capability to produce and send correspondence related to recipient premiums in the recipient's preferred language, including invoices, notices of non-payment, cancellation notices, receipts, and refunds	N	N	N	D-329	Y
40.8.1.375	Provides capability to collect recipient premium payments	N	N	N	D-329	Y
40.8.1.376	Provides capability to produce refunds of recipient premiums	N	N	N	D-329	Y
40.8.1.377	Provides capability to process financial accounting records for premium payments and refunds	N	N	N	D-329	Y

Requirement #	Requirement Description	A	B	C	D	E
40.8.1.378	Provides capability to produce reports for recipient premium payment and cost-sharing (e.g., recipient co-insurance, deductibles, co-payments, etc.) processes			Y	D-329	Y
40.8.1.379	Provides capability to apply cost-sharing, e.g., recipient co-insurance, deductibles, co-payments	N	N	N	D-329	Y
40.8.1.380	Provides capability to ensure cost-sharing does not exceed threshold for the family group			Y	D-329	Y
40.8.1.381	Provides capability to produce and send recipient letters/notices and Explanations of Benefits (EOB) in the recipient's preferred language			Y	D-329	Y

40.8.2 Claims Processing Operational Requirements

Requirement #	Requirement Description	A	B	C	D	E
	General Responsibilities					
40.8.2.1	Fiscal Agent shall perform all claims processing operations functions to support Claims Processing Business Area requirements specified in the Replacement MMIS and user documentation and operating procedures, including, but not limited to: ▪ Pickup and delivery of mail ▪ Sorting and screening of documents ▪ Scanning and batching of documents ▪ Batch control ▪ Data entry ▪ Pharmacy Point-of-Sale ▪ Payer determination processing ▪ Edit processing	N	N	N	D-653	Y

Requirement #	Requirement Description	A	B	C	D	E
	▪ Suspense resolution ▪ Medical review ▪ Claims pricing ▪ Adjudication processing ▪ Adjustment processing ▪ Payment processing ▪ Financial processing ▪ Encounter processing					
40.8.2.2	Fiscal Agent shall maintain and update the current State-approved Medical Procedure Audit Policy (MPAP).				D-654	Y
40.8.2.3	Fiscal Agent shall create test, process, and review claims in a duplicate region (test region) to assure that State-requested changes to the system adjudicate as anticipated and make changes or receive approval according to contractual agreements.	N	N	N	D-654	Y
	Mailroom					
40.8.2.4	Fiscal Agent shall prepare and process all incoming and outgoing mail.				D-654	Y
40.8.2.5	Fiscal Agent shall pick up and deliver mail to the State once in the morning, once in the afternoon of each State business day, and at the request of the State.				D-654	Y
40.8.2.6	Fiscal Agent shall control hand-delivered mail at the Fiscal Agent's main entrance for security and management of routing to appropriate personnel or functional unit.				D-655	Y
40.8.2.7	Fiscal Agent shall ensure no mail, claims, tapes, diskettes, cash, or checks are misplaced after receipt by the Fiscal Agent.				D-655	Y
40.8.2.8	Fiscal Agent shall ensure all mail is date-stamped with date of receipt and within one (1) business day of receipt.				D-655	Y

Requirement #	Requirement Description	A	B	C	D	E
40.8.2.9	Fiscal Agent shall maintain system logging for packages/envelopes mailed via USPS or any other mailing service.				D-655	Y
40.8.2.10	Fiscal Agent shall prepare RTP letters, REOMBs, notice of service approval or denial, and appeal rights TPL letters, drug recovery invoices, estate letters, COCC, and small packages for First Class Mail delivery.				D-655	Y
40.8.2.11	Fiscal Agent shall print and mail/deliver electronically Replacement MMIS State-approved forms.	N	N	N	D-655	Y
40.8.2.12	Fiscal Agent shall log postage costs daily and report to the State a reconciliation of all postage costs to types of articles mailed and distributed				D-656	Y
40.8.2.13	Fiscal Agent shall prepare RAs for mailing and/or transmitting, EFTs for transmitting, and checks for release and mailing.	N	N	N	D-656	Y
	Claims Acquisition					
40.8.2.14	Fiscal Agent shall scan hard copy claims and accompanying documentation.		Y		D-656	Y
40.8.2.15	Fiscal Agent shall pre-screen hard copy claims before entering claims into the system and return those not meeting certain criteria to providers under the RTP letter, indicating missing or incorrect information and log returned claims daily.		Y		D-656	Y
	Adjustments					
40.8.2.16	Fiscal Agent shall sort, log, and batch adjustment requests and supporting documentation.				D-657	Y
40.8.2.17	Fiscal Agent shall assign adjustment internal control numbers that can associate back with the original claim or previous adjustment.	N	N	N	D-657	Y
40.8.2.18	Fiscal Agent shall return adjustment requests with RTP letter to provider, indicating missing or other required information needs.		Y		D-657	Y

Requirement #	Requirement Description	A	B	C	D	E
40.8.2.19	Fiscal Agent shall scan adjustments and supporting documentation.		Y		D-657	Y
40.8.2.20	Fiscal Agent shall verify the quality and readability of scanned adjustment documents.				D-657	Y
40.8.2.21	Fiscal Agent shall reconcile all adjustments (hard copy) entered into the system to batch processing cycle input and output figures.	N	N	N	D-657	Y
	Claims Entry					
40.8.2.22	Fiscal Agent shall perform data entry of all hard copy claims.		Y		D-658	Y
40.8.2.23	Fiscal Agent shall determine if front-end denials are required (such as claims that do not have required sterilization forms or Medicare voucher attached for Medicaid Claims).		Y		D-658	Y
40.8.2.24	Fiscal Agent shall perform individual paper and electronic claim overrides on edits, such as presumptive eligibility, Medicare A, B, and C, HMO coverage, TPL, and timely filing limit	N	N	N	D-658	Y
	Specific to Adjustments					
40.8.2.25	Fiscal Agent shall perform data entry of adjustments.	N	N	N	D-658	Y
	Specific to Electronic Claims Submission/Electronic Data Interchange					
40.8.2.26	Fiscal Agent shall distribute provider claim submission software.	N	N	N	D-659	Y
40.8.2.27	Fiscal Agent shall develop and implement procedures to ensure the integrity of claims submitted by providers via ECS/EDI.	N	N	N	D-659	Y
40.8.2.28	Fiscal Agent shall ensure that all providers submitting via ECS/EDI have signed and returned State-approved ECS/EDI agreements prior to accepting any “production” claim data.		Y		D-659	Y
40.8.2.29	Fiscal Agent shall maintain the original imaged provider-signed ECS/EDI agreements		Y		D-659	Y

Requirement #	Requirement Description	A	B	C	D	E
	linked to the provider's file data.					
40.8.2.30	Fiscal Agent shall accept tape-to-tape billing from defined sources.				D-659	Y
40.8.2.31	Fiscal Agent shall staff ECS/EDI Help Desk to respond to provider support requirements from 8:00 A.M. to 5:00 P.M. Eastern Time on State business days.				D-660	Y
40.8.2.32	Fiscal Agent shall perform ECS/EDI Trading Partner acceptance testing and send memo to the State for signoff and approval of Trading Partner claims submission once testing is successful.	N	N	N	D-660	Y
40.8.2.33	Fiscal Agent shall perform provider ECS/EDI acceptance testing.	N	N	N	D-660	Y
40.8.2.34	Fiscal Agent shall assign provider ECS/EDI security identification number during testing and add to the production security file when provider is ECS/EDI-approved.	N	N	N	D-660	Y
40.8.2.35	Fiscal Agent shall log tapes and diskettes upon receipt and assigns batch number.				D-660	Y
40.8.2.36	Fiscal Agent shall perform acceptance testing of VANs for Pharmacy POS claim submission.				D-660	Y
40.8.2.37	Fiscal Agent shall obtain and maintain signed Pharmacy POS Trading Partner Agreements prior to accepting any "production" POS claim data.		Y		D-660	Y
40.8.2.38	Fiscal Agent shall perform pharmacy worksheet resolutions to resolve pending front-end edits for pharmacy claims and submits resolved worksheets to data entry for processing.	N	N	N	D-660	Y
	Drug Utilization Review					
40.8.2.39	Fiscal Agent shall produce information to support the State in completing the CMS Annual Drug Utilization Review Report.	N	N	N	D-661	Y
40.8.2.40	Fiscal Agent shall attend the DUR board meetings, supply copies of the annual DUR Report, and apply all board recommendations to POS once approved by the State.	N	N	N	D-661	Y

Requirement #	Requirement Description	A	B	C	D	E
	Retrospective Drug Utilization Review					
40.8.2.41	Fiscal Agent shall submit quarterly extract files to the DUR Vendor within five (5) State business days of the month following the quarter's end.			Y	D-661	Y
	Manual Review					
40.8.2.42	Fiscal Agent shall conduct manual reviews of claims for specific services.	N	N	N	D-662	Y
40.8.2.43	Fiscal Agent shall perform manual review on claims according to the manual review procedure manual that identifies claim error information and State-approval criteria.	N	N	N	D-662	Y
40.8.2.44	Fiscal Agent shall refer claims requiring policy decisions to the State.	N	N	N	D-662	Y
40.8.2.45	Fiscal Agent shall perform manual review when claim for EPSDT eligible recipient is denied for "non-covered" services.	N	N	N	D-662	Y
	Adjustments					
40.8.2.46	Fiscal Agent shall return adjustment requests not acceptable due to individual invalid information.		Y		D-662	Y
40.8.2.47	Fiscal Agent shall review adjustment requests.				D-663	Y
40.8.2.48	Fiscal Agent shall process claim-specific retroactive rate adjustments as specified by the State.	Y			D-663	Y
	State-Authorized Claim Overrides					
40.8.2.49	Fiscal Agent shall refer denied claims to the State for review when special circumstances require override designation.				D-663	Y
40.8.2.50	Fiscal Agent shall provide a method to process payments for any specific claim and maintain an audit trail.	Y			D-663	Y

Requirement #	Requirement Description	A	B	C	D	E
	General Claims Resolution					
40.8.2.51	Fiscal Agent shall add functionality to management fee payments to allow for enhanced/reduced fees for individual providers and shall provide interactive updates when entering the revisions into the system.	Y			D-664	Y
40.8.2.52	Fiscal Agent shall complete a report of identified claims with the potential for TPL, including Medicare, based on the previous mentioned elements.			Y	D-664	Y
40.8.2.53	Fiscal Agent shall use claims consultants to serve as technical supervisors to staff performing claims processing. These individuals shall: ▪ Research and analyze problem areas at the request of the State ▪ Provide consultation on complex cases and advise when to refer to the Fiscal Agent's medical consultant and/or the State ▪ Review, analyze, and recommend suggestions affecting State operations.				D-664	Y
40.8.2.54	Fiscal Agent shall obtain approval from NC DHHS for the amount to be applied for payment.	N	N	N	D-664	Y
40.8.2.55	Fiscal Agent shall check remaining balance as each payment amount is calculated to verify that the budgeted amount is not exceeded.	N	N	N	D-665	Y
40.8.2.56	Fiscal Agent shall manually price claims as designated by State policy.	Y			D-665	Y

40.8.3 Claims Processing Operational Performance Standards

Requirement #	Requirement Description	A	B	C	D	E
40.8.3.1	Fiscal Agent shall date-stamp all mail with actual date of receipt within one (1) business day of receipt at Fiscal Agent site.				D-666	Y

Requirement #	Requirement Description	A	B	C	D	E
40.8.3.2	Fiscal Agent shall print and mail Replacement MMIS State-approved forms to providers within two (2) business days of receipt of the provider request (at no cost to the provider).	N	N	N	D-666	Y
40.8.3.3	Fiscal Agent shall provide ECS/EDI Help Desk staff from 8:00 A.M. to 5:00 P.M. Eastern Time on State business days.				D-666	Y
40.8.3.4	Fiscal Agent shall electronically acknowledge back to the submitter, within twenty-four (24) hours of processing, a notice of all teleprocessed electronic claims files received as either accepted or rejected, along with the number of claims.	N	N	N	D-666	Y
40.8.3.5	Fiscal Agent shall assign an ICN to every claim, attachment, and adjustment within twenty-four (24) hours of receipt.				D-666	Y
40.8.3.6	Fiscal Agent shall maintain data entry-field accuracy rates above ninety-eight (98) percent.		Y		D-666	Y
40.8.3.7	Fiscal Agent shall scan every claim and attachment within one (1) State business day.				D-666	Y
40.8.3.8	Fiscal Agent shall return hard copy claims missing State-specified required data within two (2) State business days of receipt.		Y		D-666	Y
40.8.3.9	Fiscal Agent shall process all provider-initiated adjustments within forty-five (45) calendar days of receipt; however, if the claim requires a review by the State, the forty-five (45) calendar days shall suspend until the claim is returned to the Fiscal Agent.	N	N	N	D-666	Y
40.8.3.10	Fiscal Agent shall adjudicate: ▪ Ninety (90) percent of all clean claims for payment or denial within thirty (30) calendar days of receipt ▪ Ninety-nine (99) percent of all clean claims for payment or denial within ninety (90) calendar days of receipt ▪ All non-clean claims within thirty (30) calendar days of the date of correction of the condition that caused the claim to be unclean.	N	N	N	D-667	Y

Requirement #	Requirement Description	A	B	C	D	E
40.8.3.11	Fiscal Agent shall provide correct claims disposition and post to the appropriate account or when appropriate, request additional information within one (1) State business day of receipt.	N	N	N	D-667	Y
40.8.3.12	Fiscal Agent shall notify the State of any delays in the checkwrite process by 8:00 A.M. Eastern Time the next State business day following the checkwrite cycle.				D-667	Y
40.8.3.13	Fiscal Agent shall notify the State immediately upon discovery of any erroneous payments, irrespective of cause, and prior to initiating appropriate recovery action. Fiscal Agent shall use the change request process to notify the State of any system errors that result in a potential provider erroneous payment.	N	N	N	D-667	Y
40.8.3.14	Fiscal Agent shall provide financial month-end reporting to the State within three (3) days from the last checkwrite of each month.	N	N	N	D-667	Y
40.8.3.15	Fiscal Agent shall provide specified quarterly extract files to the DUR Vendor within five (5) State business days of the start of the month following the quarter's end.	N	N	N	D-667	Y
40.8.3.16**	Fiscal Agent shall adjudicate for payment all claims with date of service in previous fiscal year July through April claims by the last checkwrite in May for payment, and shall adjudicate all claims for May and June by the last checkwrite in October of the current fiscal year August for payment due to State fiscal year processing of the State monies.	N	N	N	D-667	Y
40.8.3.17	Fiscal Agent shall ensure that all payments, adjustments, and other financial transactions made through the Replacement MMIS shall be made on behalf of eligible clients to enrolled providers for approved services in accordance with the payment rules and other policies of the State.	N	N	N	D-668	Y
40.8.3.18	Fiscal Agent shall timely process all claims to assure that the average time from receipt to payment is within the schedule of allowable times. In addition, payments shall be made in compliance with Federal regulations, and the Fiscal Agent shall pay any penalties, interest, and/or court cost and attorney's fees arising from any claim made by a provider against the Fiscal Agent or the State where the Fiscal Agent's actions resulted in a claim payment that was late.	N	N	N	D-668	Y

Requirement #	Requirement Description	A	B	C	D	E
40.8.3.19	Fiscal Agent shall successfully complete each checkwrite by the date on the State-approved Checkwrite Schedule.	N	N	N	D-668	Y

40.9 Managed Care Requirements

40.9.1 Managed Care System Requirements

Requirement #	Requirement Description	A	B	C	D	E
40.9.1.1	Provides capability for notes tracking for managed care provider complaints	N	N	N	D-335	Y
40.9.1.2	Provides capability for online access to all recipient, provider, claims, and reference data related to Managed Care	N	N	N	D-335	Y
40.9.1.3	Provides capability to support multiple Managed Care programs, including those currently in existence: ▪ Primary Care Case Management (PCCM) ▪ Pre-Paid Inpatient Mental Health Plan (PIHP)	N	N	N	D-335	Y
40.9.1.4	Provides capability to maintain Managed Care capitation rates for specific groups of recipients	N	N	N	D-335	Y
40.9.1.5	Provides capability to apply edits/audits that prevent claims from being paid when Managed Care program recipients receive program-covered services from sources other than the capitated plans in which they are enrolled	Y			D-335	Y
40.9.1.6	Provides capability to apply edits/audits that prevent claims from being paid when a recipient has not received a referral or override approval when required by the Managed Care program or primary care provider with whom they are enrolled	Y			D-336	Y
40.9.1.7	Provides capability to track the utilization rates and costs for program enrollees and to	Y			D-336	Y

Requirement #	Requirement Description	A	B	C	D	E
	compare such utilization rates and costs to comparable groups of non-Managed Care recipients and across different Managed Care plans to assure sufficient savings are achieved					
40.9.1.8	Provides capability to auto-assign recipients into a Managed Care program(s) See Auto Assignment Business Rules in the Managed Care DSD Exhibits in the Procurement Library.	Y			D-336	Y
40.9.1.9	Provides capability to automatically and on demand produce notices and letters to recipients about their eligibility, enrollment/disenrollment, unavailability of chosen plan, and Managed Care program changes	N	N	N	D-336	Y
40.9.1.10	Provides capability to calculate member months per Managed Care program by age groups and/or by aid categories			Y	D-336	Y
40.9.1.11	Provides capability to maintain an online audit trail of all updates to Managed Care data	N	N	N	D-336	Y
40.9.1.12	Provides capability for online, updateable letter templates for Managed Care recipient and provider letters with the ability to add free-form text and allow for online template changes		Y		D-336	Y
40.9.1.13	Provides capability to apply primary care provider sanctions by entering a provider-specific dollar amount or percentage that results in withholding, or repaying, suppressing, and releasing of all or part of the provider's monthly management/coordination fee up to one hundred (100) percent and notify the State of completed transaction	Y			D-336	Y
40.9.1.14	Provides capability for online logging and tracking of changes to capitation fees or administrative entity provider numbers, file maintenance initiation date, receipt date, file maintenance completion date, operator completing respective changes, name of supervisor, validation, and date	Y			D-336	Y
40.9.1.15	Provides capability to support encounter processing data and costing for the following functions for generation of reports: ▪ State History File	N	N	N	D-337	Y

Requirement #	Requirement Description	A	B	C	D	E
	▪ Finalized Claim Activity File ▪ Storage of encounter fee for service equivalent cost					
40.9.1.16	Provides capability to produce monthly Managed Care enrollment reports	N	N	N	D-337	Y
40.9.1.17	Provides capability to produce a file to DIRM/EIS on a weekly basis to report auto-assignment results	Y			D-337	Y
40.9.1.18	Provides capability to produce county-specific Managed Care Provider Directory and transmit electronically to DIRM nightly			Y	D-337	Y
40.9.1.19	Provides capability to produce a county-specific Provider Availability Report and transmit electronically to DIRM nightly			Y	D-337	Y
40.9.1.20	Provides capability to create an extract file containing North Carolina Health Choice recipients linked with a provider/administrative entity and send to the North Carolina State Health Plan by the third business day of each month			Y	D-337	Y
40.9.1.21	Provides capability to generate management fees monthly	N	N	N	D-337	Y
40.9.1.22	Provides capability to generate capitation payments monthly and retroactively for one (1) year	Y			D-337	Y
40.9.1.23	Provides capability to generate prorated capitation payments for a partial month of eligibility	N	N	N	D-337	Y
40.9.1.24	Provides capability to access Managed Care data by recipient identification number, recipient name, provider identification number, provider name, procedure code, procedure description, prior approval number, clerk identification, and any combinations thereof		Y		D-337	Y
40.9.1.25	Provides capability to generate a monthly Federal report of auto-assigned Medicaid recipients			Y	D-338	Y

Requirement #	Requirement Description	A	B	C	D	E
40.9.1.26	Provides capability to produce PAL scorecard for Managed Care providers			Y	D-338	Y
40.9.1.27	Provides capability to adjust base management fees by percentage resulting in enhanced/reduced fees for all individual providers or administrative entities	Y			D-338	Y
40.9.1.28	Provides capability to create notification letters to the provider/administrative entity regarding the adjustment to management fee rates and the reason for the adjustment		Y		D-338	Y
40.9.1.29	Provides capability to produce a monthly report of all adjusted management fees	N	N	N	D-338	Y
40.9.1.30	Provides capability to produce quarterly utilization reports based on paid claims for all Community Care of North Carolina (CCNC) providers, comparing each provider's service rates and per member per month (PMPM) costs to other primary care provider types within their peer group(s) This will include the ability to automate these reports and to produce the report(s) with varying parameters, including, but not limited to, date spans, provider, provider specialties, provider network, service categories, diagnosis codes, CPT codes, and DRG diagnostic-related groupings. This report shall also include the average total enrollment, adult enrollment, and child enrollment for each CCNC provider.			Y	D-338	Y
40.9.1.31	Provides capability to calculate utilization outlier data for the purpose of provider education, utilization management, and quality improvement This data shall be produced in conjunction with the Utilization Review Report.	N	N	N	D-338	Y
40.9.1.32	Provides capability to revise the Quarterly Utilization Report format to allow for more flexibility to revise the report parameters and data and to include, but not be limited to, disease management and system of care groupings, drug utilization, and other group comparisons, as well as the current peer group comparisons	Y			D-339	Y
40.9.1.33	Provides capability to produce recipient letters based on age, sex, and/or clinical data/medical services based on claim data		Y		D-339	Y
40.9.1.34	Provides capability to generate a report of mailed letters		Y		D-339	Y

40.9.2 Managed Care Operational Requirements

Requirement #	Requirement Description	A	B	C	D	E
40.9.2.1	Fiscal Agent shall resolve all errors, discrepancies, and/or issues related to capitated payments or management fees.	N	N	N	D-669	Y
40.9.2.2	Fiscal Agent shall monitor encounter processing to ensure no payments are generated as a result of encounter processing.	N	N	N	D-669	Y
40.9.2.3	Fiscal Agent shall compile, update, and distribute the Data Submission Manual for encounter data processing.				D-669	Y
40.9.2.4	Fiscal Agent shall serve as first point of contact for questions regarding encounter-related issues.	N	N	N	D-669	Y
40.9.2.5	Fiscal Agent shall conduct training seminars with providers and State staff regarding the encounter claim submission process.				D-670	Y
40.9.2.6	Fiscal Agent shall serve as point of contact for Medicaid providers requesting Managed Care override approvals, make a determination regarding issuance of override, and enter the override approval into the system.	N	N	N	D-670	Y
40.9.2.7	Fiscal Agent shall support toll-free telephone access and be the point of contact for Managed Care providers between 8:00 A.M. and 5:00 P.M. Eastern Time each State business day.	N	N	N	D-670	Y
40.9.2.8	Fiscal Agent shall log receipt of Managed Care provider telephone messages, including brief description of reason for the call, date received, date and who responded to the call, action taken, and any necessary follow-up actions, and ensure follow-up actions are completed.	N	N	N	D-670	Y

40.9.3 Managed Care Operational Performance Standards

Requirement #	Requirement Description	A	B	C	D	E
40.9.3.1	Fiscal Agent shall provide the Withhold and Penalty Log within five (5) State business days of the end of the previous month.	N	N	N	D-671	Y
40.9.3.2	Fiscal Agent shall provide the file maintenance log for Managed Care-related transactions within five (5) State business days of the end of the previous month.	N	N	N	D-671	Y
40.9.3.3	Fiscal Agent shall complete requests for changes to capitation payments/management fees within two (2) State business days from date of request.	N	N	N	D-671	Y
40.9.3.4	Fiscal Agent shall enter all written override approval requests into the system within two (2) State business days from receipt of the request and provide a decision to the requesting providers within five (5) State business days from receipt of request.	N	N	N	D-671	Y
40.9.3.5	Fiscal Agent shall respond to a requesting provider within one (1) hour for a telephone request for an emergency override.	N	N	N	D-671	Y
40.9.3.6	Fiscal Agent shall compile, update, and distribute the Data Submission Manual for encounter data processing to providers within five (5) State business days from State date of approval of change.				D-671	Y
40.9.3.7	Fiscal Agent shall provide toll-free access and a point of contact for Managed Care providers between 8:00 A.M. and 5:00 P.M. Eastern Time each State business day.	N	N	N	D-671	Y
40.9.3.8	Fiscal Agent shall respond to Managed Care provider telephone messages within one (1) State business day of receipt of the message.	N	N	N	D-672	Y
40.9.3.9	Fiscal Agent shall produce Managed Care provider enrollment reports and make them available to providers no later than the first day of each month.	N	N	N	D-672	Y
40.9.3.10	Fiscal Agent shall conduct weekly searches for all “exempt” numbers that are linked to the mandatory program category for a system-generated letter advising the eligible of the potential of primary care provider selection from five (5) providers within a thirty-mile (30-	N	N	N	D-672	Y

Requirement #	Requirement Description	A	B	C	D	E
	mile) range.					
40.9.3.11	Fiscal Agent shall send the Health Choice file to the North Carolina State Health Plan by the third business day of each month.	N	N	N	D-672	Y

40.10 Health Check Requirements

40.10.1 Health Check System Requirements

Requirement #	Requirement Description	A	B	C	D	E
40.10.1.1	Provides capability to maintain the Health Check periodicity schedule	N	N	N	D-347	Y
40.10.1.2	Provides capability for online inquiry to all Health Check data with access by recipient ID and provider number			Y	D-347	Y
40.10.1.3	Provides capability to maintain each Health Check-eligible recipient, the current and historical screening results, referral, diagnosis and treatment, and immunizations, including the provider numbers and dates			Y	D-347	Y
40.10.1.4	Provides capability to identify paid and denied screening claims			Y	D-347	Y
40.10.1.5	Provides capability to identify abnormal conditions by screening date and whether the condition was treated or referred for treatment			Y	D-348	Y
40.10.1.6	Provides capability to update recipient Health Check data with screening results and dates and referral information			Y	D-348	Y
40.10.1.7	Provides capability for online, updateable letter templates for Health Check monthly notifications, standardized letters, and inserts		Y		D-348	Y
40.10.1.8	Provides capability for automatic generation of monthly notifications to case heads for next screenings, screenings missed, and abnormal conditions not treated based on State			Y	D-348	Y

Requirement #	Requirement Description	A	B	C	D	E
	criteria					
40.10.1.9	Provides capability to maintain all notices sent, identifying case and recipient and date the notice was sent			Y	D-348	Y
40.10.1.10	Provides capability to maintain an online audit trail of all updates to Health Check data	N	N	N	D-348	Y
40.10.1.11	Provides capability for Web-based Health Check functionality that allows for the creation, update, and management of: ▪ Health Check Information Notifications ▪ Monthly Accounting of Activities Report (MAAR) Information ▪ County Options Change Request (COCR) Information ▪ Full-Time Equivalency (FTE) Information ▪ Health Check Recipient Data			Y	D-348	Y
40.10.1.12	Provides capability for the following Web-based functionality: ▪ Search recipient data ▪ Enter comments ▪ Update notification suppression ▪ Send standardized notifications			Y	D-348	Y
40.10.1.13	Provides capability to calculate and system-generate Health Check Coordinator management fees			Y	D-349	Y
40.10.1.14	Provides capability to generate a monthly FTE report based on information received on the MAAR and COCR			Y	D-349	Y
40.10.1.15	Provides capability to capture and electronically store all Health Check county staff information			Y	D-349	Y
40.10.1.16	Provides Web-based access to current Health Check data to include new eligibles, new health check screenings, referral, etc.; provides access to each Health Check Coordinator (HCC) to their specific county information and provides ad hoc query			Y	D-349	Y

Requirement #	Requirement Description	A	B	C	D	E
	capability for extraction of data to the desktop					
40.10.1.17	Provides capability to produce the Health Check Activity Report	N	N	N	D-349	Y
40.10.1.18	Provides capability to convert HCC comments from legacy FoxPro Data Shell application into the Replacement MMIS			Y	D-349	Y
40.10.1.19	Provides capability to generate EPSDT report for primary care providers and administrative entities monthly no later than the fifth day of the month for the preceding month's data This information should be available on the Web for providers to download for their practice only.			Y	D-349	Y
40.10.1.20	Provides capability to produce monthly MAAR Summary reports			Y	D-349	Y
40.10.1.21	Provides capability to generate reports of recipients who have been in a particular practice for defined time periods, which includes the county and Statewide participation rates			Y	D-349	Y

40.10.2 Health Check Operational Requirements

Requirement #	Requirement Description	A	B	C	D	E
40.10.2.1	Fiscal Agent shall produce and update Health Check User Manual(s).				D-673	Y
40.10.2.2	Fiscal Agent shall provide telephone and on-site technical support and training for Health Check Coordinators.				D-673	Y
40.10.2.3	Fiscal Agent shall participate in Health Check Coordinator Training Sessions in Raleigh, NC.				D-673	Y
40.10.2.4	Fiscal Agent shall update Health Check Billing Guide.				D-674	Y

Requirement #	Requirement Description	A	B	C	D	E
40.10.2.5	Fiscal Agent shall conduct agenda planning meetings with State Health Check staff prior to Provider Training Workshops and conduct mock workshops for State approval.				D-674	Y
40.10.2.6	Fiscal Agent shall conduct annual regional Health Check workshops for participating providers in six (6) separate sites throughout the State.				D-674	Y
40.10.2.7	Fiscal Agent shall monitor the Denied Claims Report for Health Check denials and contact providers by telephone to educate and schedule provider visits if denial rate is above ten (10) percent.				D-674	Y
40.10.2.8	Fiscal Agent shall review the Health Check County Option File Master Report monthly to ensure that all participating counties received Automated Information Notification System (AINS) (or Fiscal Agent equivalent) data and all Health Check reports.				D-674	Y
40.10.2.9	Fiscal Agent shall review the Health Check Management Fee Option File Master Report monthly to ensure that Health Check management fee claims were generated correctly.				D-674	Y
40.10.2.10	Fiscal Agent shall submit the monthly FTE Report to the State for approval.				D-674	Y
40.10.2.11	Fiscal Agent shall respond to questions from Health Check County staff related to Health Check management fees and provides written responses to the State.				D-674	Y
40.10.2.12	Fiscal Agent shall provide telephone support and on-site provider visits to educate providers on the Health Check program, policies, and billing requirements.				D-674	Y
40.10.2.13	Fiscal Agent shall coordinate rewrite of the Health Check Billing Guide.				D-674	Y

40.10.3 Health Check Operational Performance Standards

Requirement #	Requirement Description	A	B	C	D	E
40.10.3.1	Fiscal Agent shall maintain and update Health Check User Manual(s) within thirty (30)				D-675	Y

Requirement #	Requirement Description	A	B	C	D	E
	days of a change in policy/procedures and shall notify HCCS within two (2) days after posting.					
40.10.3.2	Fiscal Agent shall produce CMS Statistical Database updates and required reports one (1) month prior to CMS deadline and shall make all appropriate corrections to reports within forty-eight (48) hours of notification of problem.				D-675	Y
40.10.3.3	Fiscal Agent shall produce a monthly FTE Report by the second Friday from the end of each month.				D-675	Y
40.10.3.4	Fiscal Agent shall provide training for use of the Health Check functionality to HCCS, in their respective counties, within three (3) weeks of notification by the State.				D-675	Y
40.10.3.5	Fiscal Agent shall review claim denials and contact providers with denial rate greater than ten (10) percent within fourteen (14) days of claim denial.	N	N	N	D-676	Y
40.10.3.6	Fiscal Agent shall respond to questions from Health Check county staff related to Health Check management fees within twenty-four (24) hours of receipt and shall notify State Health Check staff in writing of inquiry and resolution within forty-eight (48) hours of receipt.				D-676	Y
40.10.3.7	Fiscal Agent shall update addresses in the Health Check County Option File within twenty-four (24) hours of receipt.				D-676	Y
40.10.3.8	Fiscal Agent shall coordinate with the State for the annual revisions to the Health Check Billing Guide.				D-676	Y

40.11 Third Party Liability Requirements

40.11.1 TPL System Requirements

Requirement #	Requirement Description	A	B	C	D	E
40.11.1.1	Provides capability to search TPL database by recipient name, recipient number, policy number, policy holder name, policy holder ID number, SSN of the policy holder, by either the whole name or number or any part of the last name or number, or combination thereof	N	N	N	D-360	Y
40.11.1.2	Provides capability to ensure that claims for preventive pediatric services and prenatal care for pregnant women are paid to providers and not cost-avoided if TPL is available	Y			D-360	Y
40.11.1.3	Provides capability to ensure that claims for inpatient hospital stays for pregnant women are cost avoided	Y			D-360	Y
40.11.1.4	Provides capability for updating of insurance carrier information			Y	D-360	Y
40.11.1.5	Provides capability to retrieve/search third party resource information by the following: ▪ Name (by any part of last name), ID number (by any part of ID number), date of birth, SSN (by any part of number) of eligible recipient, and relationship of covered individual to policy holder, or combination thereof ▪ Insurance carrier ▪ Policy number (by any part of number), Medicare Health Insurance Claim (HIC) number (by any part of number), or railroad number ▪ Group name and number ▪ Source code indicating source of suspect TPL information ▪ Name, SSN, and/or ID number of policy holder (by any part of number) ▪ Prescription number, whole number, or any part of number ▪ Therapeutic code ▪ Therapeutic class			Y	D-361	Y

Requirement #	Requirement Description	A	B	C	D	E
	▪ User ID of individual entering or updating TPL record					
40.11.1.6	Provides capability to electronically store multiple, date-specific TPL resources for each recipient	N	N	N	D-361	Y
Requirement Deleted 40.11.1.7	~~Provides capability to electronically store multiple, date-specific TPL resources for each Medicare recipient~~					
40.11.1.8	Provides capability to electronically store all third party resource information by recipient	N	N	N	D-361	Y
40.11.1.9	Provides capability to electronically store third party carrier information	N	N	N	D-362	Y
40.11.1.10	Provides capability to identify all cost-avoided payments due to established TPL	Y			D-362	Y
40.11.1.11	Provides capability to bill carriers for “pay and chase” claims and automatically create a “case” once claims have accumulated to defined threshold amount			Y	D-362	Y
40.11.1.12	Provides capability to automatically identify previously paid claims for recovery when TPL resources are identified or verified retroactively and automatically creates a recovery “case” to initiate recovery within a period specified by the State			Y	D-362	Y
40.11.1.13	Provides capability to identify claims and support recovery actions on paid claims when Medicare coverage is identified or verified after claims have been paid.			Y	D-362	Y
40.11.1.14	Provides capability to track and post recoveries to individual claim histories			Y	D-362	Y
40.11.1.15	Provides capability for archival and retrieval of closed TPL recovery cases			Y	D-362	Y
40.11.1.16	Provides capability to identify accident/trauma claims and automatically generate questionnaire/reports	N	N	N	D-363	Y
40.11.1.17	Provides capability to approve or cancel trauma questionnaires			Y	D-363	Y

Requirement #	Requirement Description	A	B	C	D	E
40.11.1.18	Provides capability to retrieve paid claims from history to assist in TPL recovery	N	N	N	D-363	Y
40.11.1.19	Provides capability to maintain an online audit trail of all updates to TPL data	N	N	N	D-363	Y
40.11.1.20	Provides capability to generate carrier update transactions to the State			Y	D-363	Y
40.11.1.21	Provides capability to provide online inquiry, add, and update to TPL data	N	N	N	D-363	Y
40.11.1.22	Provides capability to enter or update recovery cases from recoveries received	N	N	N	D-363	Y
40.11.1.23	Provides capability to ensure that if the recipient has a pharmacy policy on the date of service that the pharmacy policy is billed or displayed at point of sale rather than any medical policy	N	N	N	D-363	Y
40.11.1.24	Provides capability to identify previously paid claims from the past three (3) years of claims history when TPL resources are identified or verified retroactively			Y	D-364	Y
40.11.1.25	Provides capability to identify previously paid claims from Claims History for the allowed Medicare time limit for filing when Medicare resources are identified or verified after Medicaid payment has occurred			Y	D-364	Y
40.11.1.26	Provides capability to produce and bill drug invoices for insurance carriers			Y	D-364	Y
40.11.1.27	Provides capability to produce accident inquiry letters for identified recipients	N	N	N	D-364	Y
40.11.1.28	Provides capability to maintain recipient health insurance data for TPL through updates from EIS and ACTS to assist in claims processing			Y	D-364	Y
40.11.1.29	Provides capability to capture and maintain Estate Recovery Data, including claims, invoice data, and recovery data on each individual that meets defined criteria	N	N	N	D-364	Y
40.11.1.30	Provides capability to flag and maintain Estate Recovery claims for a lifetime	N	N	N	D-364	Y
40.11.1.31	Provides capability to produce claims/invoices in order to bill for Estate Recovery	N	N	N	D-364	Y

Requirement #	Requirement Description	A	B	C	D	E
40.11.1.32	Provides capability to track and report on invoices	N	N	N	D-364	Y
40.11.1.33**	Provides capability to route specific DME claims to Medicaid after Children's Special Health Services (CSHS) has paid			Y	D-365	Y
40.11.1.34	Provides capability for online updating and reporting function for cases to track open cases, type of case, amount of liens, amount of recoveries	N	N	N	D-365	Y
40.11.1.35	Provides capability to view the invoices for prescription drugs generated by Fiscal Agent, by carrier, or by recipient	N	N	N	D-365	Y
40.11.1.36	Provides capability for online updating, payment, and reporting for the HIPP Program	N	N	N	D-365	Y
40.11.1.37	Provides capability to systematically build recovery cases, allowing users to inquire, add, and update recovery case records	N	N	N	D-365	Y
40.11.1.38	Provides capability to search recovery case records by unique recovery case identification number, case type, policy number, policy holder name, policy holder SSN, claim number, recipient name or number, carrier name, carrier number, provider name or number, attorney name, accident number, or a combination of these data elements			Y	D-365	Y
40.11.1.39	Provides capability to include attorney name, attention line, address, and telephone number in a recovery case record	N	N	N	D-365	Y
40.11.1.40	Provides capability to view all TPL receivables online in determining which claim details have not be completed and the total amount not posted	N	N	N	D-365	Y
40.11.1.41	Provides capability to add or delete claims that are included in any recovery case	N	N	N	D-366	Y
40.11.1.42	Provides capability to add and update the TPL threshold amount online	N	N	N	D-366	Y
40.11.1.43	Provides capability to enter free-form text in a recovery case	N	N	N	D-366	Y
40.11.1.44	Provides capability to maintain all open recovery cases online until closed by authorized	N	N	N	D-366	Y

Requirement #	Requirement Description	A	B	C	D	E
	user					
40.11.1.45	Provides capability to maintain and flag claims that are part of a TPL recovery/cost avoidance case online for three (3) years after the case is closed before archiving	N	N	N	D-366	Y
40.11.1.46	Provides capability to flag a recipient for which a TPL recovery case has been created			Y	D-366	Y
40.11.1.47	Provides capability to generate unique Case Identification Numbers	N	N	N	D-367	Y
40.11.1.48	Provides capability to close a case without full recovery	N	N	N	D-367	Y
40.11.1.49	Provides capability to reproduce a claim and send either by fax, mail or electronically	N	N	N	D-367	Y
40.11.1.50	Provides the capability to flag claims for recipients who have reached a defined threshold	N	N	N	D-367	Y
40.11.1.51	Provides capability for online access and update to TPL data by State-designated staff	N	N	N	D-367	Y
40.11.1.52	Provides capability for batch and/or online real-time access to TPL data between EIS, Mental Health Eligibility Inquiry, CSDW, Medicaid Quality Control, Online Verification, ACTS, and HIS and the Replacement MMIS using API and SOA concepts			Y	D-367	Y
40.11.1.53	Provides capability for daily (next business day) transmission logs showing successful transmission of TPL data to DIRM for CSDW, ACTS, and EIS			Y	D-367	Y
40.11.1.54	Provides capability to exclude third party insurance from claims processing on a per-person/per-policy basis, for a set period; provides capability to support multiple exclusions per person/per policy			Y	D-367	Y
40.11.1.55	Provides capability to process and pay claims when policy limits are exhausted for individuals related to a specific service either annual or lifetime benefits	N	N	N	D-367	Y
40.11.1.56	Provides capability to associate and track Non-Custodial Parent (NCP) policy holder information to covered individuals	N	N	N	D-367	Y

Requirement #	Requirement Description	A	B	C	D	E
40.11.1.57	Provides capability to pend updates to TPL resource data received from Child Support for Medicaid recipients	N	N	N	D-368	Y
40.11.1.58	Provides the capability to pend TPL updates for recipients who are covered by Breast and Cervical Cancer Medicaid (BCCM) or Health Choice programs and display a notification message that the recipient has BCCM or Health Choice			Y	D-368	Y
40.11.1.59	Provides capability to produce a report of TPL segments that have been updated more than once in thirty (30) days			Y	D-368	Y
40.11.1.60	Provides capability to produce a Health Choice Recipient Activity Report in addition to the reports listed in the Design documentation			Y	D-368	Y
40.11.1.61	Provides capability to provide TPL edit/error report(s) for ACTS for State staff access			Y	D-368	Y
40.11.1.62	Provides capability to extract and process TPL data transmitted by ACTS from the DIRM electronic File Cabinet			Y	D-368	Y
40.11.1.63	Provides capability to produce a daily extract of TPL carrier and recipient resource data for ACTS, CSDW, and EIS			Y	D-368	Y
40.11.1.64	Provides capability to produce an extract of updates to TPL recipient resource data for ACTS for Medicaid recipients referred to Child Support			Y	D-368	Y
40.11.1.65	Provides capability for batch access to TPL data using API and SOA concepts between EIS, ACTS, and the Replacement MMIS			Y	D-368	Y
New Requirement 40.11.1.66	Provides capability to produce system-generated letters to providers, recipients, and county offices		Y		D-368	Y

40.11.2 TPL Operational Requirements

Requirement #	Requirement Description	A	B	C	D	E
New Requirement 40.11.2.1	Fiscal Agent shall identify claims and support recovery actions when Medicare resources are identified or verified after claims have been paid.			Y	D-678	**Y**
New Requirement 40.11.2.2	Fiscal Agent shall process and track recoveries and collections	N	N	N	D-678	**Y**
New Requirement 40.11.2.3	Fiscal Agent shall track and post recoveries to individual claim histories.			Y	D-678	**Y**
New Requirement 40.11.2.4	Fiscal Agent shall enter or update recovery cases from recoveries received	N	N	N	D-679	**Y**
New Requirement 40.11.2.5	Fiscal Agent shall generate carrier update transactions to the State			Y	D-679	**Y**
New Requirement 40.11.2.6	Fiscal Agent shall extract and process TPL data transmitted by ACTS from the DIRM electronic File Cabinet			Y	D-679	Y
New Requirement 40.11.2.7	Fiscal Agent shall produce a daily extract of TPL carrier and recipient resource data for ACTS, CSDW, and EIS			Y	D-679	Y
New Requirement 40.11.2.8	Fiscal Agent shall produce an extract of updates to TPL recipient resource data for ACTS for Medicaid recipients referred to Child Support			Y	D-679	Y

40.11.3 TPL Operational Performance Standards

Requirement #	Requirement Description	A	B	C	D	E
Requirement Deleted 40.11.3.1	~~Fiscal Agent shall produce system-generated letters to providers, recipients, and county offices.~~					
40.11.3.2	Fiscal Agent shall adjust paid Claims History for State-specified TPL recoveries and provider/recipient collections within five (5) State business days from end of the previous month.	N	N	N	D-680	Y
40.11.3.3	Fiscal Agent shall disposition the recoveries/collections accurately and consistently ninety-nine and eight tenths (99.8) percent of the time.	N	N	N	D-680	**Y**
40.11.3.4	Fiscal Agent shall produce and bill drug invoices for insurance carriers within five (5) State business days of TPL entry.	N	N	N	D-680	**Y**
40.11.3.5	Fiscal Agent shall mail the accident inquiry letters to the identified recipients within five (5) State business days from end of the previous month.	N	N	N	D-680	**Y**
40.11.3.6	Fiscal Agent shall generate an Estate Recovery invoice within 2 business days after a recipient meets the defined criteria.	N	N	N	D-681	**Y**
40.11.3.7	Fiscal Agent shall provide TPL edit/error report(s) for ACTS for State staff access each State business day.	N	N	N	D-681	Y
40.11.3.8	Fiscal Agent shall provide daily (next business day) transmission logs showing successful transmission of TPL data to CSDW and to and from ACTS available for State staff access each State business day.	N	N	N	D-681	Y
40.11.3.9	The Fiscal Agent shall extract and process recipient TPL data transmitted by ACTS from the electronic DIRM File Cabinet by 7:00 A.M.	N	N	N	D-681	Y
40.11.3.10	The Fiscal Agent shall produce a daily extract of TPL carrier and recipient resource data to DIRM for ACTS, CSDW, and EIS	N	N	N	D-681	Y

Requirement #	Requirement Description	A	B	C	D	E
40.11.3.11	The Fiscal Agent shall produce a daily extract of updates to TPL recipient resource data to DIRM for ACTS for Medicaid recipients referred to Child Support.	N	N	N	D-681	Y

40.12 Drug Rebate Requirements

40.12.1 Drug Rebate System Requirements

Requirement #	Requirement Description	A	B	C	D	E
40.12.1.1	Provides capability to maintain and update data on manufacturers with whom rebate agreements exist, including: ▪ Manufacturer ID numbers and labeler codes ▪ Indication of collection media ▪ Indication of invoicing media ▪ Contact name, mailing and e-mail address, phone and fax numbers ▪ Manufacturer (labeler) enrollment, termination and reinstatement dates ▪ Manufacturer Unit Rebate Amount (URA) ▪ Manufacturer units of measure	N	N	N	D-375	Y
40.12.1.2	Provides capability to capture CMS drug unit rebate amount and units of measure and provides capability to capture T-bill rates for interest calculation	N	N	N	D-375	Y
40.12.1.3	Provides capability to validate units of measure from CMS file to Replacement MMIS drug file for consistency and reporting on exceptions	N	N	N	D-375	Y
40.12.1.4	Provides capability to calculate and generate rebate adjustments by program and/or labeler based on retroactively corrected CMS and North Carolina rebate data	N	N	N	D-375	Y

Requirement #	Requirement Description	A	B	C	D	E
40.12.1.5	Provides capability to determine the amount of rebates due by NDC and UPC, using paid claim data and eligible data from both the pharmacy program and NDCs from the physician drug program procedure codes	N	N	N	D-375	Y
40.12.1.6	Provides capability to generate invoices and regenerate invoices that separately identify rebate amounts and interest amounts by program, labeler, and rebate quarter	Y			D-375	Y
40.12.1.7	Provides capability to maintain identification of the original drug rebate quarter for the claim throughout any adjustments made to the claim	N	N	N	D-375	Y
40.12.1.8	Provides capability for system determination of the rebate amounts and adjustments overdue, calculates interest, and generates new invoices, separately identifying rebate amounts and interest by program, labeler, and rebate quarter	Y			D-376	Y
40.12.1.9	Provides capability for system generation of invoice details and post-payment details that are consistent with the State's reconciliation of invoices and prior quarter adjustment statement			Y	D-376	Y
40.12.1.10	Provides capability to generate invoice cover letters, collection letters, and follow-up collection letters	N	N	N	D-376	Y
40.12.1.11	Provides capability for online, updateable letter templates, including templates for invoice letters, collection letters, follow-up collection letters, allowing for a free-form comments section		Y		D-376	Y
40.12.1.12	Provides capability to maintain and retrieve history of letters sent to manufacturers	N	N	N	D-376	Y
40.12.1.13	Provides capability to update payment details and adjustments to the Replacement MMIS accounting system	N	N	N	D-376	Y
40.12.1.14	Provides capability to maintain and retrieve drug rebate invoice and payment data indefinitely, including CMS drug data, claim data, and operational comments	N	N	N	D-376	Y
40.12.1.15	Provides capability for system identification and exclusion of claims for drugs not eligible			Y	D-376	Y

Requirement #	Requirement Description	A	B	C	D	E
	for drug rebate program					
40.12.1.16	Provides capability for system identification and exclusion of claims from dispensing pharmacies that are not eligible for drug rebate program (340B providers)	N	N	N	D-376	Y
40.12.1.17	Provides capability for online access by the State to quarterly manufacturer drug rebate invoice detail and balances	N	N	N	D-377	Y
40.12.1.18	Provides capability for online access to five (5) years of historical drug rebate invoices, including supporting claims-level detail with selection criteria by labeler, quarter, NDC, or any combination of criteria	N	N	N	D-377	Y
40.12.1.19	Provides capability for online posting of accounts receivables labeler, NDC for each quarter, rebates receivable, and interest receivable	N	N	N	D-377	Y
40.12.1.20	Provides capability for unit conversion of units paid per claim to CMS units billed and CMS units billed to units paid per claim	N	N	N	D-377	Y
40.12.1.21	Provides capability to maintain units paid (as used to calculate claims pricing) and CMS units billed for drug rebate on Claims History	N	N	N	D-377	Y
40.12.1.22	Provides capability for online access to accounts receivable data, invoice history, payment history, adjustment history, and the audit trail at the labeler, quarter, and NDC level	Y	Y	Y	D-377	Y
40.12.1.23	Provides capability to adjust accounts receivable balances for: ▪ Rebates only at labeler/quarter level ▪ Interest only at labeler/quarter level ▪ Rebates and units at NDC level, which would also update labeler/quarter balances ▪ Adjustments and State approved write-offs ▪ Interest only at the drug detail level			Y	D-377	Y

Requirement #	Requirement Description	A	B	C	D	E
40.12.1.24	Provides capability for online maintenance of comprehensive dispute tracking, including an automated tickler file to flag, track, and/or report quarterly on responding and non-responding manufacturers and disputes			Y	D-377	Y
40.12.1.25	Provides capability for logging and tracking all telephone conversations, letters, inquiries, and other correspondence and actions taken by manufacturers, the State, and others related to drug rebate processing	N	N	N	D-378	Y
40.12.1.26	Provides capability for generation of manufacturer mailing labels on request			Y	D-378	Y
40.12.1.27	Provides capability for an online audit trail of all activities and updates to drug rebate data	N	N	N	D-378	Y
40.12.1.28	Provides capability for online update for Drug Rebate accounts receivable via the NDC with data such as labeler check number and check receipt date to monitor all Drug Rebate accounts receivable activity	N	N	N	D-378	Y
40.12.1.29	Provides capability to make available to the State the total Medicaid expenditures for multiple source drugs (annually) as well as other drugs (every three [3] years); provides capability to include mathematical or statistical computations, comparisons, and any other pertinent records to support pricing changes as they occur			Y	D-378	Y
40.12.1.30	Provides capability for adjustment and State-approved write-off records	N	N	N	D-378	Y
40.12.1.31	Provides capability for system interest calculation on outstanding Drug Rebate balances and applies results to DRS Accounts Receivable File	N	N	N	D-378	Y
40.12.1.32	Provides capability to perform end-of-month balancing process	N	N	N	D-378	Y
40.12.1.33	Provides capability to load all pharmacy claims to the Drug Rebate business area weekly, regardless of where they are paid			Y	D-378	Y
40.12.1.34	Provides capability to maintain the Drug Rebate Labeler Data, facilitating automatic updating with information from CMS and the State	N	N	N	D-379	Y

Requirement #	Requirement Description	A	B	C	D	E
40.12.1.35	Provides capability to maintain online Drug Rebate Claims Detail generated from the Drug Rebate History File of paid claims and adjustment activity that balances to each Labeler invoice by State entity	N	N	N	D-379	Y
40.12.1.36	Provides capability for audits that ensure consistency of data from detail level to summary level			Y	D-379	Y
40.12.1.37	Provides capability to ensure automated electronic transfer of invoice data and detail history to CMS and the State in their respectively approved formats	N	N	N	D-379	Y
40.12.1.38	Provides capability to freeze invoices so they can no longer be recalculated			Y	D-379	Y
40.12.1.39	Provides capability to create a report showing a list of all invoices for a specified rebate program and quarter; provides capability to allow users to view invoices before or after being frozen and allow user determination of whether to include under-threshold invoices			Y	D-379	Y
40.12.1.40	Provides capability to create a report showing quarterly changes to amounts due in the format required for inclusion in the CMS 64 Report			Y	D-379	Y
40.12.1.41	Provides capability to produce Payment Summary Report to display payments received during a specified date range and balances due by quarter within manufacturer	N	N	N	D-379	Y
40.12.1.42	Provides capability to produce Rebate Summary Report to display payments received, invoiced amounts, and disputed amounts by quarter or by year			Y	D-379	Y
40.12.1.43	Provides capability to produce Quarterly Payment Report to give summary of payments received versus the original and current invoiced amounts per manufacturer			Y	D-379	Y
40.12.1.44	Provides capability to produce the NDC Detail Report to give summary data by quarter for selected NDCs	N	N	N	D-379	Y
40.12.1.45	Provides capability to produce the NDC History Report to display all the activities that have occurred for a selected drug by quarter	N	N	N	D-379	Y

Requirement #	Requirement Description	A	B	C	D	E
40.12.1.46	Provides capability to produce the Manufacturer Summary Report to display information by quarter, including amounts invoiced, paid, and disputed	N	N	N	D-380	Y
40.12.1.47	Provides capability to produce the Reconciliation of State Invoice (ROSI)/Prior Quarter Adjustment Report to display the amounts allocated for a selected manufacturer or NDC	N	N	N	D-380	Y
40.12.1.48	Provides capability to produce the Unallocated Balance Report to display unallocated balances selected according to user-supplied criteria			Y	D-380	Y
40.12.1.49	Provides capability to produce the Adjusted Claims Report to display claims where the number of units considered for invoicing differed from those originally supplied by the claims processing system			Y	D-380	Y
40.12.1.50	Provides capability to produce a Drug Rebate Distribution Report, listing Drug Rebate Collections by county, with Federal, State, and county share specified			Y	D-380	Y
40.12.1.51	Provides capability to produce an Excluded Provider Report, listing those providers whose claims will not be included in Drug Rebate invoices	N	N	N	D-380	Y
40.12.1.52	Provides capability to produce Excluded Provider Listing, displaying the claims paid for providers not subject to rebate			Y	D-380	Y
40.12.1.53	Provides capability to produce a XIX-CMS Utilization Mismatch Report, showing drugs where the Unit Type from CMS does not match that on the Drug File			Y	D-380	Y
40.12.1.54	Provides capability to produce an Invoice Billing for Quarter Report, showing a summary of drug utilization billed to manufacturers for the quarter	N	N	N	D-380	Y
40.12.1.55	Provides capability to produce a Balance Due Report listing the top ten (10) credit balances at run time	N	N	N	D-380	Y
40.12.1.56	Provides capability to produce a Balance Due Report listing the top twenty (20) debit balances at run time	N	N	N	D-380	Y

Requirement #	Requirement Description	A	B	C	D	E
40.12.1.57	Provides capability to produce a Check/Deposit Comparison Report for reconciliation with deposit slips	N	N	N	D-380	Y
40.12.1.58	Provides capability to produce a Check/Voucher Comparison Report, comparing the Check Voucher Total and the Interest Voucher Total and the Interest Voucher Total with the Check Table Total			Y	D-380	Y
40.12.1.59	Provides capability to produce a Disputes Activity Report to display disputes by Unassigned, Assigned, and Resolved dispute types			Y	D-380	Y
40.12.1.60	Provides capability to produce an Interest Activity Report to display all interest overrides			Y	D-381	Y
40.12.1.61	Provides capability to produce an Interest Detail Report to display all interest for a labeler and quarter			Y	D-381	Y
40.12.1.62	Provides capability to produce a report of invoiced amounts greater than the sum of claim reimbursement amounts	N	N	N	D-381	Y
40.12.1.63	Provides capability to produce an Invoice not Paid Report, showing all invoices for which no payment has been received	N	N	N	D-381	Y
40.12.1.64	Provides capability to produce a report that will list all codes (HCPCS) from medical claims, including J codes, M codes, Q codes, and others that have been converted to NDCs			Y	D-381	Y
40.12.1.65	Provides capability to produce a Monthly Balance Report to summarize the balance due per labeler per quarter and across all labelers	N	N	N	D-381	Y
40.12.1.66	Provides capability to produce a report of payments received for drugs with CMS URA of zero	N	N	N	D-381	Y
40.12.1.67	Provides capability to produce a Recapitulation Report that notifies manufacturers of corrected balances after dispute resolution procedures have been completed for one (1) or more quarters.			Y	D-381	Y

Requirement #	Requirement Description	A	B	C	D	E
40.12.1.68	Provides capability to produce a Generic/Non-Generic Report that lists drug rebate amounts invoiced by brand, generic, and multi-source, further divided into brand and generic, plus total for a selected period, and percentages			Y	D-381	Y
40.12.1.69	Provides capability to produce ad hoc reports, including, but not limited to, ad hoc reporting on utilization detail by GCN, GC3 (therapeutic class), and GCN-Sequence	N	N	N	D-381	Y
40.12.1.70	Provides capability to access current and historical URA amounts for all rebateable drugs	N	N	N	D-381	Y

40.12.2 Drug Rebate Operational Requirements

Requirement #	Requirement Description	A	B	C	D	E
40.12.2.1	Fiscal Agent shall update online Drug Rebate accounts receivable via the NDC with data such as labeler check number and check receipt date to monitor all Drug Rebate accounts receivable activity.	N	N	N	D-688	Y
40.12.2.2	Fiscal Agent shall make available to the State the total Medicaid expenditures for multiple source drugs (annually) as well as other drugs (every three [3] years); the record keeping for this requirement should include data such as mathematical or statistical computations, comparisons, and any other pertinent records to support pricing changes as they occur.			Y	D-688	Y
40.12.2.3	Fiscal Agent shall receive and process rebate checks from labelers.	N	N	N	D-688	Y
40.12.2.4	Fiscal Agent shall deposit labeler checks.				D-688	Y
40.12.2.5	Fiscal Agent shall allow for adjustment and write-off records.	N	N	N	D-688	Y
40.12.2.6	Fiscal Agent shall perform interest calculation on outstanding Drug Rebate balances and apply results to Drug Rebate accounts receivable file.	N	N	N	D-689	Y
40.12.2.7	Fiscal Agent shall perform end-of-month balancing process.	N	N	N	D-689	Y

Requirement #	Requirement Description	A	B	C	D	E
40.12.2.8	Fiscal Agent shall maintain Drug Rebate history data with online accessibility by extracting claims data monthly from Claims History and moving the data to the Drug Rebate history on a quarterly basis.	N	N	N	D-689	Y
40.12.2.9	Fiscal Agent shall perform check and voucher entry for update to the accounts receivable records.	N	N	N	D-689	Y
40.12.2.10	Fiscal Agent shall receive, log, and process labeler disputes.	N	N	N	D-689	Y
40.12.2.11	Fiscal Agent shall maintain data for each quarter that a labeler disputes a particular NDC.	N	N	N	D-689	Y
40.12.2.12	Fiscal Agent shall research and resolve discrepancies, including calling providers about questionable claims.				D-689	Y
40.12.2.13	Fiscal Agent shall initiate any necessary adjustments to change units of NDC.	N	N	N	D-689	Y
40.12.2.14	Fiscal Agent shall produce a Recapitulation Report.	N	N	N	D-690	Y
40.12.2.15	Fiscal Agent shall send Recapitulation Report to NC DHHS Auditor(s) for review and approval.				D-690	Y
40.12.2.16	Fiscal Agent shall send Recapitulation Report to labeler with copy of current summary balance once report is approved.	N	N	N	D-690	Y
40.12.2.17	Fiscal Agent shall create and send quarterly invoices for each labeler that has a rebate agreement signed with CMS or the State as division-appropriate.	N	N	N	D-690	Y
40.12.2.18	Fiscal Agent shall update DRS Labeler Data with information from CMS and the State.	N	N	N	D-690	Y
40.12.2.19	Fiscal Agent shall ensure automated electronic transfer process to deliver invoice data and detail history to CMS and the State.	N	N	N	D-690	Y
40.12.2.20	Fiscal Agent shall attend CMS-sponsored Drug Rebate Labeler Dispute meetings as required by the State and based on relevance of agenda.				D-690	Y

40.12.3 Drug Rebate Operational Performance Standards

Requirement #	Requirement Description	A	B	C	D	E
40.12.3.1	Fiscal Agent shall maintain an outstanding rebate balance percentage (i.e., over forty-five [45] days) of less than ten (10) percent of total rebates due for each quarter excluding the outstanding balance of Manufacturers' Disputes Accounts Receivable.	N	N	N	D-691	Y
40.12.3.2	Fiscal Agent shall make available to the State the total Medicaid expenditure for multiple source drugs (annually) as well as other drugs (every three years) accurately and consistently ninety-nine and nine tenths (99.9) percent of the time.			Y	D-691	Y
40.12.3.3	Fiscal Agent shall log all labeler checks received by labeler, check number, amount, date received, date entered into DRS Accounts Receivable file, and date of deposit. Fiscal Agent shall forward the logs to the State within five (5) business days from the end of the previous month.	N	N	N	D-691	Y
40.12.3.4	Fiscal Agent shall update the Drug Rebate accounts receivable within two (2) State business days of receipt.	N	N	N	D-691	Y
40.12.3.5	Fiscal Agent shall deposit all labeler checks within one (1) State business day of receipt.				D-691	Y
40.12.3.6	Fiscal Agent shall perform interest calculation on outstanding Drug Rebate balances and apply results to Drug Rebate accounts receivable ninety-nine and nine tenths (99.9) percent of the time, as directed by the State.	N	N	N	D-691	Y
40.12.3.7	Fiscal Agent shall perform end-of-month Drug Rebate balancing processes and forward to the State for review within five (5) State business days of the end of the previous month.	N	N	N	D-692	Y
40.12.3.8	Fiscal Agent shall extract Drug Rebate history data monthly, moving it to the quarterly file within two (2) State business days from the end of the previous month.	N	N	N	D-692	Y
40.12.3.9	Fiscal Agent shall receive and log all labeler disputes on the date of receipt, including data such as labeler, date of call, caller name/telephone number, issue, processor of call, resolution, follow-up requirements, and a tickler to ensure any follow-up requirements are completed. Fiscal Agent shall forward the log to the State within five (5) business days	N	N	N	D-692	Y

Requirement #	Requirement Description	A	B	C	D	E
	from the end of the previous month.					
40.12.3.10	Fiscal Agent shall process all labeler disputes within ten (10) State business days from the date of receipt.	N	N	N	D-692	Y
40.12.3.11	Fiscal Agent shall produce a Recapitulation Report, which is a revised invoice, for the labeler one (1) State business day after the completion of the dispute resolution.	N	N	N	D-692	Y
40.12.3.12	Fiscal Agent shall send the Recapitulation Report to NC DHHS Auditor(s) for review and approval by close of business the same day the Recapitulation Report is produced.				D-692	Y
40.12.3.13	Fiscal Agent shall send the Recapitulation Report to the labeler with a copy of the current summary balance the same day the Fiscal Agent has received the NC DHHS Auditor's approval.				D-692	Y
40.12.3.14	Fiscal Agent shall create and forward quarterly invoices for each labeler that has a rebate agreement signed with CMS or the State, as division appropriate, within five (5) State business days from receipt of CMS tape.	N	N	N	D-693	Y
40.12.3.15	Fiscal Agent shall maintain an outstanding rebate balance percentage (i.e., forty-five [45] days or more) of less than ten (10) percent of total rebates due for each quarter excluding the Labeler Disputes Outstanding Accounts Receivable balance accurately and ninety-nine and nine tenths (99.9) percent of the time.	N	N	N	D-693	Y
40.12.3.16	Fiscal Agent shall electronically transfer required data to CMS and the State as applicable to the Drug Rebate requirements within five (5) State business days from invoicing.	N	N	N	D-693	Y
40.12.3.17	Fiscal Agent shall attend CMS-sponsored Drug Rebate Labeler Dispute meetings, as directed by the State.				D-693	Y
40.12.3.18	Fiscal Agent shall provide online access to five (5) years of historical drug rebate invoices based on criteria provided by the State accurately and consistently ninety-nine and nine tenths (99.9) percent of the time.	N	N	N	D-693	Y

40.13 Management Administrative and Reporting System Requirements

40.13.1 MARS Requirements

Requirement #	Requirement Description	A	B	C	D	E
40.13.1.1	Provides capability to maintain source data from all other functions of the Replacement MMIS to create State and Federal reports at frequencies defined by the State	N	N	N	D-386	Y
40.13.1.2	Provides capability for compiling subtotals, totals, averages, variances, and percents of items and dollars on all reports, as appropriate	N	N	N	D-386	Y
40.13.1.3	Provides capability to generate user-identified reports on a State-specified schedule	N	N	N	D-387	Y
40.13.1.4	Provides capability to generate reports to include the results of all State-initiated financial transactions, by State-specified categories, whether claim-specific or non-claim-specific	N	N	N	D-387	Y
40.13.1.5	Provides capability to identify, separately or in combination as requested by the State, the various types of recoupments and collections	N	N	N	D-387	Y
Requirement Deleted 40.13.1.6	~~Provides capability to meet all enhanced requirements for the Replacement MMIS~~					
40.13.1.7	Provides capability for uniformity, comparability, and balancing of data through the MARS reports and between these and other functions' reports, including reconciliation of all financial reports with claims processing reports	N	N	N	D-387	Y
40.13.1.8	Provides capability for detailed and summary-level counts of services by service, program, and eligibility category, based on State-specified units (days, visits, prescriptions, or other); provides capability for counts of claims, counts of unduplicated paid participating and eligible recipients, and counts of providers by State-specified categories	N	N	N	D-388	Y
40.13.1.9	Provides capability for a statistically valid trend methodology approved by the State for generating MARS reports	N	N	N	D-388	Y

Requirement #	Requirement Description	A	B	C	D	E
40.13.1.10	Provides capability for charge, expenditure, program, recipient eligibility, and utilization data to support State and Federal budget forecasts, tracking, and modeling, to include: ▪ Participating and non-participating eligible recipient counts and trends by program and category of eligibility ▪ Utilization patterns by program, recipient medical coverage groups, provider type, and summary and detailed category of service ▪ Charges, expenditures, and trends by program and summary and detailed category of service ▪ Lag factors between date of service and date of payment to determine billing and cash flow trends ▪ Any combination of the above	N	N	N	D-388	Y
40.13.1.11	Provides capability to describe codes and values to be included on reports	N	N	N	D-389	Y
40.13.1.12	Provides capability for users to specify selection, summarization, and un-duplication criteria when requesting claim detail reports from Claims History	N	N	N	D-389	Y
40.13.1.13	Provides capability to capture and maintain online at least four (4) years of MARS reports and five (5) years of annual reports, with reports over four (4) years archived and available to NC DHHS within twenty-four (24) hours of the request	N	N	N	D-389	Y
40.13.1.14	Provides capability to generate all MARS reports that will be sent to CMS in the format specified by Federal requirements	N	N	N	D-389	Y
40.13.1.15	Provides capability for the maintenance of the integrity of data element sources used by the MARS reporting function and integrates the necessary data elements to produce MARS reports and analysis	N	N	N	D-390	Y
40.13.1.16	Provides capability for system checkpoints that ensure changes made to programs, category of service, etc. are accurately reflected in MARS reports	N	N	N	D-390	Y
40.13.1.17	Provides capability for consistent transaction processing cutoff points to ensure the	N	N	N	D-390	Y

Requirement #	Requirement Description	A	B	C	D	E
	consistency and comparability of all reports					
40.13.1.18	Provides capability to ensure all MARS report data supports accurate balancing, uniformity, and comparability of data to ensure internal validity and to non-MARS reports to ensure external validity (including reconciliation between comparable reports and all financial reports)	N	N	N	D-390	Y
40.13.1.19	Provides capability for an audit trail for balanced reporting	N	N	N	D-390	Y
40.13.1.20	Provides capability for a standard date of service/date of procedure cutoff for cost audit data with the capability to report prior year data separately from current year data, as well as summary data for all claims	N	N	N	D-391	Y
40.13.1.21	Provides capability for the MARS database to include the following types of data: ▪ Adjudicated claims data ▪ Adjustment/void data ▪ Financial transactions for the reporting period ▪ Reference data for the reporting period ▪ Provider data for the reporting period ▪ Recipient data (including LTC, EPSDT, cost of care, co-pays, benefits used, and insurance information) for the reporting period ▪ Budget data from the NCAS ▪ Financial data, for the reporting period ▪ Other, such as Medco and Health Check, inputs not available from or through the Replacement MMIS claims financial function			Y	D-391	Y
40.13.1.22	Provides capability to capture and maintain the necessary data to meet all Federal and State requirements for MARS, with the Vendor identifying and providing all Federal MARS reports required to meet and maintain CMS certification	N	N	N	D-391	Y

Requirement #	Requirement Description	A	B	C	D	E
40.13.1.23	Provides capability to generate reports at monthly, quarterly, semiannual, annual, and bi-annual intervals, as specified by the State and Federal requirements	N	N	N	D-391	Y
40.13.1.24	Provides capability to create all required MMA file and MMA State Response File reports	N	N	N	D-391	Y
40.13.1.25	Provides capability to produce MARS reports by program, plan, county, and population group; reports for other State programs in addition to the standard MARS reports will need to be developed			Y	D-392	Y

40.13.2 MARS Operational Requirements

Requirement #	Requirement Description	A	B	C	D	E
40.13.2.1	Fiscal Agent shall review the system audit trail for balanced reporting and deliver the balanced report to the State with each MARS production run.	N	N	N	D-695	Y
40.13.2.2	Fiscal Agent shall respond to State requests for information concerning the reports.	N	N	N	D-695	Y

40.13.3 MARS Operational Performance Standards

Not applicable

40.14 Financial Management and Accounting Requirements

40.14.1 Financial Management and Accounting System Requirements

Requirement #	Requirement Description	A	B	C	D	E
40.14.1.1	Provides capability to create and update Financial Participation Rate Tables	N	N	N	D-405	Y
40.14.1.2	Provides capability to create withholds, advance payments, and recovery of advance payments	N	N	N	D-405	Y
40.14.1.3	Provides capability to record liens and levy data	N	N	N	D-405	Y
40.14.1.4	Provides capability to process retroactive changes to deductible, TPL retroactive changes, and retroactive changes to program codes (from State-funded to Title XIX)	N	N	N	D-405	Y
40.14.1.5	Provides capability to process transactions containing total amount of dollars, per check, received by the State for TPL recoveries, drug rebates, medical refunds, Fraud and Abuse Detection System (FADS) recoveries, and any cash receipts that should be applied to the Replacement MMIS	N	N	N	D-405	Y
40.14.1.6	Provides capability to accept and process Fiscal Agent bank transactions of check and EFT statuses, such as paid, void, and stop payment transactions	N	N	N	D-405	Y
40.14.1.7	Provides capability for fully integrated financial operations, including general ledger, accounts receivable, claims payment/accounts payable, cash receiving, receipts dispositioning, and apportionment functions	N	N	N	D-405	Y
40.14.1.8	Provides capability to automatically compute financial participation (State, Federal, county, and other)	N	N	N	D-405	Y
40.14.1.9	Provides capability for the accounting of all program financial transactions in a manner that provides timely and accurate production of State and CMS reporting requirements	N	N	N	D-405	Y
40.14.1.10	Provides capability to deduct or add appropriate amounts and/or percentages from processed payments, regardless of origin of the transaction in accordance with GAAP via	N	N	N	D-406	Y

Requirement #	Requirement Description	A	B	C	D	E
	system financial management and accounting functions with online update and inquiry capability					
40.14.1.11	Provides capability for transactions that use existing State accounting and financial reason codes and descriptions (including division, LOB, benefit plan, NCAS Cost Accounting Code [CAC], Period code, Reason Code, Category of Service Code (COS) Code, County Code, type, and provider) that supports production of required financial reports without the need for maintenance of conversion tables		Y		D-406	Y
40.14.1.12	Provides capability to meet CMS requirement to reduce program expenditures for provider accounts receivable that are not collected within sixty (60) days of the date they are discovered	N	N	N	D-406	Y
40.14.1.13	Provides capability to produce NCAS interface file weekly to support checkwrite activity			Y	D-406	Y
40.14.1.14	Provides capability to apply special "timely filing" edits at the end of the State fiscal year	Y			D-406	Y
40.14.1.15	Provides capability for tracking calls regarding Fiscal Agent-related issues, claims, and complaints; provides capability for easy access to the call information by all users	N	N	N	D-406	Y
40.14.1.16	Provides capability to identify and update payment data with each payment cycle	N	N	N	D-406	Y
40.14.1.17	Provides capability to interface with NCAS for accounts receivable and accounts payable functions			Y	D-406	Y
40.14.1.18**	Provides capability for a Client Data Warehouse extract of DMH data			Y	D-406	Y
	MMIS Accounts Payable Processes					
40.14.1.19	Provides capability for accounts payable functionality for all programs	N	N	N	D-407	Y
40.14.1.20	Provides capability to identify providers with credit balances and no claim activity, by program, during a State-specified number of months	N	N	N	D-407	Y

Requirement #	Requirement Description	A	B	C	D	E
40.14.1.21	Provides capability to process transactions for checks from outside systems, generating a Claims History record	N	N	N	D-407	Y
40.14.1.22	Provides capability for online access to check voucher reconciliation information by provider number or check voucher number and/or issue date, displaying the following information: ▪ Provider number ▪ Issue date ▪ Check voucher number ▪ Amount ▪ Disposition ▪ Disposition date	N	N	N	D-407	Y
40.14.1.23	Provides capability for online inquiry access and update ability on selected individual fields	N	N	N	D-407	Y
40.14.1.24	Provides capability to generate a stop payment or cancel transaction	N	N	N	D-407	Y
40.14.1.25	Provides capability to process the check voucher returned file for failed EFTs	N	N	N	D-407	Y
40.14.1.26	Provides capability to update funding sources and criteria lists based on financial participation rate information received from the State	N	N	N	D-407	Y
40.14.1.27	Provides capability to ensure that weekly budget reporting is consistent with the costs allocated during the checkwrite	N	N	N	D-407	Y
40.14.1.28	Provides capability to produce a provider voucher account payable upon receipt of a State Payout Authorization Form signed by an authorized State Official; provides capability to schedule payment of the voucher by the system in a future checkwrite cycle	N	N	N	D-407	Y
40.14.1.29	Provides capability to support Cost Settlement transaction, which includes disburse payments upon request, recoup receivables, deposit receipts, set up and post the		Y		D-408	Y

Requirement #	Requirement Description	A	B	C	D	E
	associated accounts receivable/accounts payable transactions, and produce MMIS reports by provider that are required by the DMA Audit Section to support the cost settlement process					
Requirement Deleted 40.14.1.30	~~Provides capability to support an uncompensated services payment process and pay disproportionate-share hospitals for uncompensated services in four (4) quarterly payments, with payments made updated and available for online inquiry~~					
40.14.1.31	Provides capability to set up an accounts payable for non-provider-specific payments, issue payment, and adjust the financial reporting	N	N	N	D-408	Y
	MMIS Accounts Receivable Process					
40.14.1.32	Provides capability to ensure accurate collection and management of account receivables	N	N	N	D-408	Y
40.14.1.33	Provides capability for summary-level provider accounts receivable and payable data and pending recoupment amounts that are automatically updated after each claims processing payment cycle, with summary-level data consisting of calendar week-to-date, month-to-date, year-to-date, State, and Federal fiscal year-to-date totals		Y		D-408	Y
40.14.1.34	Provides capability to maintain an accounts receivable detail and summary section for each account	N	N	N	D-408	Y
40.14.1.35	Provides capability for automated and manual establishment of accounts receivable for a provider and to alert the other Financial Processing portion of this function if the net transaction of claims and financial transactions results in a negative amount (balance due)	N	N	N	D-409	**Y**
40.14.1.36	Provides capability to monitor the status of each account receivable and report weekly and monthly to the State in aggregate and/or individual accounts, on paper and online	N	N	N	D-409	Y
40.14.1.37	Provides capability to produce collection letters within the financial processing function of the checkwrite cycle	N	N	N	D-409	Y
40.14.1.38	Provides capability to establish systematic payment plans or recoupments for provider	N	N	N	D-409	Y

Requirement #	Requirement Description	A	B	C	D	E
	receivable balances, as directed by the State					
40.14.1.39	Provides capability to "write off" outstanding account receivables when approved by the State	N	N	N	D-409	Y
40.14.1.40	Provides capability to set up multiple open accounts receivable items for recoupment against provider claims payable in the financial system, subject to a hierarchy table; provides capability for the system to withhold the money from provider claims payable for all receivable items meeting recoupment criteria until the provider payable balance for all receivables have been fully recouped or the payable balance is equal zero		Y		D-409	Y
40.14.1.41	Provides capability to perform the cash control processing cycle, updating master files for bank reconciliation, cash receipts, and accounts receivables and producing applicable cash control reports, including the cash receipts and accounts receivable detail from the checkwrite cycle		Y		D-409	Y
40.14.1.42	Provides capability to accept claim-specific and gross recoveries, regardless of submitter (provider, carrier, recipient, drug manufacturer); provides capability to apply gross recoveries to providers and/or recipients as identifiable	N	N	N	D-409	Y
40.14.1.43	Provides capability to set up receivables and recoup payments to the provider for services after a recipient's date of death	N	N	N	D-410	Y
40.14.1.44	Provides capability for an online hierarchy table by fund code or recoupment type for the recovery of monies from claims payable to a provider, such as: ▪ Claims paid in error ▪ Cost settlements receivables ▪ Program integrity receivables ▪ Provider advances tax withholding ▪ Tax levies			Y	D-410	Y
40.14.1.45	Provides capability for an online accounts receivable process with the ability to request recoupments by the following portions of the receivable amount during one (1) payment	N	N	N	D-410	Y

Requirement #	Requirement Description	A	B	C	D	E
	cycle: ▪ Percent ▪ Dollar amount ▪ Total amount					
40.14.1.46	Provides capability to automatically recoup accounts receivables by either deductions from claims payments or through direct payment by the provider or combinations of both	N	N	N	D-410	Y
40.14.1.47	Provides capability to apply cash received and recoupments to the accounts receivable, including a history of the RA date, number, and amount and have related information available online	N	N	N	D-410	Y
40.14.1.48	Provides capability to apply claims payments recoupments to more than one (1) account receivable at a time	N	N	N	D-410	Y
40.14.1.49	Provides capability to allow the portion of payments made against each account receivable to be controlled by State staff	N	N	N	D-410	Y
40.14.1.50	Provides capability to remove accounts and produce reports on a monthly basis when a provider record has been inactive for one (1) year	N	N	N	D-410	Y
40.14.1.51	Provides capability to generate transactions to the system for each accounts receivable item created and invoiced, accounts receivable adjustments, payments received and, recouped and write-offs	N	N	N	D-411	Y
40.14.1.52	Provides capability for online daily receipts and recoupment information to the unit responsible for dispositioning the detail, for example TPL, drug rebate, medical refund, FADS recoveries, and any other cash receipts received by the State	N	N	N	D-411	Y
40.14.1.53	Provides capability to produce and send correspondence related to recipient premiums in the recipient's preferred language, including invoices, notices of non-payment, cancellation notices, receipts, and refunds		Y		D-411	Y

Requirement #	Requirement Description	A	B	C	D	E
40.14.1.54	Provides capability to collect recipient premium payments	N	N	N	D-411	Y
40.14.1.55	Provides capability to produce refunds of recipient premiums	N	N	N	D-411	Y
40.14.1.56	Provides capability to process financial accounting records for premium payments and refunds	N	N	N	D-411	Y
40.14.1.57	Provides capability to produce reports for recipient premium payment and cost-sharing (e.g., recipient co-insurance, deductibles, co-payments, etc.) processes		Y		D-411	Y
40.14.1.58	Provides capability to apply cost-sharing, e.g., recipient co-insurance, deductibles, co-payments		Y		D-411	Y
40.14.1.59	Provides capability to ensure cost-sharing does not exceed threshold for the family group		Y		D-411	Y
40.14.1.60	Provides capability to produce and send recipient letters/notices and Explanations of Benefits (EOB) in the recipient's preferred language	N	N	N	D-412	Y
	Financial Accounting and Reporting Processes					
40.14.1.61	Provides capability to perform financial cycles upon completion of each checkwrite and at month-end, summarize paid claims and financial transactions, update account balances and transaction files, and produce interface files and reports	N	N	N	D-412	Y
40.14.1.62	Provides capability to account for and report to the State all program funds paid out and recovered in accordance with State-accounting codes and report specifications	N	N	N	D-412	Y
40.14.1.63	Provides capability for a process to designate which Federal fiscal year claim adjustments and other financial transactions are to be reported	N	N	N	D-412	Y
40.14.1.64	Provides capability to prepare fiduciary statements in accordance with GAAP to account for all program funds received and disbursed under the Fiscal Agent contract			Y	D-412	Y
40.14.1.65	Provides capability to produce general ledger to correspond to the checkwrites over the	N	N	N	D-412	Y

Requirement #	Requirement Description	A	B	C	D	E
	State's fiscal year; adjusts the general ledger account balances on June 30th to reflect activity between the last June checkwrite and June 30th					
40.14.1.66	Provides capability to summarize checkwrite activity in the Financial Participation Report and general expenditure reports on a year-to-date basis and within ten (10) days of the State's fiscal year's end on June 30th; provides capability to generate these reports in accordance with State-approved format, media, distribution, and frequency		Y		D-412	Y
40.14.1.67	Provides capability to summarize financial data to meet reporting requirements on a State and Federal fiscal-year basis	N	N	N	D-413	Y
40.14.1.68	Provides capability to ensure all reporting cross-checks and balances to other reports using the same data	N	N	N	D-413	Y
40.14.1.69	Provides capability to produce reporting on providers required by the Federal False Claims Act			Y	D-413	Y
40.14.1.70	Provides capability to maintain all records and reports of administrative expenses permitting the State to verify that the Fiscal Agent bills are accurate and appropriate to enable the State to claim Federal financial participation (FFP) on the Fiscal Agent fees at the appropriate rate	N	N	N	D-413	Y
40.14.1.71	Provides capability to ensure that all financial reports can be tied into the basic financial activity recorded in Provider History	N	N	N	D-413	Y
40.14.1.72	Provides capability to generate weekly, monthly, quarterly, and annual Medicaid and other EOB financial reports after checkwrites in accordance with State approved specifications, basis of accounting, and reporting deadlines		Y		D-413	Y
40.14.1.73	Provides capability to balance details posted to each receivable transaction and update Claims History and Provider paid claims summary information	N	N	N	D-413	Y
40.14.1.74	Provides capability to incorporate data from State-approved automated systems to satisfy accounting and record keeping objectives		Y		D-413	Y

Requirement #	Requirement Description	A	B	C	D	E
40.14.1.75	Provides capability for system-generated letters to providers requesting updated W-9s or a special IRS form depending on whether they are a first or second B-Notice			Y	D-413	Y
40.14.1.76	Provides capability for system logging and tracking of receipt date of each withholding and penalty request and completion date of withholding or penalty	N	N	N	D-413	Y
40.14.1.77	Provides capability to provide the State with confirmation and validation for each completed date of withholding or penalty	N	N	N	D-414	Y
40.14.1.78	Provides capability to implement backup withholding from all providers who do not respond to the notices within the required timeframes	N	N	N	D-414	Y
40.14.1.79	Provides capability for mechanized copies of documentation to support compliance with IRS procedures and efforts to obtain information from providers in order to abate penalties assessed	N	N	N	D-414	Y
40.14.1.80	Provides capability to report year-to-date provider 1099 earnings	N	N	N	D-414	Y
40.14.1.81	Provides capability to create end-of-year 1099 for providers whose earnings exceed $600 on a calendar year basis and meet IRS criteria for issuance	N	N	N	D-414	Y
40.14.1.82	Provides capability to generate provider 1099 file and reports annually that indicate LOB, the total paid claims, plus or minus any appropriate adjustments and financial transactions	N	N	N	D-414	Y
40.14.1.83	Provides capability to issue corrected 1099s to providers prior to March 31st each year; provides capability to ensure that corrections are incorporated into the IRS file to report earnings for the prior year	N	N	N	D-414	Y
	Cash Control and Bank Accounts					
40.14.1.84	Provides capability to automate and apply NC DHHS Cash Management Plan business rules and procedures to receive all program receipts in a State Treasurer designated bank Refer to *DHHS Cash Management Plan* in the Procurement Library.	N	N	N	D-414	Y

Requirement #	Requirement Description	A	B	C	D	E
40.14.1.85	Provides capability for automated application of cash receipts and provide for online posting of the detail of receipts received to the system with simultaneous notice to for TPL recovery, Drug Rebates, FADS recoveries business areas	N	N	N	D-414	Y
40.14.1.86	Provides capability for indexed images of checks and all written correspondence from or to the provider for audit purposes throughout the life of the Contract		Y		D-415	Y
40.14.1.87	Provides capability to process and post transactions for all program cash receipts received in Fiscal Agent/bank managed lock-boxes	N	N	N	D-415	Y
40.14.1.88	Provides capability to assign and retain a unique transaction control number, the date of receipt, the remitter's name, the remitter's bank name, purpose or reason code, the check/money order number, the transaction amount, and the unit to which the receipt is directed for dispositioning when there is no matching account receivable	N	N	N	D-415	Y
40.14.1.89	Provides capability to account for disposition of all program cash receipts and adjustments within the month of receipt	N	N	N	D-415	Y
40.14.1.90	Provides capability for an audit trail of corrections to posted transactions	N	N	N	D-415	Y
	Budget Checking Prior To Payment of Claims					
40.14.1.91	Provides capability to link the detail financial transaction to the claim detail level activity	N	N	N	D-415	Y
40.14.1.92**	Provides capability to produce balancing reports available online at detail and summary levels on budget availability	N	N	N	D-415	Y
40.14.1.93	Provides capability to produce exception reports on un-reconciled balances or undefined chart of accounts shall be available online			Y	D-415	Y
	Accounting Processes					
40.14.1.94	Provides capability for integration of all Medicaid Accounting System (MAS) legacy system functionality, processes, data, reports and interfaces		Y		D-416	Y

Requirement #	Requirement Description	A	B	C	D	E
	Refer to *Approved MAS Requirements & Business Rules—Updated 12-06-06* and attachments in the Procurement Library.					
	General Account Receivable/Accounts Payable Requirements					
40.14.1.95	Provides capability for accounts receivable and accounts payable functionality that is integrated with case management and billing using the open item method to support collection of program overpayments from providers and amounts determined to be due from third parties Refer to *Approved AR-AP Requirements & Business Rules—Updated 12-19-06* in the Procurement Library.		Y		D-416	Y

40.14.2 Financial Management and Accounting Operational Requirements

Requirement #	Requirement Description	A	B	C	D	E
	General Financial Management and Accounting					
40.14.2.1	Fiscal Agent shall maintain the Replacement MMIS consolidated accounting function by program, type, and provider. Fiscal Agent shall deduct/add appropriate amounts from provider payments for past due receivables and other required withholding.	N	N	N	D-700	Y
40.14.2.2	Fiscal Agent shall provide the State with confirmation and validation for each completed file maintenance request (receipt date of file maintenance request, file maintenance initiation date, file maintenance completion date, and supervisor validation date) related to Financial Management and Accounting.	N	N	N	D-700	Y
40.14.2.3	Fiscal Agent shall ensure provider payments are generated by the processing of claims for eligible recipients, adjustments, or by State authorizations, such as payouts for court orders, open/shut cases, dropped eligibility, and policy changes.	N	N	N	D-700	Y
40.14.2.4**	Fiscal Agent shall provide nightly interface to NCAS to validate availability of funds for	N	N	N	D-700	Y

Requirement #	Requirement Description	A	B	C	D	E
	claim-specific reimbursement.					
40.14.2.5	Fiscal Agent shall establish systematic payment plans or recoupments for provider receivable balances, collect the payments, apply the payments, monitor the process, and report on the payment activity at a provider and summary level on a weekly basis. Once a provider becomes delinquent in the payment schedule, the recoupment process shall be implemented until the debt is resolved.	N	N	N	D-700	Y
40.14.2.6	Fiscal Agent shall ensure that correct Federal Medical Assistance Percentage (FMAP) is applied to receivables and payables within the monthly financial processing cycles. (Certain receivables and payables may be subject to prior period FMAP.)	N	N	N	D-700	Y
40.14.2.7	Fiscal Agent shall issue provider checks in the number of cycles required by the State each year on State-designated business days, dating the checks and reports for the checkwrite date except for the final checkwrite of the month, which is dated, as directed by the State.	Y			D-701	Y
40.14.2.8	Fiscal Agent shall balance each checkwrite in accordance with State-approved policy and procedures to ensure report accuracy and the completion of a final audit for that checkwrite.	N	N	N	D-701	Y
40.14.2.9	Fiscal Agent shall accept requests to override EFT payment to a provider and create the check voucher as a paper check request.	N	N	N	D-701	Y
40.14.2.10	Fiscal Agent shall accept and process all check voucher reconciliation.	N	N	N	D-701	Y
40.14.2.11	Fiscal Agent shall execute Positive Pay processing.				D-701	Y
40.14.2.12	Fiscal Agent shall ensure weekly budget reporting is consistent with the costs allocated during the checkwrite.	N	N	N	D-701	Y
40.14.2.13	Fiscal Agent shall submit a draft annual checkwrite schedule by the last State business day in September each year.				D-701	Y
40.14.2.14	Fiscal Agent shall perform checkwrites per the State-approved checkwrite schedules.	N	N	N	D-701	Y

Requirement #	Requirement Description	A	B	C	D	E
40.14.2.15	Fiscal Agent shall notify the State of the total checkwrite expenditure on the first day following the cycle.	N	N	N	D-701	Y
40.14.2.16	Fiscal Agent shall notify the State by close of business of notification from the State Controller's Office that funds are in place each day following any delays in check mailings and EFTs.				D-701	Y
40.14.2.17	Fiscal Agent shall notify the State the next State business day following the checkwrite cycle of any delays in the checkwrite process.				D-701	Y
40.14.2.18	Fiscal Agent shall respond to State Memos as appropriate for canceling or delaying checkwrites or release of system-generated checks or EFTs.				D-702	Y
40.14.2.19	Fiscal Agent shall balance each checkwrite in accordance with State-approved policy and procedures to ensure report accuracy and the completion of a final audit for that checkwrite.	N	N	N	D-702	Y
40.14.2.20	Fiscal Agent shall process check voucher information from the State Controller's Office, updating payment information.	N	N	N	D-702	Y
40.14.2.21	Fiscal Agent shall ensure that the weekly budget reporting is consistent with the costs allocated during the checkwrite.	N	N	N	D-702	Y
40.14.2.22	Fiscal Agent shall produce third party letters within the financial processing function of the checkwrite cycle.		Y		D-702	Y
Requirement Deleted 40.14.2.23	~~Fiscal Agent shall produce reports and State claims within the financial processing function of the checkwrite cycle.~~					
40.14.2.24	Fiscal Agent shall process State Payout Authorization Forms in accordance with State-approved guidelines to adjudicate claims that fail to process through the Replacement MMIS under normal circumstances.	N	N	N	D-702	Y

Requirement #	Requirement Description	A	B	C	D	E
40.14.2.25	Fiscal Agent shall execute, manage, maintain, and update financial operations, including claims payment, accounts receivable, accounts payable, cash management, transaction data entry, and financial participation calculations while maintaining detail accounting records in accordance with GAAP for all program financial transactions.	N	N	N	D-702	Y
40.14.2.26	Fiscal Agent shall enter and summarize all Replacement MMIS financial accounting transactions in accordance with GAAP prior to month-end closing deadlines specified by the NC DHHS Controller.	N	N	N	D-702	Y
40.14.2.27	Fiscal Agent shall maintain the MMIS Financial System operations in compliance with applicable State and Federal laws, regulations, reporting requirements, policies, business rules, and procedures as published and referenced in the Contract and the Procurement Library.	N	N	N	D-703	Y
40.14.2.28	Fiscal Agent shall implement and maintain effective internal controls over financial operations, accounting, physical access, system backup and recovery, and security for all Replacement MMIS financial operations, data, records, and assets.	N	N	N	D-703	Y
40.14.2.29	Fiscal Agent shall complete the Office of State Controller Internal Control Self Assessment upon request by the NC DHHS Controller and provide a signed original to the NC DHHS Controller.				D-703	Y
	MMIS Program Account Payable					
40.14.2.30	Fiscal Agent shall record provider claims payable less any overpayment recoupments and required withholding and produce all program cash disbursements in accordance with procedures and a schedule approved by the State for each checkwrite cycle, including State-authorized payments.	N	N	N	D-703	Y
40.14.2.31	Fiscal Agent shall determine daily cash requirements and draw program cash from a special State disbursing account as needed.			Y	D-703	Y
40.14.2.32	Fiscal Agent shall collect recipient premium payments.	N	N	N	D-703	Y

Requirement #	Requirement Description	A	B	C	D	E
40.14.2.33	Fiscal Agent shall produce refunds of recipient premiums.	N	N	N	D-704	Y
	Replacement MMIS Accounts Receivable Process					
40.14.2.34	Fiscal Agent shall monitor the status of each accounts receivable and reports weekly and monthly to the State in aggregate and/or individual accounts, both on paper and online.	N	N	N	D-704	Y
40.14.2.35	Fiscal Agent shall monitor compliance with written procedures to meet State and Federal guidelines for collecting outstanding provider and recipient account receivables in accordance with State-approved policy and procedures to ensure report accuracy and the completion of a final audit for that checkwrite.	N	N	N	D-704	Y
40.14.2.36	Fiscal Agent shall monitor compliance with written procedures to meet State and Federal guidelines for collecting outstanding provider accounts receivable.	N	N	N	D-704	Y
40.14.2.37	Fiscal Agent shall "write off" outstanding accounts receivable, when directed by the State.	N	N	N	D-704	Y
40.14.2.38	Fiscal Agent shall ensure accurate collection and management of accounts receivables.	N	N	N	D-704	Y
40.14.2.39	Fiscal Agent shall ensure that correct FMAP is applied to receivables and payables within the monthly financial processing cycles. (Certain receivables and payables may be subject to prior period FMAP.)	N	N	N	D-704	Y
40.14.2.40	Fiscal Agent shall maintain claim specific and gross level accounts receivable records for amounts due the program, recoup past due items based on a hierarchy table approved by the State, apply all payments, and produce and distribute invoices, collection letters and accounts receivable reports.	N	N	N	D-705	Y
	Financial Accounting and Reporting Process					
40.14.2.41	Fiscal Agent shall produce general ledger to correspond to the checkwrite over the State's fiscal year and adjust the general ledger account balances on June 30th to reflect activity between the last June checkwrite and June 30th.	N	N	N	D-705	Y

Requirement #	Requirement Description	A	B	C	D	E
40.14.2.42**	Fiscal Agent shall make details of the general ledger, including all entries and balances, available to authorized State staff.		Y		D-705	Y
40.14.2.43	Fiscal Agent shall summarize checkwrite activity in the Checkwrite Financial Summary, Financial Participation Report, and general expenditure reports on a year-to-date basis and within ten (10) days of the State's fiscal year end on June 30th and provide these reports in accordance with State-approved format, media, distribution, and frequency.		Y		D-705	Y
40.14.2.44	Fiscal Agent shall change financial participation rates in the Replacement MMIS to correspond with the Federal fiscal year.	N	N	N	D-705	Y
40.14.2.45	Fiscal Agent shall ensure cross-checks and balances to other reporting is using the same data and is categorized in such a manner as to facilitate informed program administration and supporting the State's receipt of maximum.	N	N	N	D-705	Y
40.14.2.46**	Fiscal Agent shall refer questions regarding rates and budgets to the State.				D-706	Y
40.14.2.47	Fiscal Agent shall ensure adherence to NC DHHS Cash Management Plan and Procedures.				D-706	Y
40.14.2.48	Fiscal Agent shall incorporate State-approved automated and manual systems to satisfy accounting and record-keeping objectives.	N	N	N	D-706	Y
40.14.2.49	Fiscal Agent shall notify the State immediately upon discovery of any erroneous payments, irrespective of cause, and prior to initiating appropriate recovery action.				D-706	Y
40.14.2.50**	Fiscal Agent shall produce an extract of DMH claims data for the Client Data Warehouse (CDW) with each checkwrite.	N	N	N	D-706	Y
	IRS Reporting and Compliance					
40.14.2.51	Fiscal Agent shall summarize each provider's NC DHHS earnings by LOB for the previous calendar year no later than January 15th of the succeeding year, providing the summary to the Internal Revenue Service and North Carolina Department of Revenue (NC DOR) by sending a file using File Transfer Protocol (FTP) media. Fiscal Agent shall	N	N	N	D-706	Y

Requirement #	Requirement Description	A	B	C	D	E
	provide this same information on each provider's last RA for the calendar year.					
40.14.2.52	Fiscal Agent shall send system-generated letters to providers requesting updated W-9s or a special IRS form depending on whether they are a first or second B-Notice.		Y		D-706	Y
40.14.2.53	Fiscal Agent shall record receipt date of each withholding and penalty request and completion date of withholding or penalty.	N	N	N	D-707	Y
40.14.2.54	Fiscal Agent shall provide the State with confirmation and validation for each completed date of withholding or penalty.				D-707	Y
40.14.2.55	Fiscal Agent shall comply with all IRS regulations.				D-707	Y
40.14.2.56	Fiscal Agent shall issue corrected 1099s to providers prior to March 31st each year and shall ensure that corrections are incorporated into the IRS file to report earnings for the prior year.	N	N	N	D-707	Y
40.14.2.57	Fiscal Agent shall ensure accuracy of tax identification numbers and tax names reported.	N	N	N	D-707	Y
	Cash Control and Bank Accounts					
40.14.2.58	Fiscal Agent shall ensure returned or refund receipts are received at the Fiscal Agent lock box for security and are accessed only by designated Fiscal Agent or bank personnel; receipts received are to be logged each State business day with disposition denoted, date, time, and individual processing the check.				D-707	Y
40.14.2.59	Fiscal Agent shall deposit program cash receipts into the State-designated State Treasurer's Account on a daily basis; checks received that are missing information are photocopied and deposited into the State's designated account daily regardless of whether they are missing information. Checks received that are missing information result in a system-generated form letter denoting the required corrective action. (Letters are to be maintained in an online report for follow-up actions.)		Y		D-707	Y
40.14.2.60	Fiscal Agent shall retain copies of checks and all written correspondence from or to the provider for audit purposes throughout the life of the Contract.		Y		D-708	Y

Requirement #	Requirement Description	A	B	C	D	E
40.14.2.61	Fiscal Agent shall process other non-provider checks received, such as TPL and Drug Rebate receipts, in accordance with State-approved policies and procedures; deposits these funds daily into the designated State Treasurer's Account.	N	N	N	D-708	Y
40.14.2.62	Fiscal Agent shall contract and maintain State-approved banking services for, remittance lock box operations, and Fiscal Agent Disbursing Accounts.				D-708	Y
40.14.2.63	Fiscal Agent shall perform daily transfer of funds out of the State's Disbursing Account as appropriate to cover "presentments" on the Fiscal Agent Disbursing Account.			Y	D-708	Y
40.14.2.64	Fiscal Agent shall provide the bank with instructions to transfer funds from the State Disbursing Account to the Fiscal Agent Disbursing Account to cover the "presentments."				D-708	Y
40.14.2.65	Fiscal Agent shall accept responsibility for and bear the cost of any overdraft penalties on Fiscal Agent-controlled checking accounts.				D-708	Y
40.14.2.66	Fiscal Agent shall monitor security of checks during matching, stuffing, and mailing process.				D-708	Y
40.14.2.67	Fiscal Agent shall perform monthly account reconciliation and submit State-approved reports within ten (10) business days of each calendar month, unless the Fiscal Agent notifies the State the reports have not been received from the banking institution in a timely manner.	N	N	N	D-708	Y
	MMIS Program Cash Receiving					
40.14.2.68	Fiscal Agent shall receive all program receipts in State-approved Fiscal Agent lock boxes established for each payer source, log each deposit item, scan or copy all deposit items and information received with the remittance, deposit all receipts daily, accurately record cash, and correctly apply receipts to the correct accounts in accounts receivable.	N	N	N	D-709	Y
40.14.2.69	Fiscal Agent shall report the daily deposit totals to the NC DHHS Controller by 1:30 P.M. for all program cash receipts, including TPL, Drug Rebates, FADS, audit recoveries, cost settlements, refunds, and any other program receipts in accounts receivable while maintaining complete, accurate and detailed accounting records for all program funds	N	N	N	D-709	Y

Requirement #	Requirement Description	A	B	C	D	E
	received.					
	Production and Distribution of Management and Financial Reports					
40.14.2.70	Fiscal Agent shall produce and distribute all financial reports and interface files accurately and in the media, format, basis of accounting, and according to a schedule approved by the State.	N	N	N	D-709	Y
40.14.2.71	Fiscal Agent shall ensure that all financial reports and files meet State cutoff dates and can be balanced with underlying transactions for the applicable accounting period.	N	N	N	D-709	Y

40.14.3 Financial Management and Accounting Operational Performance Standards

Requirement #	Requirement Description	A	B	C	D	E
40.14.3.1	Fiscal Agent shall provide the State with confirmation and validation of accurate file maintenance request transactions ninety-nine and nine tenths (99.9) percent of the time.	N	N	N	D-711	Y
40.14.3.2	Fiscal Agent shall process accurate capitation and/or management fee adjustments ninety-nine and nine tenths (99.9) percent of the time.	N	N	N	D-711	Y
40.14.3.3	Fiscal Agent shall provide deposit of returned monies the same State business day of receipt.	N	N	N	D-711	Y
40.14.3.4	Fiscal Agent shall provide for processing of accurate capitation payments and management fees in the month-end claims cycle and payment in the first checkwrite of the next month.	N	N	N	D-711	Y
40.14.3.5	Fiscal Agent shall accurately complete processing of all HMO withholds and penalties and primary care provider penalties in the next claim cycle after receipt of withholding and penalty requests ninety-nine and nine tenths (99.9) percent of the time.	N	N	N	D-711	Y

Requirement #	Requirement Description	A	B	C	D	E
40.14.3.6	Fiscal Agent shall publish the planned annual checkwrite schedule sixty (60) days prior to the start of the next calendar year.	N	N	N	D-711	Y
40.14.3.7	Fiscal Agent shall notify the State by 9:30 A.M. Eastern Time on the first State business day following checkwrite of funds required.	N	N	N	D-711	Y
40.14.3.8	Fiscal Agent shall notify the State by close of the business day of notification from the Controller's Office that funds are in place each day following any delays in check mailings and EFTs.	N	N	N	D-712	Y
40.14.3.9	Fiscal Agent shall notify the State of any delays and reasons in the checkwrite process by 8:00 A.M. Eastern Time the next business day following the checkwrite cycle and estimated timeframe for completion.				D-712	Y
40.14.3.10	Fiscal Agent shall balance each checkwrite accurately ninety-nine and nine tenths (99.9) percent of the time. Any discrepancies shall be reported to the State immediately via Operations Incident Reporting procedures.	N	N	N	D-712	Y
40.14.3.11	Fiscal Agent shall process check voucher information from the State Controller's Office accurately ninety-nine and nine tenths (99.9) percent of the time and within one (1) State business day of receipt.				D-712	Y
40.14.3.12	Fiscal Agent shall ensure that weekly budget reporting is accurate and consistent ninety-nine and nine tenths (99.9) percent of the time with the costs allocated during the checkwrite.	N	N	N	D-712	Y
40.14.3.13	Fiscal Agent shall accurately complete processing of all HMO withholds and penalties and primary care provider penalties in the next claim cycle after receipt of withholding and penalty requests.	N	N	N	D-712	Y
40.14.3.14	Fiscal Agent shall perform cost settlement activities accurately and consistently ninety-nine and nine tenths (99.9) percent of the time, as directed by the State.	N	N	N	D-712	Y
40.14.3.15	Fiscal Agent shall ensure that correct FMAP is applied to receivables and payables accurately and consistently ninety-nine and nine tenths (99.9) percent of the time within	N	N	N	D-712	Y

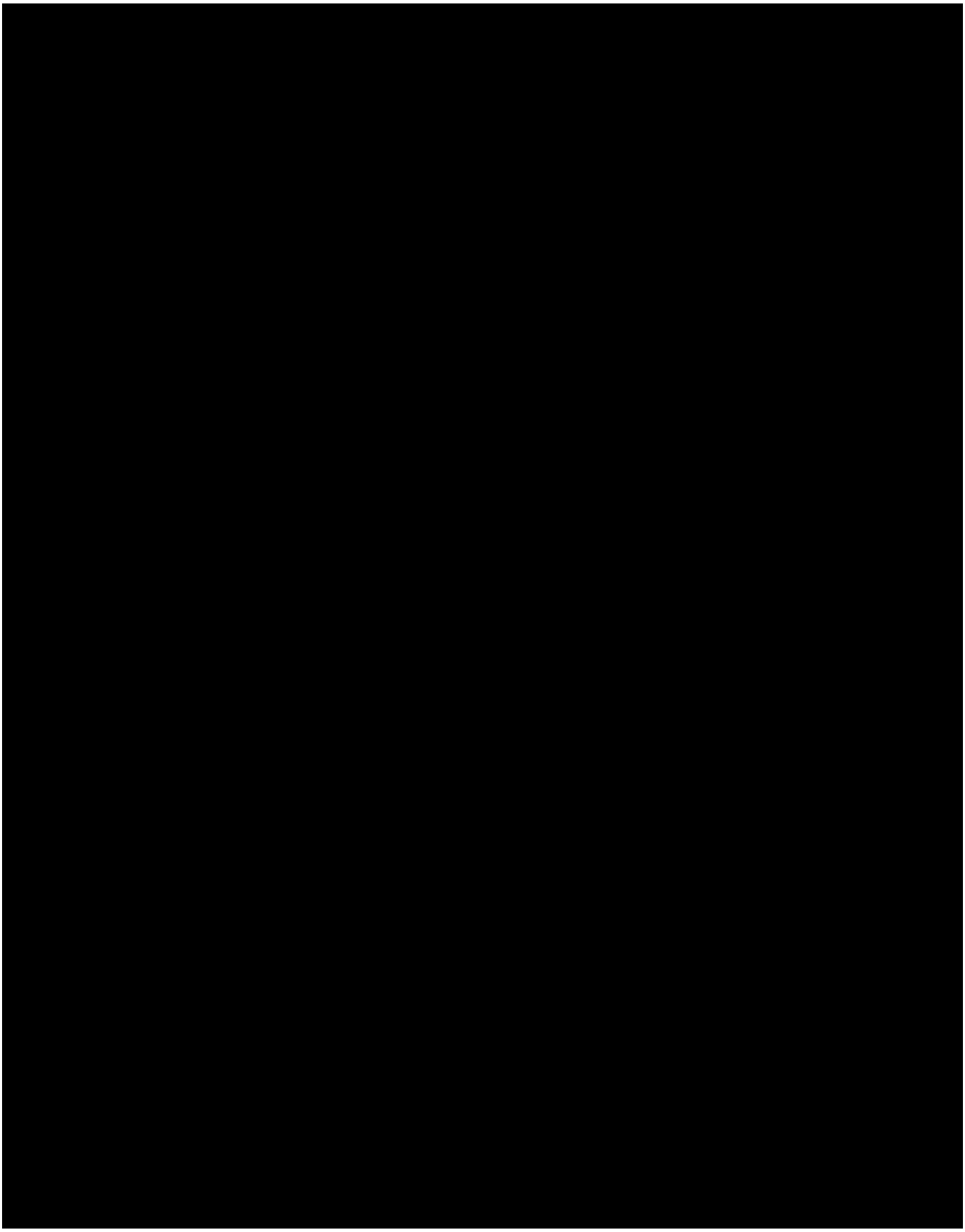
Requirement #	Requirement Description	A	B	C	D	E
	the monthly financial processing cycles (certain receivables and payables may be subject to prior period FMAP).					
40.14.3.16	Fiscal Agent shall ensure accurate collection and management of accounts receivable/payable ninety-nine and nine tenths (99.9) percent of the time.	N	N	N	D-713	Y
40.14.3.17	Fiscal Agent shall produce and mail out 1099/W9 earnings reports no later than January 31st each year and report to the IRS no later than March 1st.	N	N	N	D-713	Y
40.14.3.18	Fiscal Agent shall maintain the capability to remove accounts receivable on a monthly basis when a provider record has been terminated for one (1) year. Fiscal Agent shall generate a report of remove accounts receivables on a monthly basis.	N	N	N	D-713	Y
40.14.3.19	Fiscal Agent shall account for and report accurately and consistently ninety-nine and nine tenths (99.9) percent of the time to the State all program funds paid out and recovered in accordance with State-approved guidelines.	N	N	N	D-713	Y
40.14.3.20	Fiscal Agent shall summarize each provider's NC DHHS for the previous calendar year no later than January 15th of the succeeding year, providing the summary to the Internal Revenue Service and NC DOR by sending a file using FTP media. Fiscal Agent shall provide this same information on each provider's last RA for the calendar year accurately ninety-nine and nine tenths (99.9) percent of the time.	N	N	N	D-713	Y
40.14.3.21	Fiscal Agent shall log receipt date of each withholding and penalty request and completion date of withholding or penalty within one (1) State business day of receipt accurately ninety-nine and nine tenths (99.9) percent of the time.	N	N	N	D-713	Y
40.14.3.22	Fiscal Agent shall provide the State with confirmation and validation for each completed date of withholding or penalty on the State business day that the transaction is completed.	N	N	N	D-713	Y
40.14.3.23	Fiscal Agent shall comply with all IRS regulations ninety-nine and nine tenths (99.9) percent of the time.	N	N	N	D-714	Y
40.14.3.24	Fiscal Agent shall issue corrected 1099s to providers prior to March 31st each year. Fiscal	N	N	N	D-714	Y

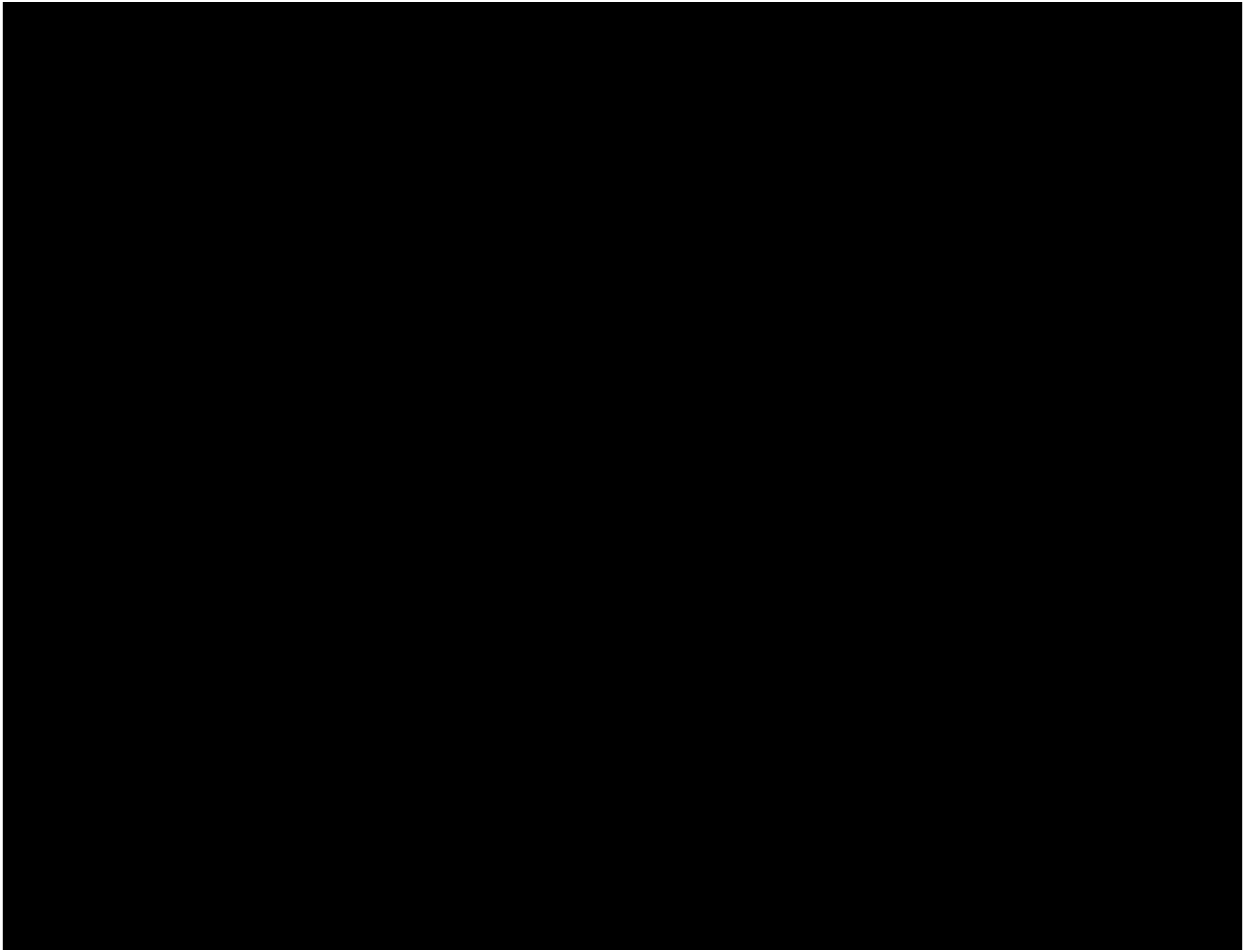
Requirement #	Requirement Description	A	B	C	D	E
	Agent shall ensure that corrections are incorporated into the IRS file to report earnings for the prior year accurately ninety-nine and nine tenths (99.9) percent of the time.					
40.14.3.25	Fiscal Agent shall ensure accuracy of tax identification numbers and tax names reported ninety-nine and nine tenths (99.9) percent of the time.	N	N	N	D-714	Y
40.14.3.26	Fiscal Agent shall ensure that returned or refund checks are received at the Fiscal Agent lock box for security and are accessed only by designated Fiscal Agent personnel. Checks received shall be logged each State business day with disposition denoted, date, time, and individual processing the check accurately ninety-nine and nine tenths (99.9) percent of the time.				D-714	Y
40.14.3.27	Fiscal Agent shall deposit all program cash receipts received into the State-designated State Treasurer's Account each State business day by 1:00 P.M. and certify the amount deposited to the NC DHHS Controller by 1:30 P.M.				D-714	Y
40.14.3.28	Fiscal Agent shall process other non-provider checks received, such as TPL and Drug Rebate receipts, in accordance with State-approved policies and procedures. Fiscal Agent shall deposit these funds daily into the State-designated State Treasurer's Account ninety-nine and nine tenths (99.9) percent of the time.				D-714	Y
40.14.3.29	Fiscal Agent shall perform monthly bank account reconciliation and submit State-approved reports within ten (10) State business days of each calendar month unless the Fiscal Agent notifies the State the reports have not been received from the banking institution in a timely manner.	N	N	N	D-714	Y
40.14.3.30	Fiscal Agent shall receive NCAS account data weekly to support checkwrite activity accurately and consistently ninety-nine and nine tenths (99.9) percent of the time.	N	N	N	D-714	Y
40.14.3.31**	Fiscal Agent shall apply special "timely filing" edits at the end of the State fiscal year: ▪ AP/LMEs shall file all services rendered prior to May 1st no later than the cutoff for the last payment cycle in June. ▪ May and June services shall be presented to the Fiscal Agent by a date established by the State. Timely filing allows budgeted services to be allocated to	N	N	N	D-715	Y

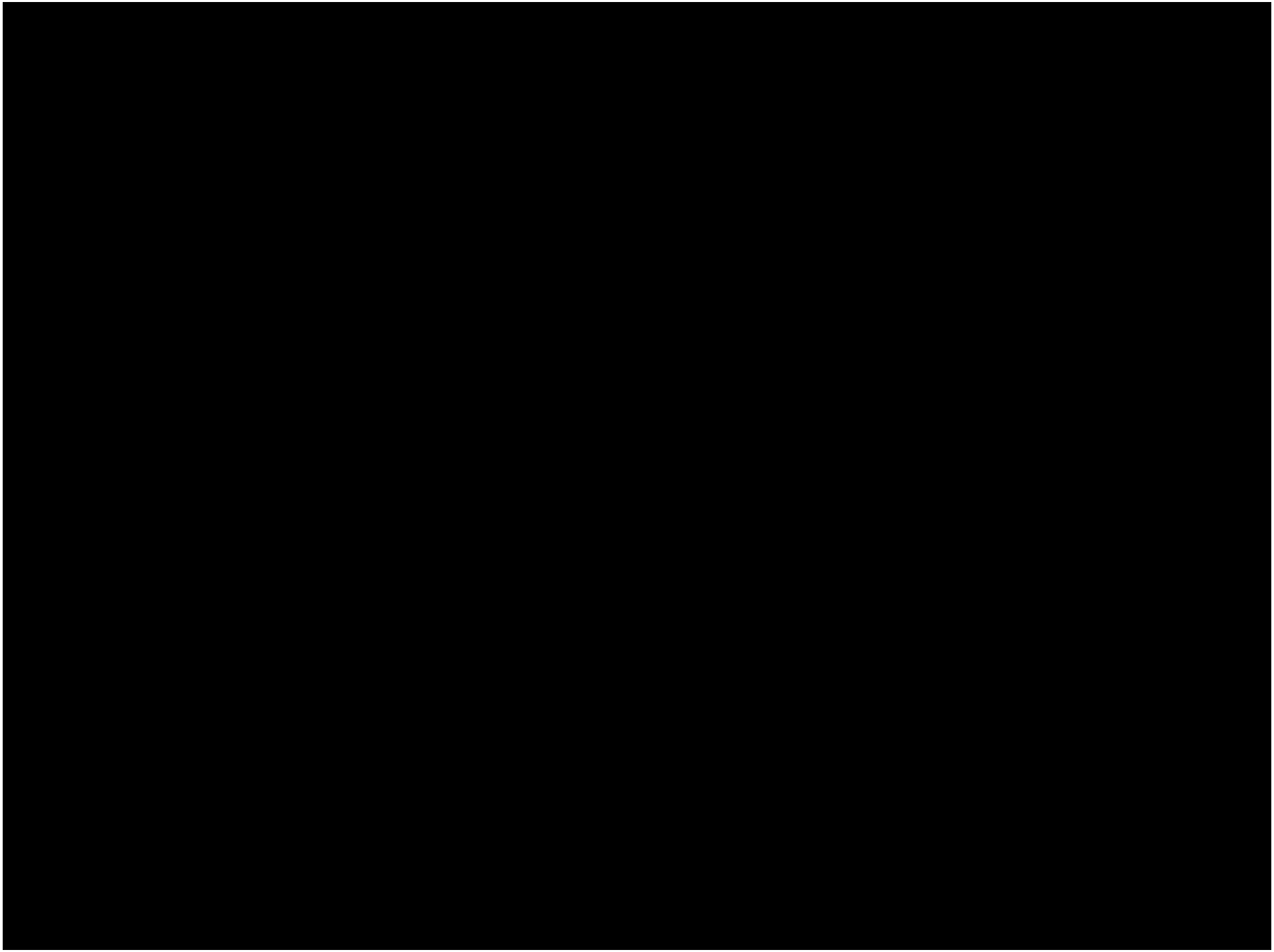
Requirement #	Requirement Description	A	B	C	D	E
	the appropriate fiscal year accurately and consistently ninety-nine and nine tenths (99.9) percent of the time.					
Requirement Deleted 40.14.3.32	~~Fiscal Agent shall notify the State by close of business of the day of notification from the State Controller's Office that funds are in place for the checkwrite.~~					
40.14.3.33	Fiscal Agent shall summarize checkwrite activity in the Checkwrite Financial Summary, Financial Participation Report, and general expenditure reports on a year-to-date basis and within ten (10) days of the State's fiscal year end on June 30th	N	N	N	D-715	Y
40.14.3.34	Fiscal Agent shall assure that Checkwrite Financial Summary and FPR Reports are completed the day after each checkwrite.	N	N	N	D-715	Y
40.14.3.35	Fiscal Agent shall ensure month-end processing and financial reports are completed, balanced and distributed no later than the fifth business day of the following month.	N	N	N	D-715	Y
40.14.3.36	Fiscal Agent shall produce and maintain accounts receivable reports.	N	N	N	D-715	Y
40.14.3.37	Fiscal Agent shall produce and maintain MMIS Medicaid Accounting System Reporting.	N	N	N	D-715	Y
40.14.3.38	Fiscal Agent shall produce and maintain Maximum Allowable Cost (MAC) Transactions and Reporting.	N	N	N	D-715	Y
40.14.3.39	Fiscal Agent shall produce and maintain Medicaid Adjustments Register Reporting.	N	N	N	D-715	Y
40.14.3.40	Fiscal Agent shall produce and maintain listing of paid claims for Indians on reservations.			Y	D-716	Y
40.14.3.41	Fiscal Agent shall produce and maintain the listing of buy-in premiums paid for Indians on reservations.			Y	D-716	Y
40.14.3.42	Fiscal Agent shall produce and maintain the listing and file containing Indian financial adjustment transactions.			Y	D-716	Y

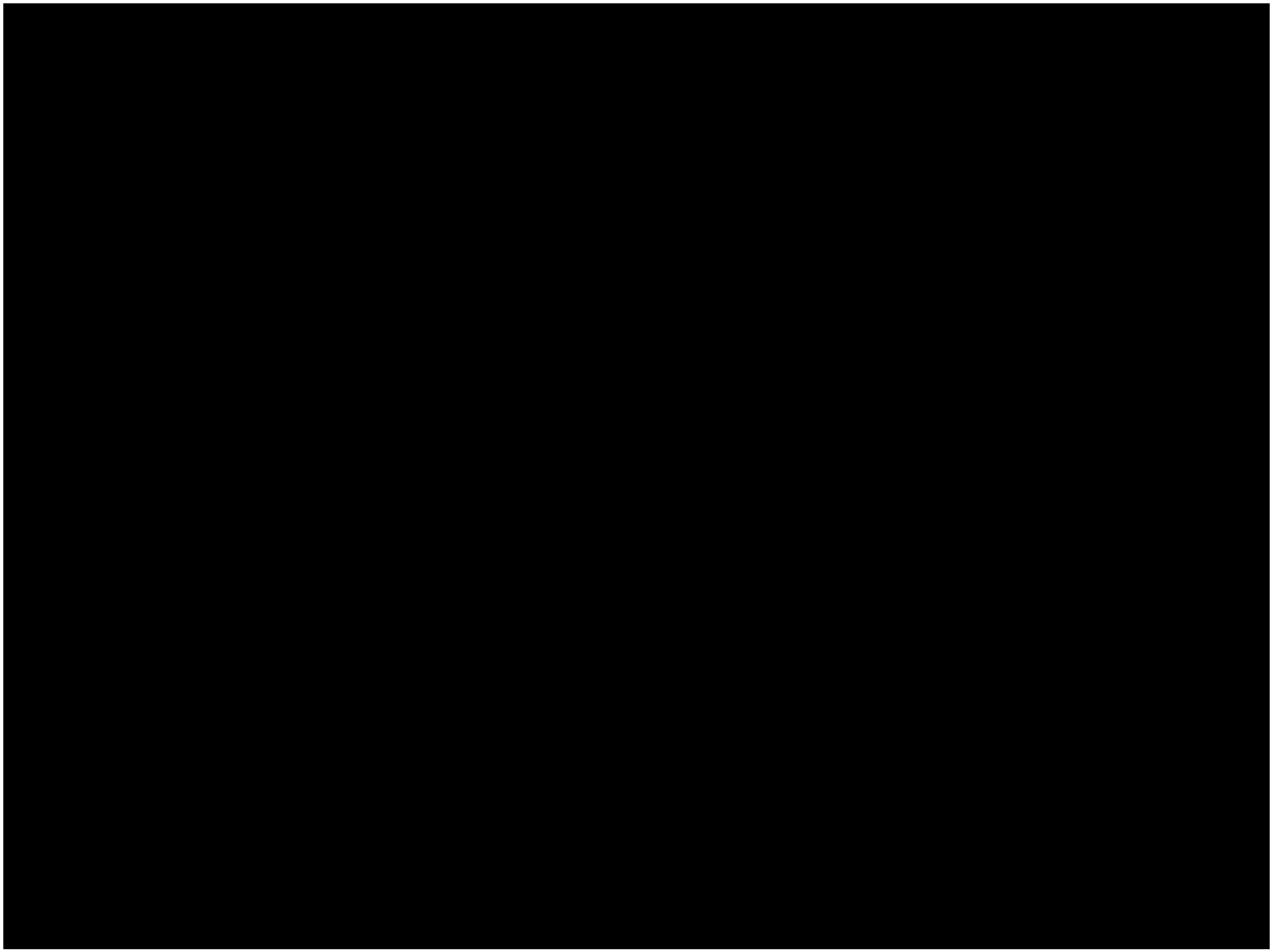
Requirement #	Requirement Description	A	B	C	D	E
40.14.3.43	Fiscal Agent shall produce and maintain the Medicaid Cost Calculation Reporting.	N	N	N	D-716	Y
40.14.3.44	Fiscal Agent shall produce and maintain NCAS Program Cost Interface.	N	N	N	D-716	Y
40.14.3.45	Fiscal Agent shall produce and maintain the Monthly County Bank Draft File.			Y	D-716	Y
40.14.3.46	Fiscal Agent shall produce and maintain MMIS Summary of Paid Claims.	N	N	N	D-716	Y
40.14.3.47	Fiscal Agent shall provide system logging for all program cash receipts received each State business day in Fiscal Agent/bank-managed lock boxes designated by the State with disposition denoted, date, time, and individual processing the receipt.	N	N	N	D-716	Y
40.14.3.48	Fiscal Agent shall index images of checks and all written correspondence from or to the provider for audit purposes throughout the life of the Contract.		Y		D-716	Y
40.14.3.49	Fiscal Agent shall provide verification of daily deposit total to receipt logs by an employee who is independent of the lock box remittance and bank deposit process.				D-716	Y
40.14.3.50	Fiscal Agent shall process and post transactions for all program cash receipts received in Fiscal Agent/bank-managed lock boxes designated by the State.	N	N	N	D-716	Y
40.14.3.51	Fiscal Agent shall disposition all program cash receipts and adjustments within the month of receipt to the applicable program division, benefit plan, NCAS CAC code and period code, reason code, service, and county code.	N	N	N	D-716	Y
40.14.3.52	The Fiscal Agent shall produce an extract of DMH claims data for CDW with each checkwrite.	N	N	N	D-716	Y
40.14.3.53	Fiscal Agent shall successfully complete each checkwrite by the date on the State-approved Checkwrite Schedule.	N	N	N	D-716	Y

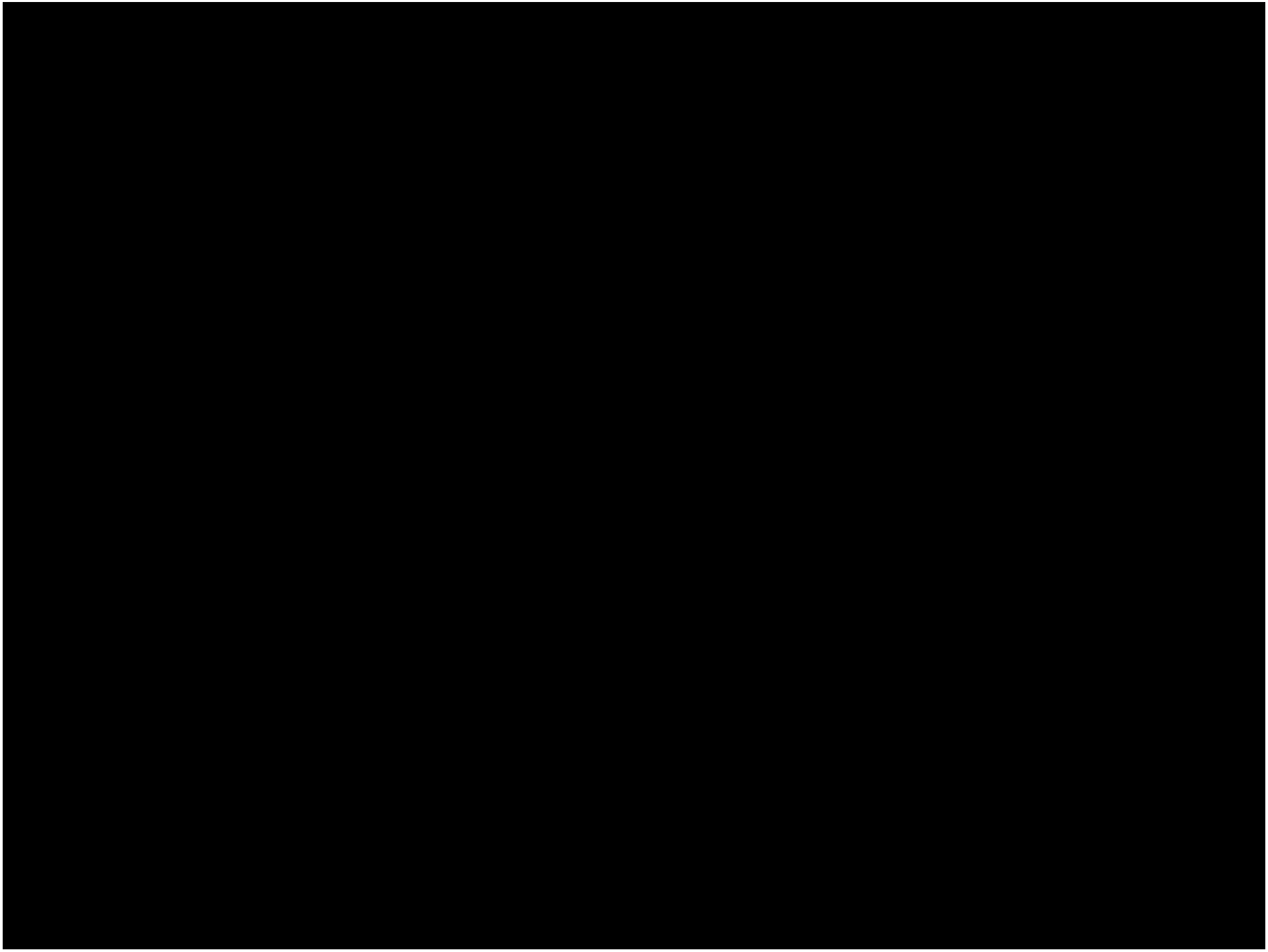
[redacted]

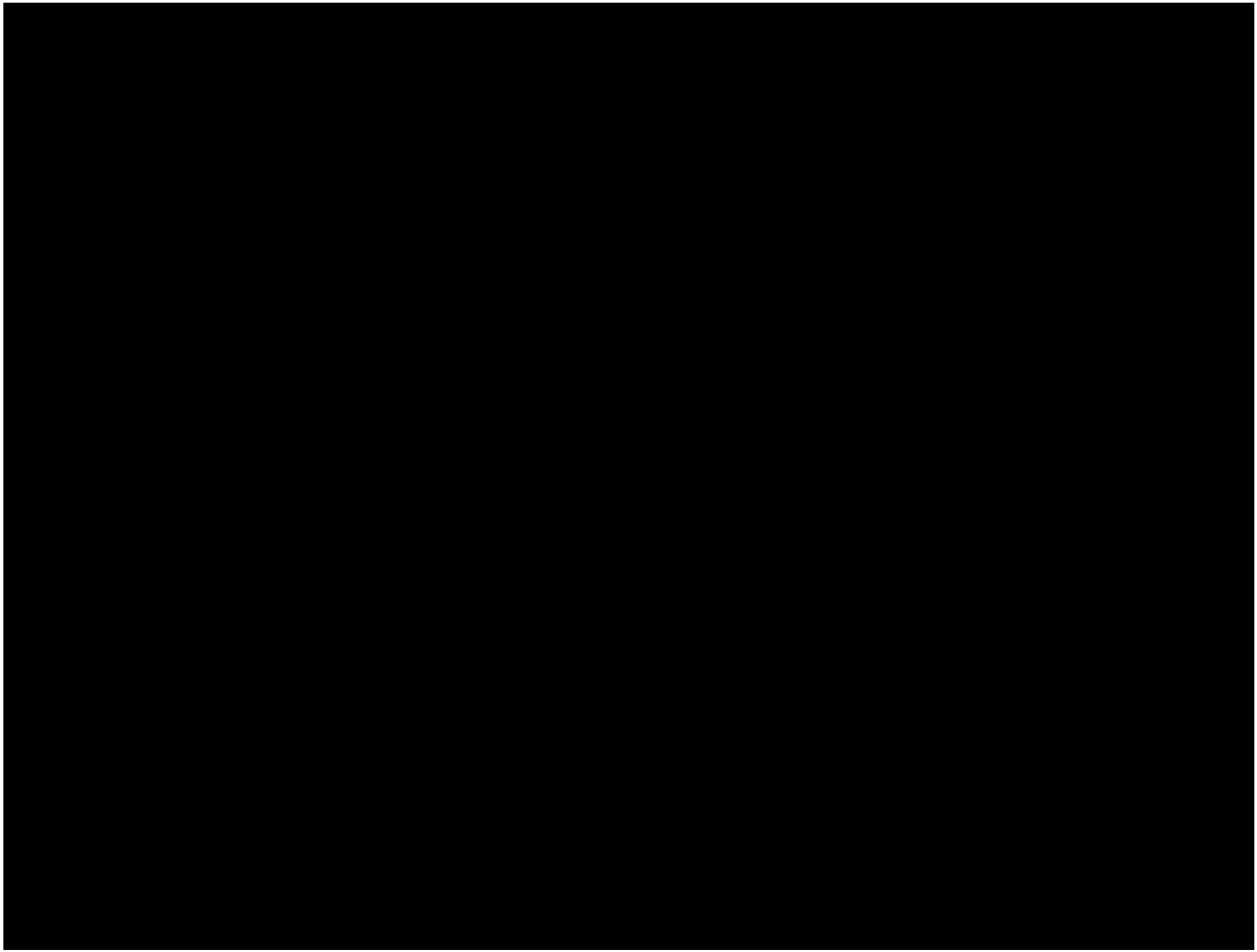


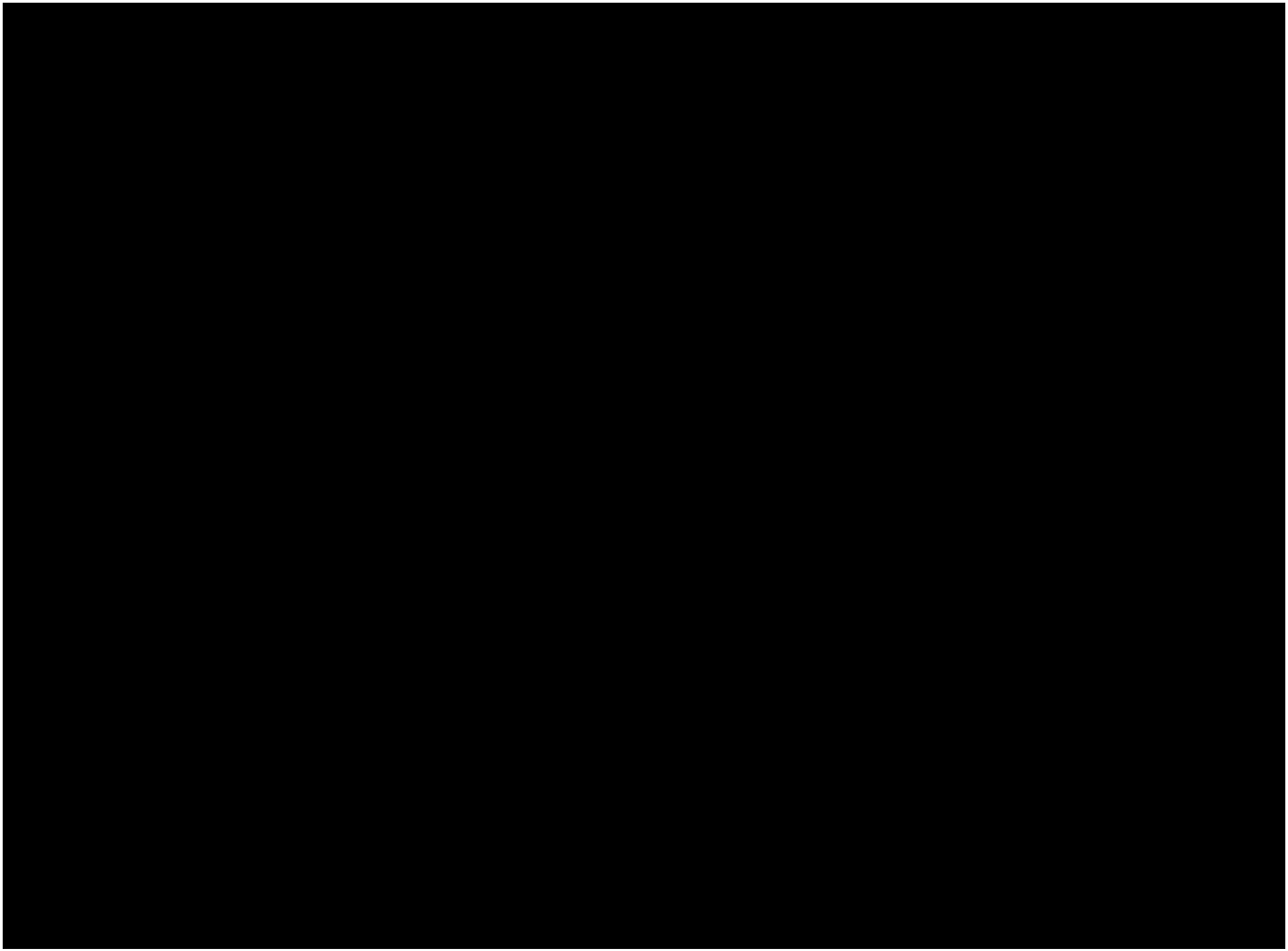


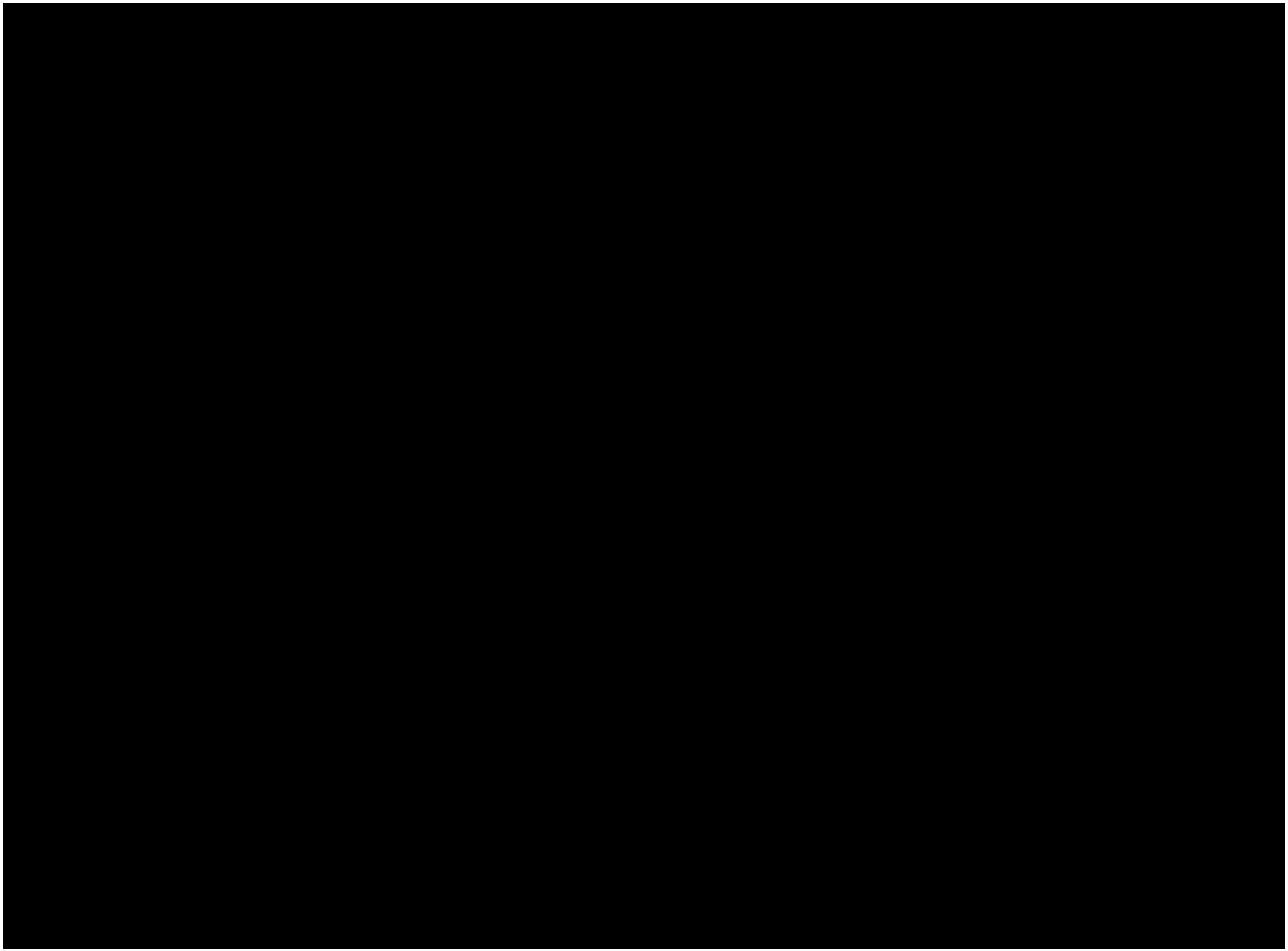


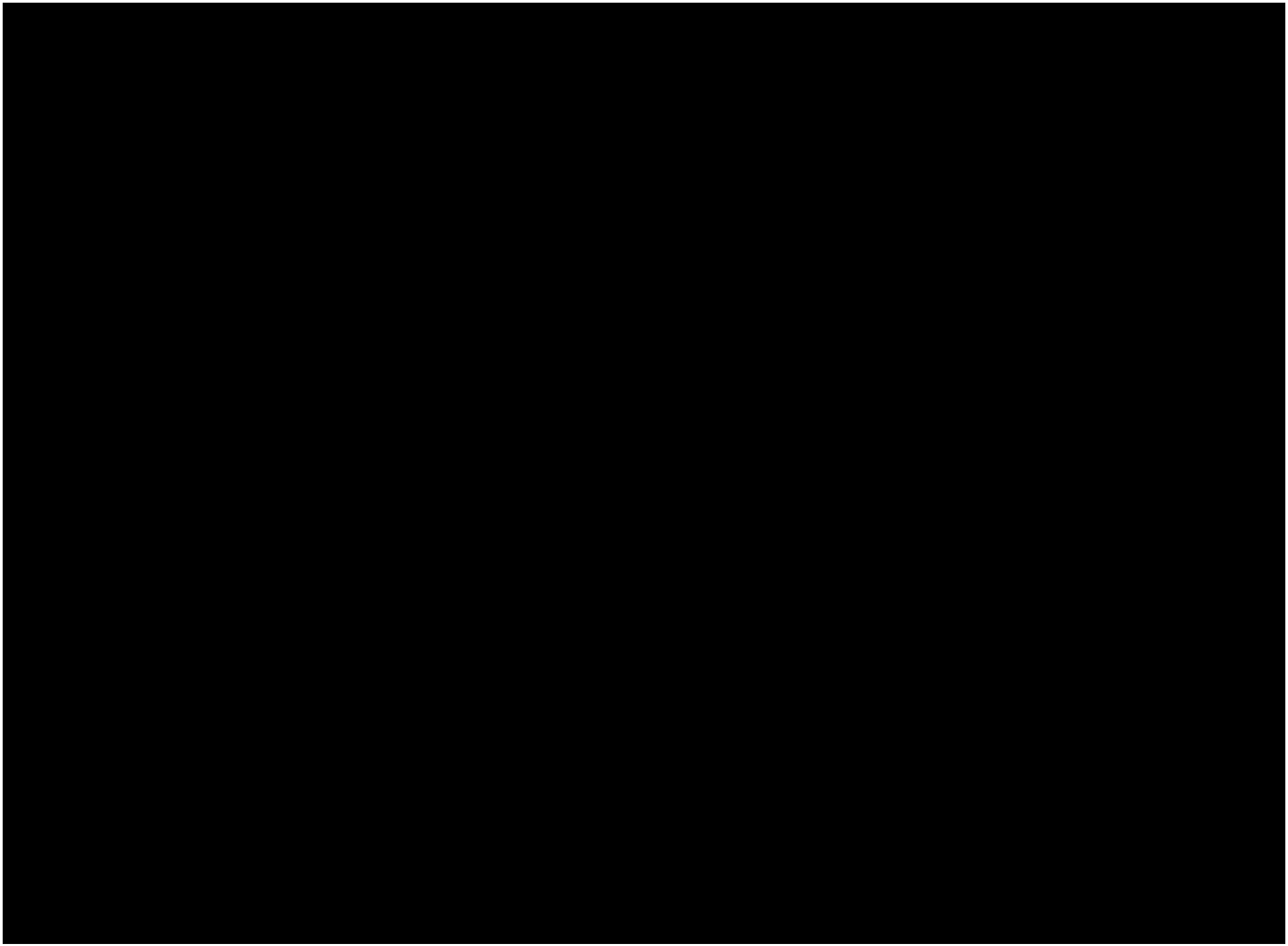


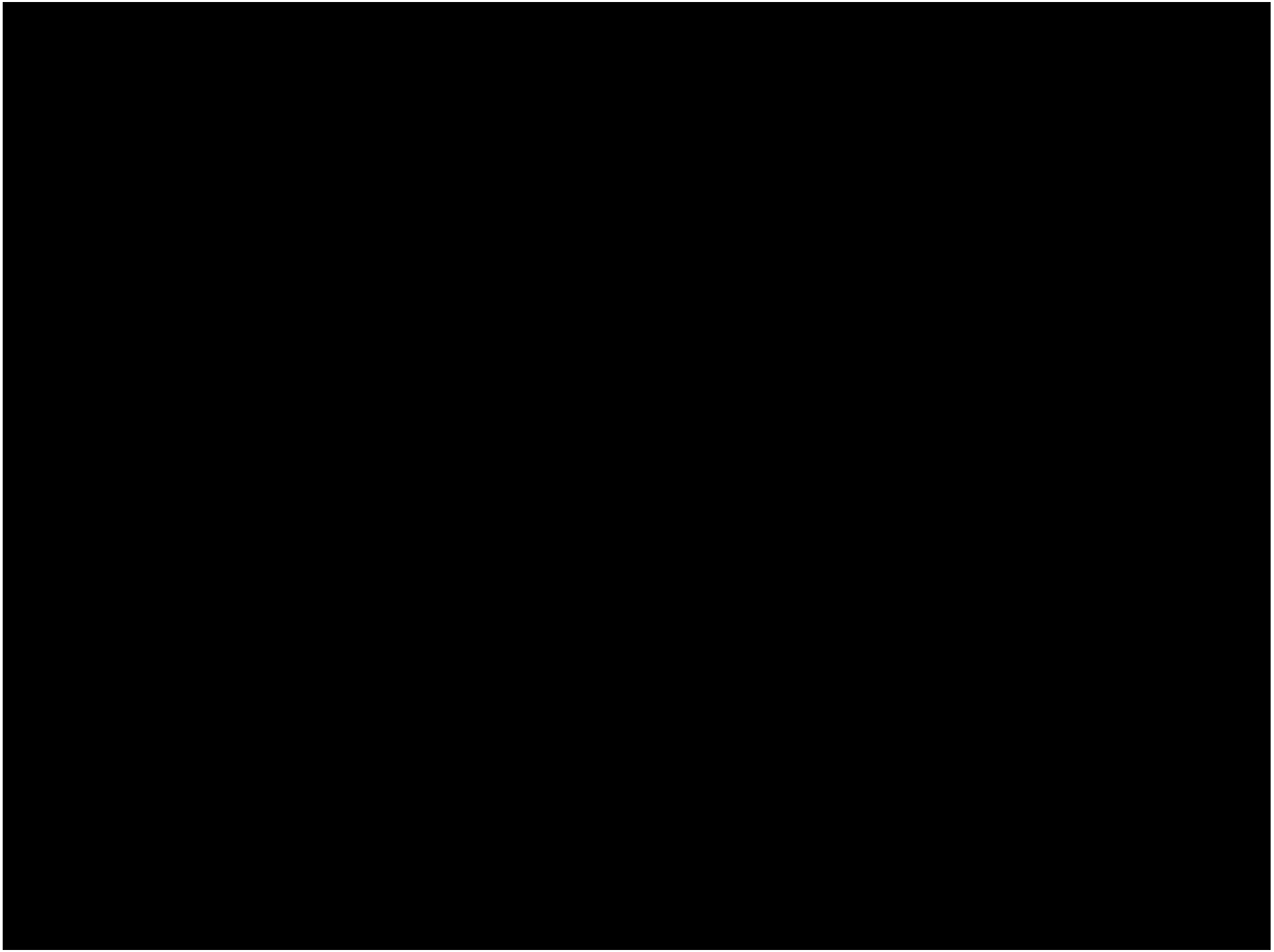


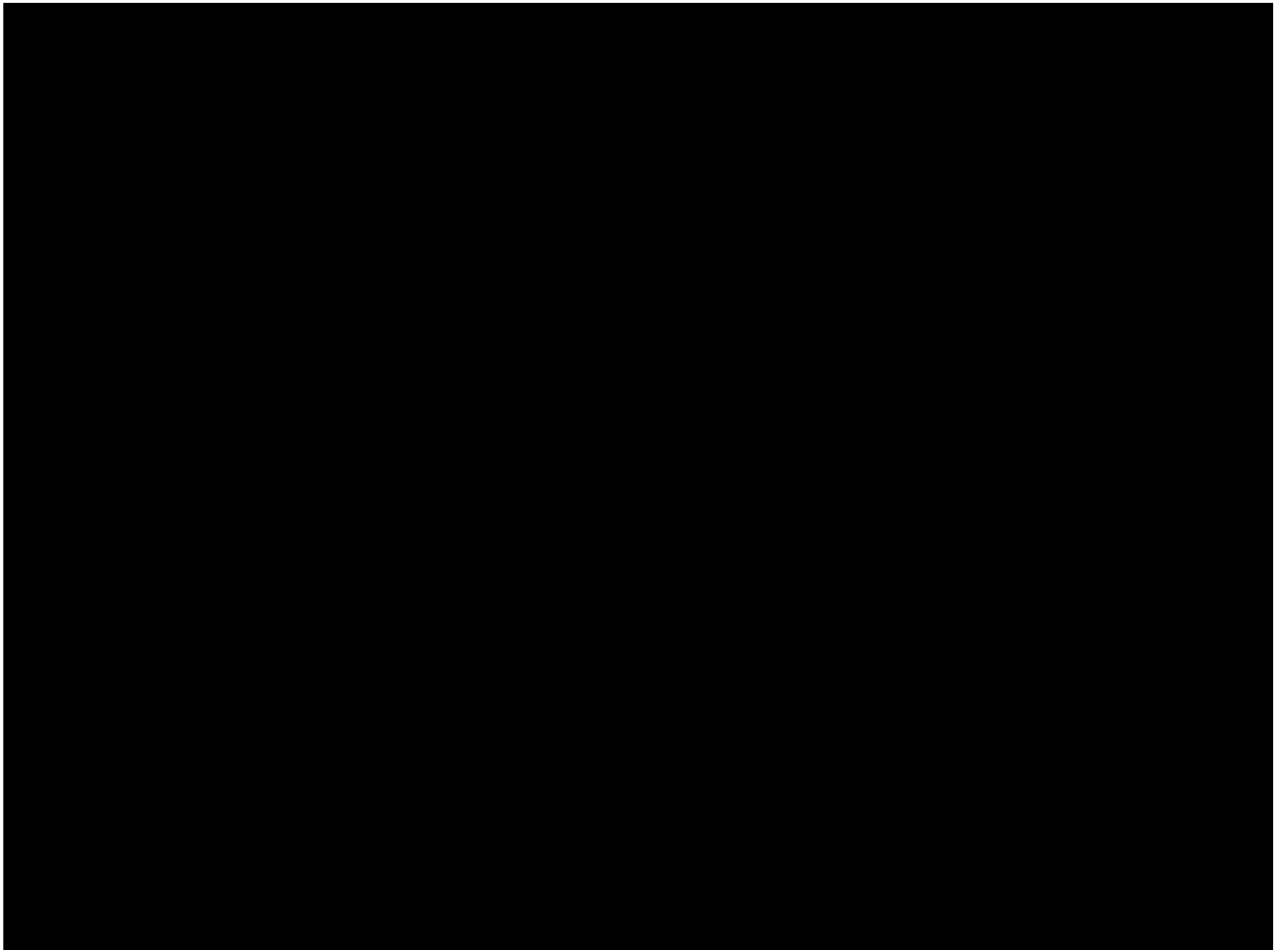












50.2.4.2 Operations

RFP Reference: 50.2.4.2 Operations, Page 276

50.2.4.2.1 Proposed Solution for Operations

RFP Reference: 50.2.4.2.1 Proposed Solution for Operations, Page 276

This section of the proposal is organized into the following subsections:

- 40.1.2 General Operational Requirements
- 40.1.3 Personnel Staffing
- 40.2.2 Recipient Operational Requirements
- 40.2.3 Recipient Operational Performance Standards
- 40.3.2 EVS Operational Requirements
- 40.3.3 EVS Operational Performance Standards
- 40.4.2 AVRS Operational Requirements
- 40.4.3 AVRS Operational Performance Standards
- 40.5.2 Provider Operational Requirements
- 40.5.3 Provider Operational Performance Standards
- 40.6.2 Reference Operational Requirements
- 40.6.3 Reference Operational Performance Standards
- 40.7.2 Prior Approval Operational Requirements
- 40.7.3 Prior Approval Operational Performance Standards
- 40.8.2 Claims Processing Operational Requirements
- 40.8.3 Claims Processing Operational Performance Standards
- 40.9.2 Managed Care Operational Requirements
- 40.9.3 Managed Care Operational Performance Standards
- 40.10.2 Health Check Operational Requirements
- 40.10.3 Health Check Operational Performance Standards
- 40.11.2 TPL Operational Requirements
- 40.11.3 TPL Operational Performance Standards
- 40.12.2 Drug Rebate Operational Requirements
- 40.12.3 Drug Rebate Operational Performance Standards
- 40.13.2 MARS Operational Requirements
- 40.13.3 MARS Operational Performance Standards
- 40.14.2 Financial Management and Accounting Operational Requirements
- 40.14.3 Financial Management and Accounting Operational Performance Standards

EDS' operational teams will use the technologies identified in the following table, Technologies and Business Processes, to perform exceptional service throughout

the contract term. These technologies will be implemented during the DDI Phase. The table identifies the most prominent processes and technologies EDS will bring to each branch of the operations.

Technologies and Business Processes

Operational Area	Business Process, High-Level	Technical Solution Requirements
Mail Room	Retrieve mail daily; mail paper checks and paper RAs when requested; mail provider and recipient notices; ship forms to providers; oversee mailing of plastic DPH cards	interChange; Documentum; DOC1 Letter Generator; Pitney Bowes; iTRACE
Imaging/Data Entry	Image, index, and perform OCR on claims adjustments and other provider documents	Kodak scanners; SunGard/FormWorks; Documentum; interChange; K2 Workflow; iTRACE
Claims/Encounter Suspense Resolution	Adjudicate suspended claims; review and resolve claims and encounters that failed an edit or audit	interChange; K2 Workflow; Documentum; CTMS; iTRACE
Adjustments	Review and resolve adjustments that failed an edit or audit; perform mass adjustments	interChange; Web portal; CTMS; adjustments imaging; Documentum; iTRACE
Drug Rebate	Receive and process drug rebate rates for the generation and issuance of invoices; receive and process drug rebate invoice payments; pursue collections of aged drug rebate receivables; perform drug rebate reporting as required	
Pharmacy and Non-Pharmacy PA & Appeals	Receive and process PA requests; support claims payment and medical appeals	SunGard/FormWorks, Workflow, Documentum, CTMS, interChange, iTRACE
Reference	Perform reference file updates; support State inquiries for research and history file changes	interChange; Documentum; CTMS; iTRACE
Call Center	Manage call center activities for providers, COCC-based recipient calls, and State users	AVAYA; AVRS; CTMS; interChange; Web portal; K2 Workflow; Documentum; Letter Generator; iTRACE
Provider Enrollment	Perform provider enrollment and provider updates	AVAYA; AVRS; CTMS; interChange; Web portal; K2 Workflow; Letter Generator; iTRACE
Training Team	Train the enterprise stakeholders; maintain CBT/LMS content	CBT; Web portal; Learning Management Software; PowerPoint; interChange; iTRACE
Provider Relations	Conduct provider training; perform provider outreach	AVAYA; interChange; iTRACE; CTMS; Web portal; publications software; provider survey software
EDI Help Desk	Operate electronic transaction help desk	Web portal; interChange; iTRACE; AVRS; CTMS
Financial, Buy-In, and TPL	Perform bank reconciliation for 1099s, TPL updates, cash disposition, CMS-64, and accounts receivable and payable	Documentum; interChange; Web portal; CTMS; iTRACE; banking software; AVRS

40.1.2 General Operational Requirements

The first priority of our Operations Management team is a smooth transition from the legacy processes and the DDI Phase to the new fiscal agent operations supported by the Replacement MMIS. We will build on our existing knowledge of policy, stakeholders, and procedures to create a transformed environment that uses new technologies to deliver efficient, effective, and high levels of service.

With these new technologies across the country, EDS has expanded and increased the services for Medicaid stakeholders, and North Carolina's quest for multi-payer will expand on those ideals. As the incumbent fiscal agent for the State, transition will occur smoothly and without interruption to existing services. We will work with the Division of Public Health (DPH) and the Office of Rural Health and Community Care (ORHCC) to enable a new operational environment with a comprehensive transition. Following the successful implementation of the Replacement MMIS, we will continue to provide a high level of fiscal agent services to the Division of Medical Assistance (DMA) and the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (DMH) programs, while expanding these services to DPH and ORHCC.

Our people are the distinguishing factor as we plan our future mode of operations. EDS brings three decades of North Carolina program knowledge to our support model. The EDS account staff members in Raleigh form an unmatched team, with hundreds of years of combined experience working with State programs, providers, and recipients. The following table, EDS' Proposed Management Team, lists our proposed team. With the EDS Operations team, led by Account Manager Melissa Robinson, we will provide the most experienced and knowledgeable staff for the State.

EDS' Proposed Management Team

Name	Position
Melissa Robinson	Account Manager
Tim Sullivan	Technical Director/Systems Manager
Tammy Wheeler	Claims and Operations Manager
Sharlene Bryant	Prior Approval Manager
Jamie Herubin	Finance Manager
Chris Ferrell	Provider and Recipient Services Manager
Dr. Margaret Martin	Medical Director
Sharon Greeson	Pharmacy Director
Dr. David Brooks	Dental Director

With our years of North Carolina knowledge of policies, procedures, and the provider and recipient communities, EDS is positioned to enable the future mode of operations for North Carolina using our teams, our expanded program management capabilities, and interChange features.

The following table, EDS Operations Teams Responsible for General Operational Requirements, illustrates the high-level operational teams directly responsible for interacting with the technology and following up on the required tasks. While in many of these instances the entire organization will be directly involved, we have attempted to outline the high-level team that manages or directs the activities.

EDS Operations Teams Responsible for General Operational Requirements

General Operations Section	EDS Operations Team(s) Responsible
Fiscal Agent Data Center and Offices Requirements	Administrative Team; LAN/WAN Management Team
Regulatory Compliance Requirement	Quality Monitoring and Control; Systems Group
Data Transfer and Conversion Requirements	Systems Group
Interfaces Requirements	EDI; Systems Maintenance
Security Requirements	Quality Monitoring and Control; LAN/WAN Management Team
Data Protection Requirements	Systems Maintenance; LAN/WAN Management Team
Enterprise Security Approach Requirements	Quality Monitoring and Control; Systems Maintenance
Facility Access Requirements	Administrative Team; LAN/WAN Management Team
User Access and Authentication Requirements	Administrative Team; LAN/WAN Management Team
Application Systems Change Control Requirements	Systems Maintenance
System Software Controls Requirements	Systems Maintenance
Logging and Reporting Requirements	Systems Maintenance
Service Continuity Controls Requirements	Systems Maintenance
Data Backup and Recovery Requirements	Systems Maintenance
Records Retention Requirements	Quality Monitoring and Control; Organization to implement
User Interface and Navigation Requirements	Systems Maintenance
Workflow Management Requirements	Systems Maintenance; Operations Management Team
Rules Engine Requirements	Systems Maintenance; Reference
Integrated Test Facility Requirements	Systems Maintenance
Training Requirements	Training
Call Center Requirements	Provider/Recipient Services Unit; EDI
LAN/WAN Management Operational Requirements	LAN/WAN Management Team

General Operations Section	EDS Operations Team(s) Responsible
Audit Requirements	Quality Monitoring and Control; Project Management Office
System/Software Maintenance Requirements	Systems Maintenance; Project Management Office
System Modification Requirements	Modernization Team; Project Management Office
Data Integrity Requirements	Systems Maintenance

Response to General Operational Requirements

The following tables map the detailed solutions to the operational requirements of the functional areas. Where appropriate, we have listed the existing interChange user interface panels, reports, and processes that meet the stated requirements. We also have identified when an integrated COTS piece of software is used to meet the requirements.

Fiscal Agent Data Center and Offices Requirements

The following table, EDS Response to Fiscal Agent Data Center and Offices Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Fiscal Agent Data Center and Offices Requirements

RFP No.	RFP Requirement	EDS Response
40.1.2.1	Fiscal Agent (DDI and Operations Phases) shall perform all Fiscal Agent functions at State-approved facilities and sites, including the Fiscal Agent's data center and any subcontractor locations unless otherwise contractually agreed on. These facilities and sites must comply with appropriate State and Federal privacy and physical safeguards.	Met by operational processes and procedures. Fiscal agent functions will be performed at the EDS facility located at 2610 Wycliff Road, Raleigh, N.C., which will be used for DDI and ongoing operations. This EDS secure facility is within 10 miles of the State office at the NC DHHS headquarters and complies with applicable federal privacy and physical safeguards, and will also serve as EDS' production data center location. DDI also will be supported at EDS secure facilities in the United States.
40.1.2.2	Fiscal Agent (Operations Phase) shall perform all operations, system maintenance, and modifications or other work under this Contract at prior-approved locations.	Met by operational processes and procedures. During the Operations Phase, operations, system maintenance, and modifications or other work under this contract will be performed at prior-approved locations.
40.1.2.3	Fiscal Agent (DDI and Operations Phases) shall locate its local facility within fifteen (15) miles of the State office at NC DHHS headquarters or as directed by the State.	Met by operational processes and procedures. The EDS facility located at 2610 Wycliff Road, Raleigh, N.C., which will be used for local DDI and ongoing operations, is within 10 miles of the State office at the NC DHHS headquarters.
40.1.2.4	Fiscal Agent (DDI and Operations Phases) shall locate key personnel, business units, and the mailroom at the local site.	Met by operational processes and procedures. Key personnel, business units, and the mail room will be at the EDS 2610 Wycliff Road, Raleigh, N.C., facility.
40.1.2.5	Fiscal Agent (DDI and Operations Phases) shall include	Met by operational processes and procedures. EDS will

RFP No.	RFP Requirement	EDS Response
	secure, private office space for three (3) State employees. Fiscal Agent shall also provide assistance and access to any operations, information, or data set elements necessary to support State staff responsibilities. The private office space should include, without limitation: • Lockable desks • Ergonomically correct chairs • IBM-compatible PCs, monitors, and printers with appropriate LAN/WAN connections, Internet access, and e-mail access, at a minimum meeting State standards • Lockable file cabinets • Telephones • Office supplies	provide three secure, private office spaces for three State employees. This secure office space can be a locked room within EDS' secure operations facility. We will provide this at the EDS 2610 Wycliff Road, Raleigh, N.C., facility, which will include the following: • Lockable desks • Ergonomically correct chairs • IBM-compatible PCs, monitors, and printers with appropriate local area network and wide area network (LAN/WAN) connections, Internet access, and e-mail access • Lockable file cabinets • Telephones • Office supplies
40.1.2.6	Fiscal Agent (DDI and Operations Phases) shall provide a common area with three (3) or more computers for Internet access for State employees.	Met by operational processes and procedures. EDS will provide State office space with three computers for Internet access for State employees at our EDS 2610 Wycliff Road, Raleigh, N.C., facility, as well as additional computer and Internet access for State employees, as needed. This space can be supplemented or augmented with the training room computing and network resources.
40.1.2.7	Fiscal Agent (DDI and Operations Phases) shall retain ownership of the equipment issued to the State and shall procure, manage, and bear the cost of repairs or replacement, if required, during the life of the Contract.	Met by operational processes and procedures. EDS will procure, manage, and bear the cost of repairs or replacement of equipment issued to the State, if required. EDS services are set up to do this through our consistent office environment and desktop services delivered worldwide.
40.1.2.8	Fiscal Agent (DDI and Operations Phases) shall upgrade and maintain the personal computers (PCs) and desktop software issued by the Fiscal Agent for State use commensurate with Fiscal Agent PC and software upgrades.	Met by operational processes and procedures. EDS will upgrade and maintain the PCs and desktop software issued to the State commensurate with EDS PC and software upgrades. EDS services are set up to do this through our consistent office environment and desktop services delivered worldwide, which are delivered to EDS team members and our clients.
40.1.2.9	Fiscal Agent (DDI and Operations Phases) shall provide access for the on-site State staff to use copier, scanner, and fax machines.	Met by operational processes and procedures. EDS will provide access to copiers, scanners, and fax machines for on-site State staff.
40.1.2.10	Fiscal Agent (Operations Phase) shall provide equipment for traveling Fiscal Agent representatives that include laptops and cellular telephones that comply with Fiscal Agent's security plan.	Met by operational processes and procedures. Laptops and cell telephones required for traveling fiscal agent representatives will be provided. This equipment will comply with the EDS security plan, which mandates encryption of the hard drives and that the equipment must

RFP No.	RFP Requirement	EDS Response
		be properly secured while outside the fiscal agent facility. Similar to office hardware, EDS provides these support services throughout the corporation and to our clients.
40.1.2.11	Fiscal Agent (DDI and Operations Phases) shall meet periodically as directed by the State to review programs, issues, and status with State operational area staff.	Met by operational processes and procedures. As a part of the DDI and Operations Phase communication plan, meetings with State and fiscal agent staff members will be scheduled to review programs, issues, and statuses. The operation status, open issues, and meeting minutes will be stored in iTRACE for unlimited access by authorized State and EDS users.

Regulatory Compliance Requirement

The following table, EDS Response to Regulatory Compliance Requirement, describes how we will meet the requirement set forth in the RFP.

EDS Response to Regulatory Compliance Requirement

RFP No.	RFP Requirement	EDS Response
40.1.2.12	Fiscal Agent (DDI and Operations Phases) shall ensure that the Replacement MMIS incorporates compliance with appropriate Federal and State regulations, statutes, and policies concerning the protection of personally identifiable information and/or financial information. Regulations, statutes, and policies include, without limitation: • 45 CFR Parts 160, 164 (Health Insurance Portability and Accountability Act) • 42 U.S.C. 1320(d) (Public Health, Approval of Special Projects) • 42 CFR Parts 2, 51, 431 (Confidentiality of Mental Health and Substance Abuse information) • 42 CFR Parts 430-502 (Applicable to Medicare/Medicaid) • 42 U.S.C. § 1396d(a) [1905(a) of the Social Security Act. • Title VI of the Civil Rights Act of 1964, 42 U.S.C. 2000d et. seq. • Title XIX, Section 1903 (42 U.S.C. 1396b) Social Security: Payment to States • Title XIX, Section 1927 (42 U.S.C. 1396r-8) Social Security: Payment for covered outpatient drugs • Federal MMIS certification standards	Met by interChange and operational processes and procedures. The Replacement MMIS incorporates compliance with appropriate federal and State regulations, statutes, and policies concerning the protection of personally identifiable information or financial information. Our design has taken in the appropriate federal and State regulations and statutes, and as a direct result, the interChange solution has always received CMS certification back to the first day of operations. EDS teams spend significant time reviewing legislation and designing solutions to comply with the specific intricacies of State policy. New legislation can often have an enterprisewide impact, and thorough understanding ahead of time enables quick impact assessments and implementations.

RFP No.	RFP Requirement	EDS Response
	• Financial Accounting Standards Board Generally Accepted Accounting Principles (GAAP) • Part 11 of the State Medicaid Manual • North Carolina State Plans for Medicaid, Mental Health, Developmental Disabilities, and Substance Abuse, and Public Health • US DHHS Title VI Language Access Policy • Recipient eligibility policies from the NC DHHS Eligibility Information System (EIS) and the Common Name Data Service (CNDS) • NC State Law S 1048 (Identity Theft Protection Act) • 10A NCAC Chapters 21 & 22, Medical Assistance • 10A NCAC 26B (Confidentiality Rules For Mental Health, Developmental Disabilities, and Substance Abuse Services) • 10A NCAC Chapter 45, DPH Payment Programs • NC DHHS OSP. 2005. DHHS Application Security Policy. • NC OSCIO. 2004. Application Security Policy with Guidelines, Statewide Information Technology Policy. • N.C.G.S. §126: State Personnel System • N.C.G.S. § 131D: Inspection and Licensing of Facilities • N.C.G.S. §131E: Health Care Facilities and Services • N.C.G.S. § 132: Public Records • The Privacy Act of 1974 5 U.S.C. § 552a • NCAC 10A Chapter 13 - NC Medical Care Commission • NCAC 10 A Chapter 14 - Division of Facility Services • NCAC 10A Chapter 26 - Mental Health, General • NCAC 10A Chapter 27 - Mental Health, Community Facility and Services • NCAC 10A Chapter 28 - Mental Health, State Operated Facilities • Government Auditing Standards (http://www.gao.gov/govaud/ yb2003.pdf) Information Systems Audit Standards (http://www.isaca.org/stand1 .htm). • NC DHHS Privacy and Security policies • Federal Section 508 (http://www.section508.gov)	

Data Transfer and Conversion Requirements

The following table, EDS Response to Data Transfer and Conversion Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Data Transfer and Conversion Requirements

RFP No.	RFP Requirement	EDS Response
40.1.2.13	Fiscal Agent (DDI and Operations Phases) shall lead the coordination with the State and the incumbent Fiscal Agent to perform all activities required for the successful transfer and conversion of legacy data for the DDI Phase and ongoing operations.	Met through customization of interChange. EDS will coordinate with the State to perform the activities required for the successful transfer and conversion of legacy data for the DDI Phase and ongoing operations. We will perform the data mapping and conversion during the legacy DDI Phase of the MMIS data to the Replacement MMIS for 10 years of historical data. For DPH and ORHCC, we will coordinate the conversion of the available historical claim, provider, and recipient electronic data that is directly related to the adjudication of claims.
40.1.2.14	Fiscal Agent (DDI and Operations Phases) shall provide the converted data to other State users and/or vendors as required for its processing needs identified by the State.	Met through customization of interChange and by operational processes and procedures. The data conversions for DMA, DMH, DPH, and ORHCC will include the electronic data required to process claims. Typically, claims, recipient, reference, provider, and financial electronic data will be converted. Additional electronic data will be considered based on the relation it has to processing and payment of claims for the four payers.
40.1.2.15	Fiscal Agent (DDI and Operations Phases) shall provide hardware, software, and data support for the State during all phases of conversion and testing during the DDI Phase and throughout the life of the Contract.	Met by operational processes and procedures. We will provide hardware, software, and electronic data support to the State during all phases of conversion and testing during DDI and throughout the life of the contract, including the required maintenance agreements with the software and hardware vendors.
40.1.2.16	Fiscal Agent (DDI and Operations Phases) shall provide capability for storing all conversion-related artifacts in an easily retrievable format for access by the State for the later of life of the Contract or the commencement of processing by a subsequent contractor.	Met by interChange. The detailed conversion design document will contain the related artifacts to the mappings from the source system to the interChange targets. Authorized users can retrieve the artifacts that are stored in iTRACE throughout the life of the contract.
40.1.2.17	Fiscal Agent (Operations Phase) shall convert all the claim TIFF images with claim numbers and all the associated claim electronic files and related index information from Legacy MMIS+ in an indexed and retrievable format.	Met through customization of interChange. We will convert the Legacy MMIS+ claims images as part of our Electronic Document Management System (EDMS) solution. The images will be indexed and retrievable.
40.1.2.18	Fiscal Agent (Operations Phase) shall transfer, or convert where appropriate, all existing Legacy MMIS+ reports and report-related data, including reports in Legacy MMIS+ and/or stored in Report2Web (R2W).	Met through customization of interChange. We will transfer the Legacy MMIS+ reports contained in Report2Web to the Replacement MMIS EDMS.

RFP No.	RFP Requirement	EDS Response
40.1.2.19	Fiscal Agent (Operations Phase) shall convert all legacy data from DMA, DMH, DPH, and the Migrant Health Program in the ORHCC.	Met through customization of interChange. The data conversions for the four payers will include electronic data required to process claims. Namely, claims, recipient, reference, provider, and financial electronic data will be converted. Additional electronic data will be considered for conversion based on the relation it has to processing and payment of claims for the in-scope payers.
40.1.2.20	Fiscal Agent (Operations Phase) shall convert all legacy data from DMA, DMH, DPH, and the Migrant Health Program in the ORHCC to maintain benefit plans and data relationships in a multi-payer aspect.	Met through configuration of interChange parameters and features. The benefit plan data relationships for each of the multi-payers will be configured and maintained in the interChange Benefit Plan Administration Rules Module. The conversion strategy for recipient data is based on a proven methodology that has been successful in previous projects, including conversions from the older Legacy MMIS+ to the interChange MMIS. For example, EDS was responsible for converting data for more than 762,000 recipients in Kansas. The data attributes were similar for Oklahoma, Kentucky, Tennessee, and Pennsylvania. Each project allows us to improve our overall conversion approach and methodology. EDS will develop a detailed conversion plan to document how the electronic data required by the interChange system will be populated.
40.1.2.21	Fiscal Agent (DDI Phase) shall convert and configure all business rules data into a rules engine.	Met through configuration of interChange parameters and features. The interChangeRules solution is comprised of the EDS Benefit Plan Administration (BPA) rules module, as well as the integration of the COTS rules engine InRule for supporting MMIS areas. The BPA module is for the configuration of State policy for claims administration, while the COTS rules engine will be integrated into the prior approval adjudication processing. Many rules can be modified and created by users through the interChange browser-based application. EDS will work with DMA, DMH, DPH, and ORHCC to identify, convert, and configure the necessary business rules data into the Replacement MMIS rules engine.

Interfaces Requirements

The following table, EDS Response to Interfaces Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Interfaces Requirements

RFP No.	RFP Requirement	EDS Response
40.1.2.22	Fiscal Agent (DDI and Operations Phases) shall coordinate with the Reporting and Analytics (R&A) Vendor for the activities required for interfacing with R&A system.	Met through configuration of interChange parameters and features. After the reporting and analytics (R&A) vendor is selected, we will work with the State and the vendor to define the scope of this requirement. Because the scope of this interface is unknown at this time, we have not fully scoped it in our solution.
40.1.2.23	Fiscal Agent (DDI and Operations Phases) shall develop and maintain a complete inventory of Replacement MMIS internal and external interfaces with all relevant information throughout the life of the Contract.	Met by operational processes and procedures. We will maintain an inventory of the interfaces during the life of the contract. The interface inventory, including file descriptions, will be maintained in iTRACE, our browser-based project information repository.
40.1.2.24	Fiscal Agent (DDI and Operations Phases) shall provide the specifications for interfaces that will be created and maintained throughout the life of the Contract.	Met by operational processes and procedures. During the Operation Phase, the EDS Systems team will maintain the specifications—such as record layouts, frequency of transfer, or transfer protocol—for established Replacement MMIS interfaces.
40.1.2.25	Fiscal Agent (DDI and Operations Phases) shall maintain data sharing capability, either manual or electronic as required, between the Replacement MMIS and DHSR.	Met by operational processes and procedures. The EDS System Maintenance Support team will establish the appropriate data sharing with the Division of Health Service Regulation (DHSR) regarding claim payment processing. During the Operation Phase, we will maintain the specifications—such as record layouts, frequency of transfer, and transfer protocol—for the DHSR interfaces.

Security Requirements

The following table, EDS Response to Security Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Security Requirements

RFP No.	RFP Requirement	EDS Response
40.1.2.26	Fiscal Agent (DDI and Operations Phases) shall be required to test backup and recovery plans annually through simulated disasters and lower-level infrastructure failures and provide awareness training on recovery plans to Fiscal Agent and State staff.	Met by operational processes and procedures. EDS will perform an annual review of the backup and recovery plan. We will include these tests in our operational processes and work with the State to coordinate the tests. This is standard operating procedure for many of EDS' current Medicaid clients.
40.1.2.27	Fiscal Agent (DDI Phase) shall assess and document the security threats and vulnerabilities for the proposed Replacement MMIS and shall implement the recommended controls and countermeasures to	Met by operational processes and procedures. EDS will assess and document security threats and vulnerabilities along with the recommended controls and countermeasures. This will be incorporated into the overall security plan. The

RFP No.	RFP Requirement	EDS Response
	eliminate or reduce the associated risks.	System Administration and Network team will work through the architecture to review potential areas of concern and implement the necessary fix. An annual penetration test will help identify these areas.
40.1.2.28	Fiscal Agent (DDI) shall develop, implement, and test an approach that will protect individually identifiable health information (IIHI) and protected health information (PHI) exchange during DDI Phase testing and conversion of legacy files, including acceptance and return or disposal of the data or media containing the data.	Met by operational processes and procedures. Security testing will be at the application, facility, and data level during DDI. EDS will develop, implement, and test an approach that will protect IIHI and PHI exchange during the DDI Phase testing and conversion of Legacy MMIS+ files, including acceptance and return or disposal of the data or media containing the data. Compliance with these regulations is inherent in our implementation processes. Throughout our interChange implementations, we have encountered the intricacies of maintaining clean data and following appropriate procedures.
40.1.2.29	Fiscal Agent (DDI Phase) shall develop, implement, and test a security incident response plan for responding to and reporting about service interruptions that do not lead to disaster recovery initiation, including a central means of collection and correlation of events for resolution and prevention of future problems.	Met by operational processes and procedures. This requirement will be met through our base security plan, and the EDS Implementation team will document and post these incidents in iTRACE for easy access for the State.
40.1.2.30	Fiscal Agent (DDI Phase) shall prepare for and comply with an internal security assessment/audit performed by NC DHHS representatives, based on documentation assembled during DDI Phase prior to the formal acceptance of Replacement MMIS.	Met by operational processes and procedures. We will work with the appropriate NC DHHS representatives throughout DDI to comply with the internal security assessment and audit. This will occur prior to the formal acceptance of the Replacement MMIS.

Data Protection Assurance Requirements

The following table, EDS Response to Data Protection Assurance Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Data Protection Assurance Requirements

RFP No.	RFP Requirement	EDS Response
40.1.2.31	Fiscal Agent (DDI and Operations Phases) shall use commercial best practices to safeguard and protect physical data and media, documents, files, tapes, disks, diskettes, and other materials received from the State or the agency from loss, destruction, or erasure during performance of any contractual obligation. Practices shall include encryption technologies where applicable.	Met by interChange. EDS' solution incorporates commercial best practices. The safeguards that will be used by EDS are as follows: • Physical – Building security, featuring picture card entry with password – Secure data center within a secure building, with picture card entry, restricted access based on business

RFP No.	RFP Requirement	EDS Response
		need and job junction • Procedures – Security and encryption of the network connections to and from the State and the EDS application, using hardware and software encryption such as Triple DES (3DES), HTTPS, and SFTP – Use of dedicated lines between EDS and the State, using a point-to-point approach – Any electronic format that is used to send data outside the secure data center between EDS and provider sites will be encrypted – Hard-copy data that is hand-delivered will require acknowledgement of receipt by signature, and hard-copy data double bagged and placed in locked carrying cases – 3DES—By adding various multiple-pass methods, 3DES increases security; for example, encrypting with one key, decrypting the results with a second key and encrypting it again with a third • Logical – EDS uses security levels based on job functions, business need to know, and business need for access
40.1.2.32	Fiscal Agent (DDI and Operations Phases) shall use commercial best practices to safeguard and protect all information transmitted internally (within the Fiscal Agent Offices and network) or externally (beyond the Fiscal Agent network perimeter), protecting from alteration, capture or destruction. Practices shall include encryption technologies where applicable.	Met by interChange. EDS' solution incorporates commercial best practices. The safeguards EDS will use are listed above and detailed fully in the Security subsection of proposal sections 50.2.4.1 Proposed System Solution and Solution for Design, Development, and Installation and 50.2.8 Section H—Security Approach.
40.1.2.33	Fiscal Agent shall provide all encryption or identification codes or authorizations that are necessary or proper for the operation of the licensed Software.	Met by operational processes and procedures. We will document the associated codes for the licensed software, and provide them to the appropriate State employees when requested.
40.1.2.34	Fiscal Agent (DDI and Operations Phases) shall provide audit evidence that all of its employees and third party contractors or subcontractors are subject to a non-disclosure and confidentiality agreement enforceable in North Carolina.	Met by operational processes and procedures. EDS will provide audit evidence regarding nondisclosure and confidentiality agreements. This pertains to DDI and Operational phases of the project and is a part of our security documentation procedures.

Enterprise Security Approach Requirements

The following table, EDS Response to Enterprise Security Approach Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Enterprise Security Approach Requirements

RFP No.	RFP Requirement	EDS Response
40.1.2.35	Fiscal Agent (DDI and Operations Phases) shall establish a technical management organizational structure to manage and protect the system and data for all environments (e.g. development, test, load, UAT, production).	Met by operational processes and procedures. The EDS Systems team, led by Tim Sullivan, will establish and provide a management organizational structure to protect the system and data in each required system environment, with the security and change management features of the Replacement MMIS.
40.1.2.36	Fiscal Agent (DDI and Operations Phases) shall demonstrate security awareness and provide training to Fiscal Agent and State staff in security policies and procedures.	Met by operational processes and procedures. EDS is well versed in providing a secure MMIS and physical environment. The EDS training staff will develop and provide training to EDS and State staff members in security policies and procedures. Because we understand the critical nature of making sure contract stakeholders understand the role of security, EDS staff members are required to take an annual HIPAA course in addition to the security training courses. EDS will provide training to the State staff members for security policies and procedures.
40.1.2.37	Fiscal Agent (Operations Phase) shall initiate, implement, test, and document on an annual basis a risk assessment policy and process to mitigate the overall enterprise security risk. This policy and plan shall include, without limitation, security process review, controls testing, mitigation procedures, personnel responsibility, and a process for State notification.	Met by operational processes and procedures. The EDS Operations team with the oversight of the EDS PM and EDS risk management specialists will create a risk assessment plan and policy to evaluate current security risks and forecast any potential future concerns. These risk assessments will address current security processes, potential vulnerabilities, access controls, migration procedures, and security roles and responsibilities. The process and its results will be readily available to the State through iTRACE.
40.1.2.38	Fiscal Agent (Operations Phase) shall develop the policy and plans for an annual Business Impact Analysis (BIA) and Business Criticality Analysis (BCA) that shall identify the impacts resulting from major disruptions and set or modify the appropriate Recovery Time Objectives (RTO) and Recovery Point Objectives (RPO). The RTOs and RPOs shall be established in consultation with and approved by the State.	Met by operational processes and procedures. Access to the Replacement MMIS and related systems is vital to enable the State to continue to provide services to North Carolina providers and recipients. EDS understands our key role in protecting and maintaining availability of the systems, data, and processes that comprise the Replacement MMIS solution. EDS has built our reputation on delivering quality solutions to our clients for more than 40 years, and on maintaining the availability of those solutions even under adverse conditions. The development of appropriate disaster recovery and backup capabilities is a key element in reducing risk and maximizing system availability. We will develop a disaster recovery and business continuity plan with the State, including Business Impact Analysis (BIA) and

RFP No.	RFP Requirement	EDS Response
		Business Criticality Analysis (BCA) plans, as specified, and will make sure these plans reflect the agreed-on RTOs and RPOs.
40.1.2.39	Fiscal Agent (DDI and Operations Phases) shall document policies to implement operational practices preventing any person(s) from establishing unauthorized control over the privacy, security, and processing of critical information. Operational procedures must conform to the NC DHHS Privacy and Security policies and procedures.	Met by operational processes and procedures. User/role-based security will be assigned according to standards as defined by NC DHHS Privacy and Security policies and procedures. User- and role-based security also will be assigned for specific applications and data, including access restrictions to protected and confidential information, in accordance with the privacy and security requirements of HIPAA and the State. Operational security and access practices preventing any person(s) from establishing control will be documented in the security plan and housed within iTRACE.
40.1.2.40	Fiscal Agent (DDI and Operations Phases) shall maintain preventive, detective, and corrective audit and control features of the Replacement MMIS for the duration of the Contract in conformance with NC DHHS Privacy and Security Policy.	Met by operational processes and procedures. EDS will use Microsoft Reporting Services to generate security audit reports from its SQL Server database for tracking users and associated security groups, roles, settings, passwords, and duplicated IDs. Reports also are available by user ID and can show their defined permissions, history of changes to the account, and which applications were accessed from the primary security landing page. EDS will work with the State to define the frequency and content of these security audit reports to meet State-specific security auditing needs. Additionally, as described previously, EDS will perform periodic risk assessments of security and privacy policies and review this information with the State to determine appropriate corrective actions. From the preventive perspective and with the local monitoring provided by the intrusion detection tools of the interChange system, the State will benefit from the global EDS enterprise commitment to security and privacy. The EDS Security and Privacy group sends timely vulnerability alert notification e-mails to systems administrators and privacy or security officers, listing known security issues in many common products. This notification lets security teams know about vulnerabilities of which they might not otherwise be aware, giving them a chance to address these issues before they can be exploited against the systems we protect. Additionally, special high-priority messages are sent to warn of new, high-profile, and serious vulnerabilities.
40.1.2.41	Fiscal Agent (Operations Phase) shall assist the State in the annual Replacement MMIS security audit in accordance with Government Auditing Standards and Information Systems Audit Standards.	Met by operational processes and procedures. EDS' Systems team will make the appropriate documents and resources available to support the annual security audit conducted in accordance with Government Auditing Standards and Information Systems Audit Standards.

RFP No.	RFP Requirement	EDS Response
40.1.2.42	Fiscal Agent (Operations Phase) shall be required to test backup and recovery plans annually through simulated disasters and lower-level failures and provide awareness training on recovery plans to Fiscal Agent and State staff. These tests must include, without limitation, joint participation by the Fiscal Agent and State staff.	Met by operational processes and procedures. EDS' Operations team will perform an annual review of the backup and recovery plan. We will conduct these backup and recovery tests in coordination with the State. EDS' Training team will provide awareness training on recovery plans to State and EDS staff members.
40.1.2.43	Fiscal Agent (DDI and Operations Phases) shall include, without limitation, audit evidence in system testing results (e.g., from system change management, upgrades, backups, etc.) cross-referenced to the expected test.	Met by interChange and operational processes and procedures. Test cases and results will be stored in Test Director software. A file will be created to feed iTRACE with test case and results information cross-referenced to the expected test. These results will be available to the State through iTRACE.

Facility Access Requirements

The following table, EDS Response to Facility Access Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Facility Access Requirements

RFP No.	RFP Requirement	EDS Response
40.1.2.44	Fiscal Agent (DDI and Operations Phases) shall implement controls to restrict access to data processing facilities and secured electronic or physical storage areas only to authorized individuals.	Met by operational processes and procedures. Entrance to EDS' facilities and secured electronic or physical storage is secured by EDS' physical security system—card reader-based—as appropriate, and access will be limited to individuals with a business reason to be in a specific area.
40.1.2.45	Fiscal Agent (DDI and Operations Phases) shall provide accountability control to record facility access.	Met by operational processes and procedures. Physical access will be logged to provide accountability control to EDS' facilities.
40.1.2.46	Fiscal Agent (DDI and Operations Phases) shall record and supervise visitor and unauthorized user access to the Fiscal Agent's local site as well as any other sites used by the Fiscal Agent for Replacement MMIS processing or related activities and shall control access by unauthorized persons in conformance with NC DHHS Security Policy.	Met by operational processes and procedures. Visitors and any unauthorized users to our EDS facilities will be required to sign in, wear a visitor's badge, be escorted while within the EDS location throughout the duration of their visit, and sign out and return the visitor's badge at the end of the visit to the local sites used during the DDI and Operations Phases. Our process will conform to applicable State security policy.
40.1.2.47	Fiscal Agent (DDI and Operations Phases) shall safeguard processor site(s) through provision of uninterruptible power supply, power conditioning, internal environmental controls, fire retardant capabilities, and smoke and electrical detectors and alarms monitored by security personnel.	Met by operational processes and procedures. EDS understands the State's concern with power failures and other electrical anomalies that could bring down the systems and effectively halt claims processing operations. At our Raleigh, N.C., and our Herndon, Va., backup facilities, we take precautions such as using uninterruptible power supplies (UPS) for the equipment supporting the State's

RFP No.	RFP Requirement	EDS Response
		critical business operation. Our Raleigh and Herndon data centers will be equipped with UPS, power conditioning, internal environmental controls, fire-retardant capabilities, and smoke and electrical detectors and alarms, monitored.
40.1.2.48	Fiscal Agent (DDI and Operations Phases) shall restrict access to the facility server area during regular operations and in disaster and emergency situations in accordance with NC DHHS Security Policy.	Met by operational processes and procedures. Access to the fiscal agent facility server areas will be restricted by a badge reader system with access granted to individuals with a business need during regular operations. During disasters or emergency situations, access will be limited to authorized personnel with a business need to access. The applicable security measures will be implemented in accordance with NC DHHS Security Policy.
40.1.2.49	Fiscal Agent (DDI and Operations Phases) shall document policies to implement operational practices preventing unauthorized access to data or systems and prevent fraudulent activities that may result from the use of this information. Operational procedures must conform to the NC DHHS Privacy and Security policies and procedures.	Met by operational processes and procedures. User/role-based security will be assigned according to standards as defined by NC DHHS Privacy and Security policies and procedures. User- and role-based security also will be assigned for specific applications and data, including access restrictions to protected and confidential information, in accordance with the privacy and security requirements of HIPAA and the State. Security and access practices preventing any person(s) from establishing control will be documented in the security plan and housed in iTRACE.

User Access Authentication and Authorization Requirements

The following table, EDS Response to User Access Authentication and Authorization Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to User Access Authentication and Authorization Requirements

RFP No.	RFP Requirement	EDS Response
40.1.2.50	Fiscal Agent (Operations Phase) shall provide all authorized users (employees, contractors, providers, citizens, other government workers) of the Replacement MMIS with access to appropriate business areas, databases, files, reports, archives, etc. through a common, consistent interface that restricts access based on authentication and authorization to appropriate data derived from role-based security.	Met by operational processes and procedures. User- and role-based security will be assigned according to applicable standards as defined by NC DHHS Privacy and Security policies and procedures. User- and role-based security also will be assigned for specific applications and data, including access restrictions to protected and confidential information, according to HIPAA and State privacy and security requirements. This process gives authorized users access to the Replacement MMIS as their business needs dictate.
40.1.2.51	Fiscal Agent (Operations Phase) shall implement a managed workflow process for user account provisioning	Met by operational processes and procedures. EDS will follow the required security checks and protocols to process

RFP No.	RFP Requirement	EDS Response
	to eliminate the use of paper documents, ensure timely response to requests, and retain profiles for each user containing identification, authorization, organizational demographics, group memberships, and functional permissions derived from role-based security.	logon requests from the approved manager of the new user so that the new State and EDS staff members and other stakeholders are provided with the appropriate access. After State authorization has been given for State personnel or other stakeholders, EDS will maintain the individual's access until notification and approval is given to terminate the access. The method for accomplishing this task will require an electronic form to be completed and reviewed at each stage of the process. This process will include notification to specified State security employees. The State approving authority can electronically view, approve, and forward the logon request to the contractor for completion. EDS will notify the user concerning the status of the request.

Application Systems Change Control Requirement

The following table, EDS Response to Application Systems Change Control Requirement, describes how we will meet the requirement set forth in the RFP.

EDS Response to Application Systems Change Control Requirement

RFP No.	RFP Requirement	EDS Response
40.1.2.52	Fiscal Agent (DDI and Operations Phases) shall perform security impact reviews of the change management process and share and collaborate on such reviews with State staff during the DDI Phase and throughout the life of the Contract.	Met by operational processes and procedures. The EDS Operations team will perform security impact reviews of the change management process. These reviews will be shared with the State staff members throughout the DDI and Operations Phases and will collaborate with the State. The review results will be posted and stored in iTRACE and made readily available online to the State.

System Software Controls Requirements

The following table, EDS Response to System Software Controls Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to System Software Controls Requirements

RFP No.	RFP Requirement	EDS Response
40.1.2.53	Fiscal Agent (DDI and Operations Phases) shall control and monitor global access to systems and files such that no single individual will be able to affect system operations in isolation.	Met by operational processes and procedures and through COTS integration. The EDS security and operational procedures will meet this requirement. Also, an audit trail is built into our configuration management and change management tools and processes.

RFP No.	RFP Requirement	EDS Response
40.1.2.54	Fiscal Agent (Operations Phase) shall monitor application platforms with industry standard technology and tools (hardware and software) and respond according to agreed-upon Service Level Agreements to developing problems.	Met by operational processes and procedures. EDS will use the Oracle Diagnostic Pack and the SiteScope package from Mercury Interactive (now Hewlett-Packard). EDS will meet the agreed-on service-level agreements for this area.
40.1.2.55	Fiscal Agent (DDI and Operations Phases) shall implement a comprehensive security monitoring solution to include, without limitation, industry standard technology and tools, including monitoring of wireless communication to monitor all aspects of the proposed solution (e.g., perimeter and internal network, server farms, operating systems, application software, and application data). Wireless communication at the Fiscal Agent site shall conform to the established NC DHHS Security Policy.	Met by operational processes and procedures and through COTS integration. EDS will use an intrusion detection system (IDS) as the security monitoring solution.
40.1.2.56	Fiscal Agent (Operations Phase) shall retain copies of all server operating system and configuration software, system utilities and tools, network device configuration settings, and software license agreements in a location remote from the production server location, updating the copies as the operating environment changes.	Met by operational processes and procedures. EDS will engage Iron Mountain Corp. to meet this requirement. We will store copies of this information off-site in our Iron Mountain storage facility.

Logging and Reporting Requirements

The following table, EDS Response to Logging and Reporting Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Logging and Reporting Requirements

RFP No.	RFP Requirement	EDS Response
40.1.2.57	Fiscal Agent (DDI and Operations Phases) shall identify and document all network activity events involved with the non-application operations of the Replacement MMIS.	Met by operational processes and procedures. Any network activity events outside the Replacement MMIS activity will be communicated to the State in advance.
40.1.2.58	Fiscal Agent (Operations Phase) shall produce an alert notification for the Operations Incident Management function for follow up and review to every event that precipitates a security incident.	Met by operational processes and procedures. We will produce an alert notification process for any operations incident as part of our standard procedures and document it within iTRACE.

Service Continuity Controls Requirements

The following table, EDS Response to Service Continuity Controls Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Service Continuity Controls Requirements

RFP No.	RFP Requirement	EDS Response
40.1.2.59	Fiscal Agent (Operations Phase) shall initiate and document an Operations Incident Management function and group to act as a single, central point of notification, review, and assessment of all incidents that affect the continuous operations of the production environment and access to the data and information.	Met by operational processes and procedures. A Response to Operational Problems (RTOP) process will be established. Any incidents that impacts operation of the production environment and access to data will be logged and tracked following this process. The account business and technical leaders will be on-point to plan for and manage any events. Escalation procedures, points of contact, and telephone numbers will be posted in iTRACE and in the business continuity plan.
40.1.2.60	Fiscal Agent (Operations Phase) shall respond to each network activity and personally observed incident with a mitigation plan that follows standard data collecting, evidence preservation practices, and organizational escalation procedures in accordance with guidelines established by the NC DHHS Privacy and Security Office	Met by operational processes and procedures. EDS' Network team provides support and will monitor the network. Nonstandard network activity and any personally observed incident will be logged. Steps will be taken to collect data to preserve evidence as appropriate in accordance with the guidelines established by the State Privacy and Security Office.

Data Backup and Recovery Requirements

The following table, EDS Response to Data Backup and Recovery Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Data Backup and Recovery Requirements

RFP No.	RFP Requirement	EDS Response
40.1.2.61	Fiscal Agent (Operations Phase) shall store backup system data and files separately from the production server storage at a remote location sufficiently distant from the production servers to prevent a simultaneous disastrous loss of both environments.	Met by operational processes and procedures. EDS will provide a remote, secure Iron Mountain storage location sufficiently distant from the Raleigh, N.C., data center production services to store backup system data and files.
40.1.2.62	The Fiscal Agent (Operations Phase) shall ensure that individual files, collections of files, data base instances and other production information can be recovered from the back-up storage to production servers upon inadvertent deletion or corruption of the production information.	Met by operational processes and procedures. EDS will provide a process to verify that archived and stored data can be recovered from backup storage to the production servers. The EDS LAN/WAN team will use Iron Mountain services for off-site secure, climate-controlled storage of tapes. The tapes will be stored, inventoried, and encrypted to protect PHI data on tapes. In addition to storage of backup tapes, EDS will replicate EDMS imaged data and detailed Replacement MMIS transactional data between the Raleigh, N.C., site and the Herndon, Va., disaster recovery site to provide another source of data if needed.

Records Retention Requirement

The following table, EDS Response to Records Retention Requirement, describes how we will meet the requirement set forth in the RFP.

EDS Response to Records Retention Requirement

RFP No.	RFP Requirement	EDS Response
40.1.2.63	Fiscal Agent (Operations Phase) shall archive information, including, without limitation, data files, images, transactions, master files, system and source program libraries, and other appropriate records and electronically store the information physically or logically separate from production information in compliance with State Record Retention Policy.	Met by operational processes and procedures. The EDS LAN/WAN team will use Iron Mountain services for off-site secure, climate-controlled storage of tapes at a remote location sufficiently distant from the production information to store archive information in compliance with the State Record Retention Policy.

User Interface and Navigation Requirements

The following table, EDS Response to User Interface and Navigation Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to User Interface and Navigation Requirements

RFP No.	RFP Requirement	EDS Response
40.1.2.64	Fiscal Agent (DDI and Operations Phases) shall employ industry standards and best practices for user interface design and navigation consistently throughout the Replacement MMIS throughout the life of the Contract.	Met by interChange. The interChange user interface meets this functional requirement. The interChange user interface uses industry standards and best practices for its design and navigation. interChange incorporates the Windows look and ease-of-use navigation features. The browser-based interface uses the latest technologies and interface capabilities. The key to this interface is a standardized behavior model and a consistent presentation format across the business functions that is robust and feature-rich. In keeping with our history of commitment to accessibility, EDS strongly supports the federal, state, and local governments' use of accessibility as a criterion in the procurement of electronic information technology (EIT). Our efforts to define and deliver a sensible and effective solution have evolved from our numerous prior implementations of interChange. To address the ADA guidelines for developing accessible Web sites, the interChange portal will provide text equivalent (typically a description) for all non-text elements, such as audio, video, graphics, animation, graphical buttons, and image maps. This allows those who are visually impaired to access the information with a screen reader that can read the

RFP No.	RFP Requirement	EDS Response
		description of a picture but cannot "read" the picture. The EDS interChange portal also meets the Rehabilitation Act Section 508 Subpart B Section 1194.21 Software and Operating System user interface technical standards. These are listed below: § 1194.21 Software applications and operating systems. (a) When software is designed to run on a system that has a keyboard, product functions shall be executable from a keyboard where the function itself or the result of performing a function can be discerned textually. (b) Applications shall not disrupt or disable activated features of other products that are identified as accessibility features, where those features are developed and documented according to industry standards. Applications also shall not disrupt or disable activated features of any operating system that are identified as accessibility features where the application programming interface for those accessibility features has been documented by the manufacturer of the operating system and is available to the product developer. (c) A well-defined on-screen indication of the current focus shall be provided that moves among interactive interface elements as the input focus changes. The focus shall be programmatically exposed so that assistive technology can track focus and focus changes. (d) Sufficient information about a user interface element, including the identity, operation, and state of the element, shall be available to assistive technology. When an image represents a program element, the information conveyed by the image must also be available in text. (e) When bitmap images are used to identify controls, status indicators, or other programmatic elements, the meaning assigned to those images shall be consistent throughout an application's performance. (f) Textual information shall be provided through operating system functions for displaying text. The minimum information that shall be made available is text content, text input caret location, and text attributes. (g) Applications shall not override user selected contrast and color selections and other individual display attributes. (h) When animation is displayed, the information shall be displayable in at least one non-animated presentation mode at the option of the user. (i) Color coding shall not be used as the only means of conveying information, indicating an action, prompting a

RFP No.	RFP Requirement	EDS Response
		response, or distinguishing a visual element. (j) When a product permits a user to adjust color and contrast settings, a variety of color selections capable of producing a range of contrast levels shall be provided. (k) Software shall not use flashing or blinking text, objects, or other elements having a flash or blink frequency greater than 2 Hz and lower than 55 Hz. (l) When electronic forms are used, the form shall allow people using assistive technology to access the information, field elements, and functionality required for completion and submission of the form, including all directions and cues.
40.1.2.65	Fiscal Agent (DDI and Operations Phases) shall standardize all views, windows, and reports, including: • Format and content of all views • All headings and footers • Current date and time Zip codes shall display nine digits. All references to dates shall be displayed consistently throughout the system (MM/DD/YYYY). All data labels and definitions used shall be consistent throughout the system and clearly defined in user manuals and data element dictionaries. All Replacement MMIS-generated messages shall be clear, user-friendly, and sufficiently descriptive to provide enough information for problem correction. All Replacement MMIS views shall display the generating program identification name and/or number. The display shall be consistent from view to view.	Met by interChange. interChange standardizes the views of information through reports and Web pages, including headers, footers, date, time, field tags, and other data labels.

Workflow Management Requirements

The following table, EDS Response to Workflow Management Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Workflow Management Requirements

RFP No.	RFP Requirement	EDS Response
40.1.2.66	Fiscal Agent (Operations Phase) shall perform manual workload balancing.	Met by operational processes and procedures and through COTS integration. EDS operational leaders with the appropriate authority can perform manual workload balancing by redirecting tasks within the COTS K2 workflow engine and interChange when appropriate. The manual

RFP No.	RFP Requirement	EDS Response
		workload balancing is done as part of the operational task monitoring and management by the EDS leadership team.
40.1.2.67	Fiscal Agent (Operations Phase) shall perform work item reassignments.	Met by operational processes and procedures and through COTS integration. EDS' operational leaders with the appropriate authority can perform manual workload balancing by redirecting tasks within the COTS K2 workflow engine and interChange processes for optimal throughput.

Rules Engine Requirements

The following table, EDS Response to Rules Engine Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Rules Engine Requirements

RFP No.	RFP Requirement	EDS Response
40.1.2.68	Fiscal Agent (Operations Phase) shall configure and maintain all business rules in the rules engine throughout the life of the Contract.	Met through configuration of interChange. The interChangeRules solution is comprised of the EDS BPA rules module, as well as the integration of the COTS rules engine InRule for supporting Replacement MMIS areas. The BPA module is for the configuration of State policy for claims administration, while the COTS rules engine, InRule, will be integrated into the prior approval adjudication processing. Many rules can be modified and created by users through the GUI application. EDS' Operations team will work with the State to identify, convert, and configure the necessary business rules data into the Replacement MMIS.
40.1.2.69	Fiscal Agent (Operations Phase) shall maintain up-to-date business rule documentation.	Met by interChange and operational processes and procedures. We will maintain up-to-date business rule documentation in iTRACE. Additionally, interChange Rules catalog search provides the ability to search the rules and return the results in a print-friendly format.
40.1.2.70	Fiscal Agent (Operations Phase) shall perform business rule changes on a release basis.	Met by interChange and operational processes and procedures. Rule migration is slated for delivery in EDS' base version of interChange. This base version and its future releases, along with a rigorous process of change control and release management, will allow rules to be changed in the production environment on a release basis. EDS' Systems team will work with the State to define the business processes for scheduled business rules releases, which will include BPA rules updates.

Integrated Test Facility Requirements

The following table, EDS Response to Integrated Test Facility Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Integrated Test Facility Requirements

RFP No.	RFP Requirement	EDS Response
40.1.2.71	Fiscal Agent (DDI and Operations Phases) Fiscal Agent shall provide the State with access to the ITF as required for testing on site, from State office, and/or remotely throughout the life of the Contract.	Met by operational processes and procedures. We will coordinate and schedule the training room facility for on-site testing as needed. Remote testing, whether at a State facility or not, will be met through the connectivity we will establish for the State.
40.1.2.72	Fiscal Agent (DDI Phase) shall support a minimum of twenty-five (25) simultaneous State testers, either at the local Fiscal Agent site and/or remotely.	Met by operational processes and procedures. During the DDI Phase, EDS will provide for a minimum of 25 simultaneous users at the local fiscal agent site at our Wycliff Rd, Raleigh, N.C., location or remotely by a secure dedicated or virtual private network (VPN) connection.
40.1.2.73	Fiscal Agent (DDI and Operations Phases) shall coordinate with State agencies for online and batch testing and execute online and batch testing as required to support State applications throughout the life of the Contract.	Met by operational processes and procedures. Modifications to the system will be grouped as appropriate and then tested using manual and automated testing tools. EDS will coordinate the testing processed. System modifications will be released to production after involved parties received the sign-off. The user acceptance testing (UAT) environment will provide State agencies the opportunity to perform tests of the interChange online Web pages and batch processes.
40.1.2.74	Fiscal Agent (DDI and Operations Phases) shall execute online testing and batch test cycles and related activities to support State testing.	Met by operational processes and procedures. As a part of system enhancements and modifications, EDS testers will execute online tests and batch test cycles using manual and automated testing tools to support State testing.
40.1.2.75	Fiscal Agent (DDI and Operations Phases) shall support all ITF functions, files, and data elements necessary to meet the RFP requirements.	Met by operational processes and procedures. Each level of the Integrated Test Facility (ITF) will be maintained and kept current. Changes will be promoted into the environments, data model, and processes in the ITF to support system enhancements and modifications. EDS will follow established processes and procedures to maintain current reference data so that testing will closely reflect the outcome in the production environment.
40.1.2.76	Fiscal Agent (DDI and Operations Phases) shall coordinate with the State and DHSR IT system vendor to perform appropriate system tests during implementation of the DHSR IT system.	Met by operational processes and procedures. The integration of the Replacement MMIS with the new DHSR IT system will be identified as a series of tasks in the project plan. These tasks, which include system tests, will be assigned to the appropriate team members. We will be responsible for coordinating inter-system tests with DHSR.

Training Requirements

The following table, EDS Response to Training Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Training Requirements

RFP No.	RFP Requirement	EDS Response
40.1.2.77	Fiscal Agent (DDI and Operations Phases) shall develop training to incorporate policy, procedures, regulatory guidelines, business rules, and claim processes to ensure a comprehensive approach to meeting the training requirements of the State.	Met by operational processes and procedures. EDS' Operational Training team will incorporate policy, procedures, regulatory guidelines, business rules, and claim processes to provide a comprehensive approach to meeting the training requirements of the State. We provide significant detail regarding our process in proposal section 50.2.4.4 Training Approach.
40.1.2.78	Fiscal Agent (DDI and Operations Phases) shall develop State-approved training materials for all users and make them available online.	Met by operational processes and procedures. We use a time-tested methodology, Instructional Systems Life Cycle (ISLC), that the International Society for Performance Improvement recognizes as an outstanding methodology. ISLC provides the blueprint for EDS to develop performance-based training and training materials. By using ISLC, we make sure that training focuses on people and their job skills in the context of wider business demands. This helps users understand the new processes and technologies they need to perform their jobs. Computer-based training (CBT) courses and other training materials will be made available through download of CBT or direct access to training materials. EDS' training materials will be uploaded and posted to iTRACE after State approval.
40.1.2.79	Fiscal Agent (Operations Phase) shall submit the Training Plan to the State no less than ninety (90) days prior to the beginning of each Contract year.	Met by operational processes and procedures. EDS' Operations team, led by Chris Ferrell, will collaborate with the State to develop and provide a quality training plan to the State no less than 90 days before the beginning of each contract year. The training plan will include training items such as objectives for fiscal agent staff, State designated staff, and other appropriate authorized stakeholders who access, view, and use the Replacement MMIS.
40.1.2.80	Fiscal Agent (DDI and Operations Phases) shall conduct instructor-led classroom training for all users prior to Replacement MMIS implementation and throughout the life of the Contract.	Met by operational processes and procedures. EDS' Operations team will work with the State to identify the courses that meet the users' needs and facilitate an optimal learning outcome. Our Replacement MMIS training is designed to verify that personnel participating in specific training activities retain knowledge of the new functions and procedures, and that they have the tools needed before being expected to begin their operations activities. The instructor-led classroom training will be provided as needed and scheduled throughout the life of the contract.

RFP No.	RFP Requirement	EDS Response
40.1.2.81	Fiscal Agent (DDI and Operations Phases) shall provide and maintain a training classroom(s) and equipment within the Fiscal Agent's Raleigh, NC, facility, providing at least one (1) pre-scheduled classroom session per month for all users. Sessions shall accommodate up to fifty (50) attendees.	Met by operational processes and procedures. To deliver training that best enhances the ability of a learner to integrate, retain, and demonstrate the new skill sets learned in the presented information, EDS understands it is best to set up and maintain a well-equipped training facility. It is important to have an environment that allows optimal learning and allows the participant to concentrate on the training goals and objectives. EDS will provide a dedicated training room for use in training designated staff. We will provide a training room equipped with the necessary PCs and training-related equipment that will facilitate the most conducive setting for user training. A primary goal of training during the DDI Phase is to reduce risks associated with the transition to the Replacement MMIS by achieving a well-trained work force that extends throughout the Operations Phase.
40.1.2.82	Fiscal Agent (DDI and Operations Phases) shall monitor, track, and evaluate effectiveness of training using training industry standard methodologies.	Met by operational processes and procedures. EDS understands and has established processes for training and training material quality control. The EDS training staff members know how to validate training modules and training data. The training staff members seek out the technical staff members to validate accuracy and completeness of the concepts in the training module. Our training staff members are well versed in verifying the course content, making sure the level of detail is appropriate and accurate, confirming the course structure fits user job function, and validating that hands-on exercises are realistic to the job performed in production. EDS has been providing Medicaid training for more than 40 years, and we can share that background to make continuous program and curriculum improvements. It is important for EDS to receive feedback about the effectiveness of training sessions. With the State, EDS will develop a training questionnaire that will be distributed to evaluate training sessions. The questionnaire will gather quantitative and qualitative feedback that will be compiled. The training questionnaire will evaluate the training course, course materials, usefulness of any hands-on exercises used, trainer preparedness, and the trainers' subject-matter knowledge. The questionnaire also will provide an area for open text responses regarding value of the session, suggestions for improvement, and overall satisfaction with the training session experience.
40.1.2.83	Fiscal Agent (DDI and Operations Phases) shall provide blended, consistent training for State, local agency, and Fiscal Agent staff for all Replacement MMIS application	Met by operational processes and procedures. Maintaining consistency from one training course to another is critical in a training environment so that users receive the same

RFP No.	RFP Requirement	EDS Response
	systems.	information. Because of this, EDS will maintain version control of training courses and materials including the content in the CBT and Web-based training (WBT) applications and modules. Training courses, tutorials, and reinforcement training modules will be under change control to be sure they are updated only through a formal process of reviews and approval steps. EDS will work with the State to develop a process by which we will present training materials to DMA for feedback and final approval.
40.1.2.84	Fiscal Agent (Operations Phase) shall report to the State monthly on Fiscal Agent staff training and proficiencies.	Met by operational processes and procedures. We will report EDS staff training activities and resulting proficiencies to the State each month and provide this online view in iTRACE.
40.1.2.85	Fiscal Agent (DDI and Operations Phases) shall develop instructor-led classroom and CBT courses for provider education and training for all provider types.	Met by operational processes and procedures. EDS is a strong proponent of using appropriate and diverse methods and techniques that meet the unique learning needs of individuals. We can better apply new knowledge and skill sets into existing paradigms when we participate in learning activities that most closely parallel those in our daily environment. Realizing that our ultimate training goal is appropriate usage of new information, EDS integrates hands-on training cases into our instructor-led CBT and WBT courses.
40.1.2.86	Fiscal Agent (Operations Phase) shall conduct seventy (70) instructor-based training workshops annually on State-approved content in geographical areas across the State after Replacement MMIS implementation.	Met by operational processes and procedures. Education and training are the most consistently reliable approaches to meeting performance standards and satisfying the State's expectations for provider training. EDS will offer different training courses to meet the needs of the individual provider or of a the entire audience of North Carolina providers. Because we know the type of training needs of North Carolina providers and we have relationships built with many North Carolina providers and provider associations, we will use that experience and understanding to develop and deliver a State-approved, quality, provider-focused training program. We will schedule, develop, and deliver 70 instructor-based workshops annually.
40.1.2.87	Fiscal Agent (Operations Phase) shall participate in semi-annual Finance and Reimbursement Officers (FARO) conferences as requested by the State.	Met by operational processes and procedures. EDS' operational staff will participate in semiannual Finance and Reimbursement Officers conferences as requested by the State. These conferences will be incorporated into the annual training plan submitted to the State for approval.
40.1.2.88	Fiscal Agent (Operations Phase) shall plan, organize, and conduct the annual Medicaid Fair.	Met by operational processes and procedures. EDS' Provider Operations team, led by Chris Ferrell, will collaborate with the State to plan, organize, and conduct the annual Medicaid Fair.

RFP No.	RFP Requirement	EDS Response
40.1.2.89	Fiscal Agent (Operations Phase) shall conduct on-site training sessions based on claims processing performance criteria or requests from providers, billing groups, or State/county staff.	Met by operational processes and procedures. EDS will provide a team of 12 experienced field representatives such as Marianne Diana, Kari Smith, and Alvin Tinnin, whose sole responsibility is to actively work to help providers in their understanding of the billing and payment processes, the resources available to them, and otherwise support good customer relations, communications, and service. The 12 EDS field representatives will be divided into specific territories and will conduct on-site training sessions. During this type of on-site visit, we will review in-depth billing instruction and review resolution procedures for the denied or suspended claims with the provider office staff.

Call Center Services Requirements

The following table, EDS Response to Call Center Services Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Call Center Services Requirements

RFP No.	RFP Requirement	EDS Response
40.1.2.90	Fiscal Agent (Operations Phase) shall provide sufficient staff for all call centers and help desks so that ninety (90) percent of all phone calls are not on hold for more than sixty (60) seconds before a staff person, not an automated answering device, answers.	Met by operational processes and procedures. We are confident that our experience allows us to provide the State the level of customer service it expects. The call center is often the only direct contact providers have with North Carolina healthcare services. Callers can access assistance through the AVRS, the Provider Web Portal, or by selecting to speak to a call center or help desk representative. EDS studied North Carolina's current call volumes to determine how to size the system and determined telephone staffing requirements. EDS' Operations team will respond to help desk queries so that 90 percent of the routed calls for the call center are not on hold more than 60 seconds before an EDS representative answers.
40.1.2.91	Fiscal Agent (Operations Phase) shall provide sufficient staff and phone lines for all call centers and help desks so that less than one (1) percent of all phone calls are abandoned, dropped, or receive a busy signal.	Met by operational processes and procedures. We have carefully analyzed the lines, call volume, and call length, and the number of telephone lines and call center and help desk staff will meet the requirement of less than 1 percent of all telephone calls abandoned, dropped, or resulting in a busy signal. Our experience and commitment to provide outstanding customer service will be the basis for devising the appropriate configuration that prevents callers from receiving busy signals. Our system is flexible in its design, which allows us to expand lines or call center or help desk representatives if the long-term need exists.

RFP No.	RFP Requirement	EDS Response
40.1.2.92	Fiscal Agent (Operations Phase) shall provide technical Help Desk support during all hours of system availability.	Met by operational processes and procedures. EDS' Network Operations team will provide technical help desk and on-call support during the hours of Replacement MMIS availability.

LAN/WAN Management Operational Requirement

The following table, EDS Response to LAN/WAN Management Operational Requirement, describes how we will meet the requirement set forth in the RFP.

EDS Response to LAN/WAN Management Operational Requirement

RFP No.	RFP Requirement	EDS Response
40.1.2.93	Fiscal Agent (Operations Phase) shall provide technical expertise for the management, performance, and configuration of the Replacement MMIS network, LAN/WAN management, and support.	Met by operational processes and procedures. Our Network team will provide the technical expertise necessary for management, performance, and configuration of the Replacement MMIS network. This team will support and manage the LAN/WAN Replacement MMIS environment and work with the State ITS and DIRM entities.

Audit Requirements

The following table, EDS Response to Audit Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Audit Requirements

RFP No.	RFP Requirement	EDS Response
40.1.2.94	Fiscal Agent (Operations Phase) shall provide assistance to the State, or any reviewing entity identified by the State, with resources, data, and reports in the audit of Fiscal Agent performance, compliance, and system reviews.	Met by operational processes and procedures. EDS will support the State, or the State's reviewing entity, as requested by the reviewing entity with the requested data and reports required to meet the audit.
40.1.2.95	Fiscal Agent (Operations Phase) shall contract with an independent qualified audit firm to perform a Statement on Auditing Standards (SAS) 70 audit of the Replacement MMIS and produce a SAS 70 Type 2 Report. The audit and report shall include the operations of the Fiscal Agent's local site as well as any other sites used by the Fiscal Agent for Replacement MMIS processing or related activities. Specific requirements of the SAS 70 Type 2 Report are identified in Appendix 40, Attachment D of this RFP.	Met by operational processes and procedures. EDS will contract with an independent, qualified audit firm to conduct and issue an annual SAS-70 Type 2 report for North Carolina interChange facilities. EDS' Operations team will be available and work with the auditing experts to support the annual SAS-70 report as needed.

System/Software Maintenance Requirements

The following table, EDS Response to System/Software Maintenance Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to System/Software Maintenance Requirements

RFP No.	RFP Requirement	EDS Response
40.1.2.96	Fiscal Agent (Operations Phase) shall be required to perform system maintenance to the Replacement MMIS based on State-approved CSR's.	Met by operational processes and procedures. EDS' Systems Maintenance team, led by Tim Sullivan, along with interChange experienced system staff and North Carolina knowledge, will provide and support the performance of the Replacement MMIS maintenance as directed through State-approved CSRs.
40.1.2.97	Fiscal Agent (Operations Phase) shall develop specifications, impact statements, cost analysis, and consideration as to the long-term value of performing the maintenance requirements for the State's evaluation.	Met by operational processes and procedures. Our SLC 3 methodology will be used for State-approved maintenance. This will include analysis, requirements definition, design, construction, testing, implementation, and post-implementation support. This documentation will include cost analysis and review of the long-term value of the requested modifications. The EDS Systems Maintenance team will incorporate these processes into the daily operations and execution of maintenance efforts.
40.1.2.98	Fiscal Agent (Operations Phase) shall perform timely updates to system and user documentation, desk procedures, provider manuals, and training materials prior to the release of changes into production.	Met by operational processes and procedures. EDS' Operations team will work collectively and cohesively to maintain all current documentation for each Replacement MMIS release. When operational processes require an update to the documentation listed, we will upload the new documentation to iTRACE.
40.1.2.99	Fiscal Agent (Operations Phase) shall perform maintenance to include, without limitation: • activities necessary for the system to meet the requirements described in the RFP; • activities related to file growth and partitioning; • support of updates to all files and databases; • software and hardware updates, as directed by the State; • RDBMS routine activities; • LAN/WAN administration and maintenance to ensure performance standards are met; • activities necessary to ensure that all data, files, programs, utilities, and system and user documentation are current and that errors found are corrected;	Met by operational processes and procedures. These activities will be completed by EDS' skilled operational business and technical staff members. Our staff experience and North Carolina knowledge includes reference and business analysts, testers, documentation specialists, information analysts, infrastructure analysts, and database administrators, as needed to meet the requirements of interChange operations in support of the State.

RFP No.	RFP Requirement	EDS Response
	• file maintenance, including manual table entry and programming, to support file maintenance changes, performance tuning, capacity planning, backup and recovery tasks, and archival tasks; • all ongoing tasks, such as CPT, Healthcare Common Procedure Coding System (HCPCS), and Diagnosis-Related Group (DRG) International Classification of Diseases (ICD)-9/ICD-10 updates, to ensure system tuning, performance, response time, capacity planning, database stability, and processing conforming to the minimum requirements of this Contract; • changes to tables for edit criteria; • activities in support of updates to all files and databases, including the rules engine; • add new values or changes to existing values found within internal program tables; • enact rate changes, individual or mass adjustments, purging of files, research, system recycling, minor modifications, and repetitive requests that are done on a set frequency that have not been incorporated into the system by the Fiscal Agent, e.g., Healthcare Coordinator monthly payments, 1099s, monthly, quarterly, year-end, and fiscal year-end reporting; • process improvements; • State-approved recoupments and adjustments not related to errors and omissions that are the responsibility of the Fiscal Agent requiring programming support Operations Incident Reporting; and • Rules engine configuration and maintenance.	

System Modification Requirements

The following table, EDS Response to System Modification Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to System Modification Requirements

RFP No.	RFP Requirement	EDS Response
40.1.2.100	Fiscal Agent (DDI and Operations Phases) shall perform system modifications when the State or the Fiscal Agent determines that an additional requirement must be met	Met by operational processes and procedures. Our EDS Systems Modification team in conjunction with business analysts and subject-matter experts will define, design,

RFP No.	RFP Requirement	EDS Response
	or that a modification to an existing file structure or current processing (outside of those discussed above as maintenance activities) is needed. Fiscal Agent billing for modification shall be in compliance with Section 30 of this RFP.	construct, test, and implement changes to the Replacement MMIS as approved by the State. These changes will be managed through the change control process.
40.1.2.101	Fiscal Agent (DDI and Operations Phases) shall develop specifications, impact statements, cost analysis, and consideration as to long-term value of performing the modification requirements for the State's evaluation.	Met by operational processes and procedures. One phase of the standard development methodology is to create a list of alternatives, the corresponding impacts and cost estimates, and a recommended solution. EDS' Systems Modification team will provide this information for consideration of the long-term value of implementing system changes.
40.1.2.102	Fiscal Agent (Operations Phase) shall perform timely updates to system and user documentation, desk procedures, provider manuals, and training materials prior to the release of the modification into production.	Met by operational processes and procedures. This requirement is met by operational processes required to update the documentation listed, and the ability to upload it to iTRACE. The EDS Operations team will keep documentation current for each Replacement MMIS release.
40.1.2.103	Fiscal Agent (Operations Phase) shall allocate system modification tasks against productive hours.	Met by operational processes and procedures. System modifications tasks will be tracked individually and will be logged against productive hours.
40.1.2.104	Fiscal Agent (DDI and Operations Phases) shall manage system modification activities using the change management process.	Met by operational processes and procedures. The SLC methodology that will be used will incorporate a change control or change management process. This verifies that stakeholders can review and approve changes before they are accepted as part of a system modification.
40.1.2.105	Fiscal Agent shall submit to the State for review and approval all modifications and other work estimate prior to beginning the work.	Met by operational processes and procedures. Estimates will be reviewed and approved by the State prior to the start of system modifications.
40.1.2.106	Fiscal Agent (Operations Phase) shall assess only productive work hours against the modification hour pools, and the hours shall directly contribute to the modification of the Replacement MMIS.	Met by operational processes and procedures. EDS' Systems team, led by Tim Sullivan, will enter and report all work hours as applicable to modification efforts. Tim and his supervisory staff will review the time tracking output and will only approve time directly contributing to the Replacement MMIS modification.
40.1.2.107	Fiscal Agent (Operations Phase) shall not allocate supervisory or other project work accomplished by key personnel towards the productive hours. The hours devoted to supervision or management by non-key personnel may be counted as productive hours, but they can make up no more than fifteen (15) percent of the total hours reported.	Met by operational processes and procedures. Supervisory or other project work completed by key personnel will be segregated in the time-tracking tool and not be allocated toward productive hours. Time logged for supervision and management for nonkey personnel will be tracked and counted as productive hours. EDS system management reviews will be implemented to make sure the amount of supervision by nonkey personnel does not comprise more than 15 percent of the total hours recorded.

Data Integrity Requirement

The following table, EDS Response to Data Integrity Requirement, describes how we will meet the requirement set forth in the RFP.

EDS Response to Data Integrity Requirement

RFP No.	RFP Requirement	EDS Response
40.1.2.108	Fiscal Agent (DDI and Operations Phases) shall maintain a copy of all documentation related to all versions of changed records and files that were saved and a mechanism to retrieve in their historical format	Met by interChange. This requirement will be met through interChange and iTRACE. iTRACE will enable the State and EDS to easily maintain accessible information on project activities.

40.1.3 Personnel Staffing

Our commitment to the State, the implementation, transition, and operations of the Replacement MMIS is shown in the experienced and knowledgeable team we are dedicating to the DDI Phase and Operations Phase of the Replacement MMIS. EDS' team members blend the best of our current staff with interChange experts. We have increased the key positions and also are proposing other important leadership resumes that meet the RFP's guidelines.

Response to Personnel Staffing Requirement

The following table, EDS Response to Personnel Staffing Requirement, describes how we will meet the requirement set forth in the RFP.

EDS Response to Personnel Staffing Requirement

RFP No.	RFP Requirement	EDS Response
40.1.3.1	The Fiscal Agent shall maintain documentation regarding current license and certification status for all personnel who are required to be licensed or certified throughout the life of the Contract. The Fiscal Agent shall provide such documentation to the State, when requested. Refer to Appendix 50, Attachment I.	Met by operational processes and procedures. Throughout the life of the contract, EDS' Operations team will maintain documentation of current license and certification status for personnel required to be licensed, such as nurses, dental hygienists, physical therapists, and the medical, pharmacy, and dental directors. We will provide the documentation to the State as requested.

40.2.2 Recipient Operational Requirements

EDS will support the recipient operational requirements through the provider/recipient integrated call center for provider and recipient Certifications of Credible Coverage (COCC) questions and the Recipient Maintenance Organization for returned recipient mail and the DPH enrollment process. Recipients also can use the Web portal and automated voice response system (AVRS), providing them critical medical information and updates 24 hours a day, 7 days a week. The team supporting these needs daily will be led by Provider/Recipient Services Manager Chris Ferrell, who has eight years of Medicaid experience, including experience managing key stakeholder relationships for the State. The team will comprise well trained customer service representatives, field/travel representatives, and research analysts to support the provider and recipient COCC needs.

One ultimate goal of the Replacement MMIS will be to provide a high level of customer service to the recipient population. Doing so will help the State accomplish its mission to "… enhance the quality of life of North Carolina individuals and families so that they have opportunities for healthier and safer lives resulting ultimately in the achievement of economic and personal independence." It is critical that our operational team provide recipients access to timely and accurate information through the interChange Web portal, automated voice response system (AVRS), and, for COCC questions, the call center or through written correspondence.

Integrating the management of both the provider and recipient supporting staff will allow processes and technologies to be shared across the enterprise. Technologies such as the contact tracking and management software within interChange, AVRS, and the Web portal will keep consistent, accurate, and pertinent information at the fingertips of the operational teams and, most importantly, the recipients themselves. The recipient staff will be well trained and able to handle the recipient COCC calls and assist as needed with DPH enrollment items and handling of returned recipient Replacement MMIS mailings.

This section addresses the requirements met by interChange and operational processes to expedite DPH recipient coverage entry, eligibility parameters, finances, communication, reports, and multiple verification processes. EDS will work with the State to coordinate Medicare enrollment data and information.

The EDS Training team, led by Chris Ferrell, will provide the specialized training for local managing entities (LMEs), as specified by the RFP within this section.

Response to Recipient Operational Requirements

The following table, EDS Response to Recipient Operational Requirements, describes how we will meet the requirements set forth in the RFP. Where

appropriate, we have listed the existing interChange user interface panels, reports, and processes that meet the stated requirements.

EDS Response to Recipient Operational Requirements

RFP No.	RFP Requirement	EDS Response
40.2.2.1	Fiscal Agent shall reconcile specified CNDS data with the Replacement MMIS each State business day. This reconciliation process will verify that all records and segments received through the CNDS interface are processed or are listed on error reports.	Met through customization of interChange. The recipient data maintenance subsystem will meet this requirement, while interChange will be customized for the specific interface requirements of the Common Name Data Service (CNDS) system. The daily error report will list the errors that occurred during the update process for Replacement MMIS client transactions.
40.2.2.2	Fiscal Agent shall reconcile specified State-entity DMA eligibility data with EIS each State business day. This reconciliation process will verify that all records and segments received through the EIS interface are processed or are listed on error reports.	Met through customization of interChange. The recipient data maintenance subsystem will report on and meet this functional requirement after customization of the interface between interChange and the Eligibility Information System (EIS). The error report will list the errors that occurred during the daily update process for Replacement MMIS recipient transactions. This report can then be reviewed for potential research issues and correction of records that need to be updated.
40.2.2.3**	Fiscal Agent shall reconcile specified State-entity DMH eligibility data with ASC X12N 834 transactions each State business day. This reconciliation process will verify that all records and segments received via the 834 transaction are processed or are listed on error reports.	Met by interChange. The interChange application processes the 834 transaction files in both batch and real time. The recipient data maintenance subsystem reports on and meets this functional requirement. The error report will list the errors that occurred during the daily update process for Replacement MMIS client transactions.
40.2.2.4	Fiscal Agent shall coordinate with the applicable State entity to resolve Medicare enrollment problems.	Met by operational processes and procedures. EDS' Operations team will work with the State to develop communication and operational processes to assist the State with the resolution of Medicare enrollment problems. The EDS Provider/Recipient Operations team described above, along with the EDS Buy-in staff, will be prepared to handle these problems using the information available through interChange and eligibility data and reconciliation reports.
40.2.2.5	Fiscal Agent shall perform buy-in functions for the North Carolina Medicaid Program using automated and manual operating procedures.	Met by interChange. The buy-in functionality of interChange meets this requirement. Buy-in data can be updated automatically through interChange subsystem processes. interChange panels also allow for manual buy-in updates as defined in interChange.
40.2.2.6**	Fiscal Agent shall support training requirements for LMEs, local health departments, Developmental Evaluation Centers/Children's Developmental Services Agencies (DECs/CDSAs), DPH, and other State-approved local entities.	Met by operational processes and procedures. EDS' Training team, led by Chris Ferrell, will develop and deliver high-quality, learner-centric training programs to LMEs, local health departments, DECs/CDSAs, DPH, and other State-approved local entities. EDS' training approach is outlined in

RFP No.	RFP Requirement	EDS Response
		detail in proposal section 50.2.4.4 Training Approach.
40.2.2.7	Fiscal Agent shall communicate with recipients and employers regarding COCCs verbally and in written correspondence.	Met by interChange and operational processes and procedures. EDS will provide toll-free telephone lines routing calls from recipients and employers to the recipient call center for handling incoming Certificate of Creditable Coverage (COCC) inquiries. Our recipient call center will be well-versed in assisting the North Carolina recipients with these types of issues and can research or distribute the necessary letters and log them through the letter generator and the document management system. The interChange contact management system can facilitate the tracking of these inquiries and related work by recipient.
40.2.2.8**	Fiscal Agent shall identify and assign the applicant's CNDS ID and associate/link it to the financial eligibility application in accordance with CNDS Governance Rules.	Met through customization of interChange. interChange enrollment panels will be created, as required, to support CNDS and provide the associate/link, which will enable the staff to update the information after researching a subsystem.

40.2.3 Recipient Operational Performance Standards

interChange will provide EIS, CNDS, LMEs, and DPH with online access to the State recipient eligibility data. interChange has the capability to support far more than 1.6 million recipients and will provide required reporting and enrollment information and processes to support DPH as specified in the RFP's DPH enrollment section. EDS' Recipient team, managed by Chris Ferrell, will support the recipient community.

Response to Recipient Operational Performance Standards

The following table, Recipient Operational Performance Standards and Metrics for Measurement, describes how we will meet the requirements set forth in the RFP. The Metrics for Measurement column identifies EDS' approach for meeting, measuring, and reporting the standard. Metrics data will be captured, reported, and presented to the State online through a performance dashboard, which will be readily available and accessible to the State for ease of information and reference.

Recipient Operational Performance Standards and Metrics for Measurement

RFP No.	RFP Requirement	Metrics for Measurement
40.2.3.1	Fiscal Agent shall provide online access to State entities' eligibility edit/error reports by 7:00 A.M. Eastern Time each State business day.	Met by interChange. The reports functionality within the recipient data maintenance subsystem meets this functional requirement and will provide the State entities online access to eligibility edit/error reports by 7:00 a.m. Eastern Time each State business day.
40.2.3.2	Fiscal Agent shall update the Replacement MMIS with batch eligibility data from each State entity by 7:00 A.M. Eastern Time each State business day.	Met by interChange. interChange, upon receipt of batch eligibility data from the State entity, will process and apply updates to the Replacement MMIS eligibility data by 7:00 a.m. Eastern Time each State business day. EDS can track this information through interface management tools and procedures.
40.2.3.3	Fiscal Agent shall update each State entity's Eligibility Data from online processes for State EIS, CNDS, LMEs, and DPH in near-real time.	Met through customization of interChange. EDS will update each State entity's eligibility data through online processes for State EIS, CNDS, LMEs, and DPH in near real time.
40.2.3.4	Fiscal Agent shall generate COCC and log the mail date for each COCC mailed. Fiscal Agent shall provide a monthly report with the number of recipients/clients terminated from each health plan and the number of COCC mailed within one (1) month of the termination.	Met through customization of interChange. interChange will generate a COCC. The EDS mail room will log the mail date for COCC documents mailed. interChange will provide a monthly report with the number of recipients/clients terminated from each health plan and the number of COCCs mailed within one month of the termination.

40.3.2 EVS Operational Requirements

EDS has an extensive infrastructure in place today to communicate with VANs and clearinghouses, supporting providers in North Carolina. We will use our relationships with those VANs and clearinghouses to continue providing outstanding service to the State. EDS' experienced staff and current relationships will support a smooth transition for providers to the EVS process in the Replacement MMIS. The EVS technology will be supported by the Operations Technical Maintenance team reporting to the technical director.

Today, eligibility verification methods are independent systems and can sometimes produce different responses, causing frustration and confusion among the provider community. As outlined in proposal section 40.3.1 EVS System Requirements, interChange eliminates this confusion while providing multiple access methods such as Web and telephone. Consistent and accurate information delivered quickly will support an efficient claims processing function and facilitate the service goals of the State. The technology, supported by the Technical Operations team, will facilitate this delivery, and ongoing issues will be resolved through the help desk.

Providers, software vendors, value-added networks (VANs), and clearinghouses will continue to access the North Carolina Medicaid Companion Guides and X12 Implementation Guides for information on how to properly build their transactions. The electronic data interchange (EDI) help desk will assist these entities in testing their applications so they can quickly become State-approved trading partners. This help desk will continue to respond to concerns and questions and resolve issues related to the trading partners by using the same contact management and call center solution used by other operational teams.

Using the interChange EVS solution, which supports the ASC X12 standard 270/271 transaction in interactive and batch mode, we will meet the operational requirements listed in the RFP. The Replacement MMIS will provide the necessary network and Health Insurance Portability and Accountability Act (HIPAA)–translation capabilities to support the necessary interface to the providers using provider-developed software or submissions from VANs. Providers may submit batch eligibility requests to EVS or submit interactive eligibility transactions to the EVS through the interChange VAN connectivity.

Response to EVS Operational Requirements

The following table, EDS Response to EVS Operational Requirements, describes how we will meet the requirements set forth in the RFP. Where appropriate, we have listed the existing interChange user interface panels, reports, or processes that meet the stated requirements.

EDS Response to EVS Operational Requirements

RFP No.	RFP Requirement	EDS Response
40.3.2.1	Fiscal Agent shall obtain State approval and demonstrate acceptable test results to the State prior to implementing each VAN.	Met by operational processes and procedures. EDS' EDI staff, led by Alan Martin, will establish processes and procedures and document them in iTRACE, combined with interface testing results, to demonstrate the acceptable test results to the State prior to allowing VAN submission in the Replacement MMIS' production environment. Efficient and accurate testing up front eliminates frequent and unnecessary issues through the help desk in the future.
40.3.2.2	Fiscal Agent shall provide necessary file specifications and testing assistance to VANs on how to access EVS.	Met by operational processes and procedures. Test cases will be developed to exercise all facets of eligibility verification in the Replacement MMIS. As part of that process, the EDI team will provide necessary file specifications and testing assistance to VANs. We will use established processes and procedures for State-approved VAN implementation. EVS uses the standard HIPAA 270/271 transactions in conjunction with companion guides to provide EVS file specifications on the interChange Web portal.
40.3.2.3	Fiscal Agent shall provide the necessary instructions to State and VANs in how to use the EVS. *Note: The VANS are responsible for training the providers who contract with them.*	Met by operational processes and procedures. EDS will provide the EVS instructions to the State and VANS on how to use this interChange capability. EVS 270/271 transactions will be communicated to the providers through workshops and readily accessible on the Provider Web Portal, and readily accessible to the State through iTRACE.

40.3.3 EVS Operational Performance Standards

The EDS EDI team will provide optimal support to VANs for continuous access to the Replacement MMIS' EVS. Our EDS North Carolina Operations team understands that maximum availability to the EVS is critical to the efficiency of the providers' business.

Response to EVS Operational Performance Standards

The following table, EVS Operational Performance Standards and Metrics for Measurement, describes how we will meet the requirements set forth in the RFP. The Metrics for Measurement column identifies EDS' approach for meeting, measuring, and reporting the standard. Metrics data will be captured, reported, and presented to the State online through a performance dashboard, which will

be readily available and accessible to the State for ease of information and reference.

EVS Operational Performance Standards and Metrics for Measurement

RFP No.	RFP Requirement	Metrics for Measurement
40.3.3.1	Fiscal Agent shall provide for a response from the EVS in three (3) seconds or less ninety-eight (98) percent of the time, twenty-four (24) hours a day, seven (7) days a week, three hundred sixty-five (365) days a year.	Met by interChange. The EVS of the Replacement MMIS will meet these performance standards. Any required maintenance windows will be coordinated and scheduled with the State.
40.3.3.2	Fiscal Agent shall provide applicable documentation and successful test data for State approval within ten (10) State business days prior to VAN Replacement MMIS implementation.	Met by operational processes and procedures. The EDS EDI team will meet this requirement as part of our standard operational and testing processes for the State. Our testing process and iTRACE testing results source will maintain the one source data repository necessary to support the continued monitoring of progress in this area.
40.3.3.3	Fiscal Agent shall ensure the EVS is available ninety-nine and nine tenths (99.9) percent of the time, twenty-four (24) hours a day, seven (7) days a week, three hundred sixty-five (365) days a year, except for scheduled downtimes.	Met by interChange. EDS will make sure the EVS is available 99.9 percent of the time, 24 hours a day, 7 days a week, 365 days a year, except for scheduled downtime. We will work with the State during DDI to coordinate and schedule maintenance windows with the State.

40.4.2 AVRS Operational Requirements

EDS first implemented an AVRS for the State's Medicaid program in 1993 and later expanded it in 1999.We will use our experienced North Carolina–based staff's knowledge to continue to give providers timely, accurate information and to add robust informational services for recipients. During ongoing operations, the AVRS technology will be supported by the Operations Technical Maintenance team reporting to the technical director.

Providing accurate and timely information to providers and recipients is the foundation for efficient services to the stakeholder population, and it leads to a healthy community. Fortunately, much of this can be automated. Providing access to information through an automated voice response system (AVRS) allows providers and recipients to gain immediate access, 24 hours a day, 7 days a week, to the information they need.

Using our AVRS, callers can select the type of inquiry desired and will have the option of using the telephone keypad or speaking to provide their responses to the programmed questions asked by the AVRS. The system is fully integrated with interChange to receive and process the formatted query and properly format the electronic return data that the AVRS will use to vocalize its response to the caller. If necessary, callers can shift to a telephone queue to receive an EDS customer service representative. In doing so, some of the data already entered will be transferred to the representative's screen to facilitate a dialogue to diagnose and answer the questions quickly and accurately.

Our AVRS gives providers multiple inquiry choices to verify eligibility, check the status of a claim, and much more—24 hours a day, 7 days a week, except for agreed-on downtime for system maintenance. The data is stored in interChange. When using simple touch-tone prompts, a provider can submit an inquiry through the AVRS, and an interactive transaction is sent to interChange. When the response is returned, the caller is provided the inquiry results through speech text. The AVRS provides up-to-the-second information to the provider community and verifies they receive prompt and accurate information.

Our AVRS gives recipients multiple inquiry choices for information in areas such as eligibility, managed care enrollment, third-party liability, and Medicare coverage. They will have the same access as providers—24 hours a day, 7 days a week, except for agreed-on downtime for maintenance. Recipient data also is stored in interChange, and the AVRS responses are managed in the same manner as previously described for provider data and will maintain accurate and timely information.

As shown in the following sections, the AVRS solution proposed in the Replacement MMIS meets the RFP's operational requirements and performance standards.

Response to AVRS Operational Requirements

The following table, EDS Response to AVRS Operational Requirements, describes how we will meet the requirements set forth in the RFP. Where appropriate, we have listed the existing interChange user interface panels, reports, or processes that meet the stated requirements.

EDS Response to AVRS Operational Requirements

RFP No.	RFP Requirement	EDS Response
40.4.2.1	Fiscal Agent shall perform daily systems check to ensure that the AVRS electronic interface is working properly and report the findings monthly.	Met by interChange and operational processes and procedures. EDS' Operations team will make sure the AVRS is working as required daily. Our systems maintenance group will have access to an HTML presentation of the AVRS server status at any time, and an automated monitoring system will monitor the AVRS services and report programming issues to EDS system maintenance staff 24 hours a day, 7 days a week, 365 days a year. Any known deviation will be noted in the monthly AVRS operation log and posted and available to the State through iTRACE.
40.4.2.2	Fiscal Agent shall perform transaction analysis by hour of the day, indicate the number of transactions processed, and report the findings monthly.	Met by interChange and operational processes and procedures. A daily transaction log of every call type to the AVRS will be maintained on the AVRS server. The total number of active callers, history of calls completed every five minutes, and other vital statistics will be captured and reported. Automated monthly summary reporting will be provided, showing transaction analysis by hour of day and indicating the number of transactions processed. This report will be posted and available to the State through iTRACE.
40.4.2.3	Fiscal Agent shall perform telephone analysis by hour of the day, track the number of transactions, number of transactions with less than a ten-second (10-second) response time, and number of transactions with greater than a ten-second (10-second) response time, and report the findings monthly.	Met by interChange and operational processes and procedures. The AVRS meets this functional requirement. Our robust AVRS reporting solution will track the amount of time it takes the Replacement MMIS to respond to a request. It will track the number of transactions, the number with less than a 10-second response time, and the number with greater than a 10-second response time. These statistics will be reported monthly and posted and available to the State through iTRACE.
40.4.2.4	Fiscal Agent shall operate and maintain a Web site for providers and recipients, nurse aides, potential employers of nurse aides, etc. twenty-four (24) hours a day, seven (7) days a week, three hundred sixty-five (365) days a year, with the exception of State-approved scheduled maintenance.	Met by interChange and operational processes and procedures. interChange provides a secure Web portal to meet this functional requirement. The secure Web portal will be maintained by EDS to service the information needs of providers, recipients, nurse aides, and potential employers of nurse aides. It will be available 24 hours a day, seven days a week except for State-approved scheduled downtimes for maintenance.

40.4.3 AVRS Operational Performance Standards

Demand for AVRS service can vary dramatically throughout the course of each day. EDS maintains various real-time statistical information to help us know about service outages, response times, errors, and telephone line issues in order to size resources to handle the demand. Plugging in the equipment and letting it run is not the answer. Support and monitoring will not only keep the current technology effective, but also suggest enhancements for the future. Maintaining meaningful system metrics helps us quantify and maintain a high level of service.

Response to AVRS Operational Performance Standards

The following table, AVRS Operational Performance Standards and Metrics for Measurement, describes how we will meet the requirements set forth in the RFP. The Metrics for Measurement column identifies EDS' approach for meeting, measuring, and reporting the standard. Metrics data will be captured, reported, and presented to the State online through a performance dashboard, which will be readily available and accessible to the State for ease of information and reference.

AVRS Operational Performance Standards and Metrics for Measurement

RFP No.	RFP Requirement	Metrics for Measurement
40.4.3.1	Fiscal Agent shall provide for a response from the AVRS in three (3) seconds or less ninety-eight (98) percent of the time, twenty-four (24) hours a day, seven (7) days a week, three hundred sixty-five (365) days a year, with the exception of State-approved scheduled system maintenance.	Met by interChange and operational processes and procedures. EDS will provide a response from the Replacement MMIS to the AVRS in three seconds or less 98 percent of the time, and the system will be available 24 hours a day, 7 days a week except during State-approved scheduled maintenance periods.
40.4.3.2	Fiscal Agent shall provide system checks to the AVRS daily and log the findings.	Met by interChange and operational processes and procedures. EDS' Operations team will verify the AVRS is working as required on a daily basis. Our systems maintenance group will have access to an HTML presentation of the AVRS server status at any time, and an automated monitoring system will monitor the AVRS services and report programming issues to EDS system maintenance staff 24 hours a day, 7 days a week, 365 days a year. Any known deviation will be noted in the monthly AVRS operation log and posted and available to the State through iTRACE.
40.4.3.3	Fiscal Agent shall provide monthly AVRS logs within five (5) State business days from the end of the previous	Met by interChange and operational processes and procedures. A daily transaction log of every call type to the

RFP No.	RFP Requirement	Metrics for Measurement
	month.	AVRS will be maintained on the AVRS server. The total number of active callers, history of calls completed every five minutes, and other vital statistics will be captured and reported. Automated monthly summary reporting will be provided, showing transaction analysis by hour of day and indicating the number of transactions processed. This report will be posted and available to the State through iTRACE.
40.4.3.4	Fiscal Agent shall ensure the Web inquiry functionality is available twenty-four (24) a day, seven (7) days a week, three hundred sixty-five (365) days a year, except during State-approved maintenance periods.	Met by interChange. interChange provides a secure Web portal to meet this functional requirement. The secure Web portal will be maintained by EDS to service the information needs of providers, recipients, nurse aides, and potential employers of nurse aides. It will be available 24 hours a day, 7 days a week, except for State-approved scheduled downtimes for maintenance.

40.5.2 Provider Operational Requirements

EDS will support provider operational requirements through the Provider/Recipient Services, Provider Enrollment, and Provider Relations units, led by Provider/Recipient Services Manager Chris Ferrell. Chris has eight years of Medicaid experience, including experience managing key stakeholder relationships for the State.

A major priority of operations is a smooth transition for providers from the Legacy MMIS+ to the Replacement MMIS. Our goal is to make the transition as smooth as possible for providers and make sure they are ready to use the new system on day one. Following the successful implementation of the Replacement MMIS, we will continue to provide the same high level of provider services to the DMA and DMH programs, while expanding this service to DHP and OHRCC.

The provider and recipient operational requirements will be carried out by the EDS Provider and Recipient Services Organization, led by Chris Ferrell. Chris and his team bring a high level of expertise and experience in provider services. Chris' experience extends to 1999, and he—along with experienced provider services supervisors such as Tomeka Evans and Agnes Beeks and provider field representatives Kari Smith, Alvis Tinnin, and Marianne Diana—will be there each day to support the State during the Operations Phase.

In the Operations Phase, we understand that the provider and recipient communication and training are critical elements in providing a smooth transition from the current environment to the Replacement MMIS environment. This transition is one that must be done effectively, promptly, and efficiently to provide the continuation of the providers' claims payments to support the DMA, DMH, DPH, and ORHCC recipient population. EDS has implemented interChange successfully in seven states and with those implementations, EDS provided the support to reach out and educate, train, and transition providers to their new system.

We will work with the DMA, DMH, DPH, ORHCC provider and recipient communities and provider associations and reach out through many communication vehicles, including provider and recipient Web portals for easy access to program information, Web-based tutorials, and hands-on provider training at the provider site and through the planned workshops. We will use these communication vehicles to effectively execute and transition the providers and recipients to the use and benefits of the Replacement MMIS and maintain these efforts throughout the Operations Phase.

This section will help detail how the new system will meet the needs of the provider community and assist the State and EDS in meeting those needs.

Response to Provider Operational Requirements

The following tables map the detailed solutions to the operational requirements of the provider functional area. Where appropriate, we have listed the existing interChange user interface panels, reports, and processes that meet the stated requirements. We also have identified when an integrated COTS piece of software is used to meet the requirements.

General Provider Operational Requirements

The following table, EDS Response to General Provider Operational Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to General Provider Operational Requirements

RFP No.	RFP Requirement	EDS Response
40.5.2.1	Fiscal Agent shall provide State-authorized access to the Provider database.	Met by interChange. Access to the Replacement MMIS, including the provider subsystem, will be controlled by a role-based solution integrated with interChange allowing authorized access based on State approval.
40.5.2.2	Fiscal Agent shall receive and process provider complaints and summarize this activity in the Status Report.	Met by interChange and operational processes and procedures. As complaints are received, information and notes will be placed in the contact tracking management system (CTMS) in the Replacement MMIS. Status reports on such activity will be provided as requested during operations.
40.5.2.3	Fiscal Agent shall respond to and report on activities and outcomes of all inquiries referred by the State.	Met by interChange and operational processes and procedures. CTMS Web panels will be used by the EDS Provider Services team for documenting, tracking, responding, and reporting on activities and outcomes of inquiries referred to EDS by the State.
40.5.2.4	Fiscal Agent shall perform imaging of all provider documents, contracts, agreements, attachments, training and publication material and forms, and on-site visitation documentation, linking them to the provider for viewing and retrieval by State and Fiscal Agent staff.	Met by interChange and operational processes and procedures. Required provider documents will be scanned, stored, and indexed to allow ease of retrieval through the EMC | Documentum solution. Information discussed during on-site visits will be recorded in the CTMS Web panels within interChange and will reference the documentation scanned and retained in Documentum.
40.5.2.5	Fiscal Agent shall provide the capability to link provider applications in PDF format for retrieval via a document management system.	Met through COTS integration. The COTS Documentum solution will include the creation, storage, and retrieval of provider applications in PDF.
40.5.2.6	Fiscal Agent shall initiate and complete re-credentialing procedures on all providers who have not been previously credentialed and on providers whose data	Met by interChange and operational processes and procedures. EDS' Provider Enrollment team will establish the required credentialing processes and procedures to meet

RFP No.	RFP Requirement	EDS Response
	indicates expiration of any license, accreditation, certification, or other authorizing agencies. All re-credentialing and credentialing should be completed within twelve (12) months of contract start up.	these credentialing requirements. The resulting output related to provider's credentialing status will be entered in interChange provider enrollment Web panels and maintained within interChange.
40.5.2.7	Fiscal Agent shall generate and distribute provider contract renewals to providers seventy-five (75) days before expiration.	Met by operational processes and procedures and through COTS integration. Using the DOC1 letter generation tool, reenrollment letters will be generated automatically for providers 75 days before they expire.
40.5.2.8**	Fiscal agent shall accept, process, and maintain DMH attending-only provider records entered by the LME	Met through configuration of interChange parameters and features. The Replacement MMIS will include the ability to accept, process, and maintain attending provider records. Authorized user access will be established, allowing LMEs to view, add, edit, and delete attending provider records through interChange Web panels.

Provider Enrollment, Credentialing, and Verification Requirements

The following table, EDS Response to Provider Enrollment, Credentialing, and Verification Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Provider Enrollment, Credentialing, and Verification Requirements

RFP No.	RFP Requirement	EDS Response
40.5.2.9	Fiscal Agent shall implement at the direction of the State suspension or termination action for providers whose licenses have been revoked or suspended by State licensing or accrediting bodies.	Met by interChange and operational processes and procedures. As directed by the State, EDS' Provider Enrollment team will update online the appropriate provider interChange Web panels for provider suspensions or termination notifications received from the State.
40.5.2.10	Fiscal Agent shall conduct activities to suspend, terminate, or withhold payments, percentages, and incentives from providers under investigation by State or Federal agencies at the sole discretion of the State.	Met by operational processes and procedures and through configuration of interChange parameters and features. As directed by the State, authorized EDS staff members will suspend, terminate, or withhold payments, percentages, and incentives from providers by updating or configuring interChange Web panels such as Provider Restricted Services panel, Lien panel, Accounts Receivable panel, and Provider Contract panel.
40.5.2.11	Fiscal Agent shall implement provider sanctions, as directed by the State.	Met by interChange and operational processes and procedures. EDS will implement provider sanctions using provider enrollment Web panels, as directed by the State.
40.5.2.12	Fiscal Agent shall initiate recoupment/collection of claims	Met by interChange and operational processes and

RFP No.	RFP Requirement	EDS Response
	and non-claims payments made subsequent to the effective date of an action or sanction, as directed by the State.	procedures. The authorized EDS Provider Enrollment users will initiate claim recoupments through the interChange mass adjustment Web panels and work with the EDS Financial team for collection of nonclaims payments, and follow up and collect the claim recoupments initiated through the mass adjustment process.
40.5.2.13	Fiscal Agent shall send enrollment information and instructions to a provider whose claims have denied for non-enrollment.	Met by operational processes and procedures. The EDS Provider Enrollment staff members will make contact with providers receiving claims denied for nonenrollment and provide the necessary information and instructions regarding provider enrollment.
40.5.2.14	Fiscal Agent shall retain all active and historical provider documents, contracts, participation agreements, and supporting documentation for control, balance, audit, and State retrieval.	Met by operational processes and procedures and through COTS integration. Required provider documents received during operations will be scanned, stored, and indexed to allow them to be retrieved as needed through the Documentum solution.
40.5.2.15	Fiscal Agent shall capture and maintain information on all billing agents, including information necessary to identify and contact billing agents and providers using each billing agent within a specified timeframe.	Met by interChange. EDS will capture and maintain information on billing agents through update and maintenance of the interChange functional area, Trading Partner Business. Specifically, the Trading Partners Base Information and Covered Providers will be maintained and updated as needed for contact of the appropriate billing agent within specified time frame.
40.5.2.16	Fiscal Agent shall test potential Trading Partners to be implemented into MMIS production and maintain signed and State-approved Trading Partner Agreements.	Met by interChange and operational processes and procedures. The EDS EDI team will test transactions with potential trading partners as part of the enrollment process. Trading partner agreements will be obtained, scanned and indexed, and retained in Documentum for reference.
40.5.2.17	Fiscal Agent shall obtain and maintain all executed EFT Agreements.	Met by interChange and operational processes and procedures. On receipt, the necessary data from the EFT agreement will be entered into the interChange Web panel. The EFT documents will be scanned, indexed, and retained in Documentum.
40.5.2.18	Fiscal Agent shall create and distribute to each independent enrolled provider or provider site a New Provider Participation Packet.	Met by operational processes and procedures. As part of the enrollment and credentialing process, the EDS Provider Enrollment team will create and distribute a New Provider Participation Packet to each independently enrolled provider or provider site.
40.5.2.19	Fiscal Agent shall respond to provider requests for participation in a NC DHHS program.	Met by operational processes and procedures. The EDS Provider Enrollment team will respond to provider requests for participation in a State program.
40.5.2.20	Fiscal Agent shall review applications and contracts for completeness, original signature, and required participation criteria.	Met by operational processes and procedures. The EDS Provider Enrollment team will review applications and contracts for completeness and original signature and

RFP No.	RFP Requirement	EDS Response
		validate that the participation criteria is provided as required.
40.5.2.21	Fiscal Agent shall update provider data based on information received during the credentialing, re-credentialing, and subsequent enrollment of the provider.	Met by interChange and operational processes and procedures. During the credentialing and recredentialing processes, required data will be entered or updated into interChange Web panels for enrollment reference and retention.
40.5.2.22	Fiscal Agent shall initiate communication to providers advising them of the potential for suspension of services.	Met by operational processes and procedures and through COTS integration. EDS will initiate communication to providers advising them of the potential for suspension of services. The providers will receive electronic or letter notifications. Letters will be generated using the integrated COTS DOC1 letter generation tool.
40.5.2.23	Fiscal Agent shall route any incomplete credentialing or re-credentialing requests to the State for final disposition as to the provider's initial or ongoing participation.	Met by operational processes and procedures and through COTS integration. As part of the provider enrollment credentialing COTS K2 workflow tool, incomplete credentialing and recredentialing requests will be routed to the State as required for final disposition as to the provider's initial or ongoing participation.

Urgent Reviews Requirements

The following table, EDS Response to Urgent Reviews Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Urgent Reviews Requirements

RFP No.	RFP Requirement	EDS Response
40.5.2.24	Fiscal Agent shall perform "Urgent Reviews" when the State or Fiscal Agent has become aware of negative provider information that may affect the provider's participation status.	Met by operational processes and procedures and through customization of interChange. EDS will perform urgent reviews when the State or fiscal agent has become aware of negative provider information that may affect the provider's participation status.
40.5.2.25	Fiscal Agent shall route imaged data regarding Urgent Review through Workflow to the Quality Review/Appeals Coordinator for assessment.	Met through customization of interChange. This will be accomplished by integrating the K2 COTS workflow engine as part of the overall provider enrollment workflow. EDS will route imaged data regarding urgent review through the provider enrollment workflow process to the quality review or appeals coordinator.
40.5.2.26	Fiscal Agent shall send a system-generated letter to the provider advising disposition of the case and appeal process procedures.	Met through COTS integration. The DOC1 letter generation tool will create and send a system-generated letter to the provider advising disposition of the case and appeal process procedures as required by the business process.

RFP No.	RFP Requirement	EDS Response
40.5.2.27	Fiscal Agent shall notify the State's Medical Board or other appropriate agencies of its intent to suspend/terminate a provider's participation.	Met through COTS integration. The DOC1 letter generation tool will produce and send system-generated letters to the appropriate agencies and the State's Medical board of the intent to suspend or terminate a provider's participation.

Appeals Requirements

The following table, EDS Response to Appeals Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Appeals Requirements

RFP No.	RFP Requirement	EDS Response
40.5.2.28	Fiscal Agent shall receive, image, and link provider appeals correspondence to the provider record.	Met by interChange and operational processes and procedures. EDS will receive, image, and index provider appeals correspondence to the provider record in Documentum.
40.5.2.29	Fiscal Agent shall system-generate appeal letters advising the provider of the date the appeal request is received and that a written response shall be sent within thirty (30) days.	Met through configuration of interChange parameters and features. interChange will generate and send a system-generated appeals letter advising the provider of the date the appeals request was received and informing them that an additional written response will be sent within 30 days from date of receipt. The written response will be generated either by free-form letter generation or standard system-generated letter advising of status or disposition of appeal.
40.5.2.30	Fiscal Agent shall ensure the Review/Appeals Coordinator obtains any additional information to provide to the State Review Committee to support an informed decision.	Met by operational processes and procedures. EDS' Provider Enrollment team will provide any available additional information to the State Review committee.
40.5.2.31	Fiscal Agent shall route appeals and all supporting documentation to the State Review Committee Work Queue for disposition.	Met by operational processes and procedures and through customization of interChange. EDS will route appeals and supporting documentation through the integrated K2 workflow engine within interChange. This integrated workflow process will provide the State Review Committee Work Queue with the appeals and available supporting documentation for appropriate disposition.
40.5.2.32	Fiscal Agent shall update Provider data with the completed dates and disposition of appeal information.	Met by interChange and operational processes and procedures. EDS will update provider data with the completed dates and disposition of appeal information on the interChange Web panels for provider data.

Provider Communications Requirements

The following table, EDS Response to Provider Communications Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Provider Communications Requirements

RFP No.	RFP Requirement	EDS Response
40.5.2.33	Fiscal Agent shall staff a separate Provider communications business function area to include toll-free telephone lines that are staffed from 8 A.M. to 5:00 P.M. Eastern Time Monday through Friday, except for State-approved holidays.	Met by interChange and operational processes and procedures. EDS will provide a provider communications business function area that will include toll-free telephone lines providing access to staff members from 8 a.m. to 5 p.m. Easter Time Monday through Friday, except for State-approved holidays. The staff members will use the features provided by the Replacement MMIS—interChange, Documentum, CTMS, AVRS—to provide support to the provider community.
40.5.2.34	Fiscal Agent shall respond to all verbal provider inquiries immediately. If an immediate response is not possible, then a written or verbal response shall be provided within two (2) business days.	Met by interChange and operational processes and procedures. EDS will respond to verbal provider inquiries immediately on receipt through the AVRS or Avaya system. If an immediate response is not possible, a written, e-mail, fax, or letter or verbal response will be provided within two business days.
40.5.2.35	Fiscal Agent shall track and report on all State-referred or provider-initiated calls and/or complaints.	Met through customization of interChange. Using the CTMS in interChange, EDS will track and report on State-referred or provider-initiated calls or complaints.
40.5.2.36	Fiscal Agent shall respond in writing to written provider inquiries within five (5) business days of the date of receipt.	Met by interChange and operational processes and procedures. EDS will respond in writing to written provider inquiries within five business days.
40.5.2.37	Fiscal Agent shall refer questions regarding eligibility and program benefits to the State.	Met by operational processes and procedures. EDS will refer questions regarding eligibility and program benefits to the State.
40.5.2.38	Fiscal Agent shall refer questions regarding rates and budgets to the State.	Met by operational processes and procedures. EDS will refer questions regarding rates and budgets to the State.
40.5.2.39	Fiscal Agent shall respond to all other provider inquiries as referred by the State.	Met by operational processes and procedures. The EDS Provider Services team will respond to other provider inquiries as referred by the State.
40.5.2.40	Fiscal Agent shall track and trend the number and nature of inquiries or complaints and status of resolution, referring clarification of policy issues to the State.	Met through customization of interChange. Using the CTMS in interChange, EDS will track and report the number and nature of inquiries or complaints and status of resolution, referring clarification of policy issues to the State on State-referred or provider-initiated calls or complaints.
40.5.2.41	Fiscal Agent shall coordinate and conduct all training for new and ongoing State and Fiscal Agent employees on	Met by operational processes and procedures. The EDS Training team will coordinate and conduct training for new

RFP No.	RFP Requirement	EDS Response
	Fiscal Agent MM IS procedures.	and ongoing State and fiscal agent employees on fiscal agent MMIS procedures.

Provider Publications Requirements

The following table, EDS Response to Provider Publications Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Provider Publications Requirements

RFP No.	RFP Requirement	EDS Response
40.5.2.42	Fiscal Agent shall prepare and post provider publications and instructions online.	Met by interChange and operational processes and procedures. EDS will prepare and post provider publications and instructions on the Replacement MMIS Provider Web Portal, allowing providers direct access through the Internet any time to this information.
40.5.2.43	Fiscal Agent shall publish approved bulletins via e-mail and Web.	Met by interChange and operational processes and procedures. EDS will publish approved bulletins to the Replacement MMIS Provider Web Portal and e-mail as needed.
40.5.2.44	Fiscal Agent shall provide the State with current update of MMIS-related forms to be accessible via the State's Web site.	Met by operational processes and procedures. EDS will provide the State with current updates of MMIS-related forms to be accessible through the State's Web site.
40.5.2.45	Fiscal Agent shall use the workflow management tools to publish drafts and receive approvals of all provider publications, e.g., bulletins, training materials, standard letters, etc.	Met through customization of interChange. EDS will use the workflow management tools to publish drafts and receive approvals of provider publications and make them available in electronic format on iTRACE and the Documentum solution.

Provider Training Requirements

The following table, EDS Response to Provider Training Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Provider Training Requirements

RFP No.	RFP Requirement	EDS Response
40.5.2.46	Fiscal Agent shall present mock training sessions to the State for approval prior to conducting provider training workshops.	Met by operational processes and procedures. Provider training workshops are key to the successful transition and continuation of the State's healthcare programs. The State and EDS will prepare and conduct mock training sessions—with State approval—before conducting the actual provider training workshops.

RFP No.	RFP Requirement	EDS Response
40.5.2.47	Fiscal Agent shall determine topics for workshops by assessing and targeting provider types with special need.	Met by operational processes and procedures. EDS' provider representative staff members will assess and provide feedback from on-site visits focused on particular providers and their special needs. Additionally, EDS' Training team will review provider inquiry information in CTMS to determine topics for workshops.
40.5.2.48	Fiscal Agent shall track and report on provider requested visits.	Met by interChange and operational processes and procedures. EDS provider representatives will be required to log and document visit information into CTMS.
40.5.2.49	Fiscal Agent shall implement annual marketing plans for electronic commerce options.	Met by interChange and operational processes and procedures. EDS EDI staff members will work with the State, the approved electronic commerce vendors, and the approved electronic commerce options to publish on the Replacement MMIS Web portal the electronic commerce options available to the provider community.
40.5.2.50	Fiscal Agent shall conduct provider workshops at State-approved locations.	Met by operational processes and procedures. EDS training staff members, provider representative staff members, and the workshop coordinator will work with the State agency's provider department staff members to conduct provider workshops at State-approved locations.
40.5.2.51	Fiscal Agent shall assist the State with annual meetings of billing providers.	Met by operational processes and procedures. EDS will provide provider representative staff assistance to the State with annual meetings of billing providers.
40.5.2.52	Fiscal Agent shall assist the State with quarterly training conferences.	Met by operational processes and procedures. EDS will provide provider representative staff and training staff assistance to the State with quarterly training conferences.
40.5.2.53	Fiscal Agent shall distribute on-site training evaluation questionnaires for providers to complete.	Met by operational processes and procedures. EDS provider representative staff members will distribute on-site training evaluation questionnaires for providers to evaluate the effectiveness of the on-site training.
40.5.2.54	Fiscal Agent shall analyze completed evaluation questionnaires and provide the State with a compiled summary report within five (5) business days from the training seminar date.	Met by operational processes and procedures. EDS provider representative staff members will analyze completed evaluation questionnaires and provide the State with a compiled summary report within five business days from the training seminar date.
40.5.2.55	Fiscal Agent shall maintain and submit to the State lists of provider training session participants.	Met by operational processes and procedures. EDS will maintain and submit to the State lists of provider training session participants.
40.5.2.56	Fiscal Agent shall prepare State-approved online provider enrollment and billing instructions, ensuring the inclusion of all revisions and policy-related communications, such as special bulletins and/or newsletters, in the format and number specified by the State.	Met by interChange and operational processes and procedures. EDS provider enrollment staff members will work with the State and prepare online provider enrollment and billing instructions, including revisions and policy-related communications, and obtain approval before posting

RFP No.	RFP Requirement	EDS Response
		to the Replacement MMIS Provider Web Portal.
40.5.2.57	Fiscal Agent shall ensure the accuracy and consistency of initial and ongoing updated State-approved tutorials.	Met by operational processes and procedures. The EDS Training team will be responsible for verifying the accuracy and consistency of initial and ongoing updated State-approved tutorials.
40.5.2.58	Fiscal Agent shall ensure that whenever changes are made that affect the information available on the tutorials that State-approved changes are made as a part of the CSR change documentation, provider publication/ALERT, or as directed by the State.	Met by operational processes and procedures. The EDS Training and Systems teams will work with the State to verify and incorporate required, State-approved changes to tutorials.
40.5.2.59	Fiscal Agent shall maintain State-approved instructional materials for viewing and retrieval.	Met by interChange and operational processes and procedures. EDS will maintain State-approved instructional materials for viewing and retrieval through the Replacement MMIS Provider Web Portal. State staff members also will have access to this information in iTRACE.
40.5.2.60	Fiscal Agent shall provide training workshop materials and evaluations imaged and electronically available with ninety-nine and nine tenths (99.9) percent accuracy.	Met by interChange and operational processes and procedures. EDS will provide training workshop materials to the providers through the Provider Web Portal. The State will have access to this information through iTRACE. Provider workshops evaluations will be imaged, indexed, and stored for electronic retrieval in Documentum with 99.9 percent accuracy.

Imaging Provider Communications Requirement

The following table, EDS Response to Imaging Provider Communications Requirement, describes how we will meet the requirement set forth in the RFP.

EDS Response to Imaging Provider Communications Requirement

RFP No.	RFP Requirement	EDS Response
40.5.2.61	Fiscal Agent shall image all provider written communications.	Met by interChange and operational processes and procedures. Required provider documents will be scanned, indexed, and stored for reference and retrieval as needed through the Documentum solution.

Imaging Provider On-Site Visit Materials and Evaluation Requirement

The following table, EDS Response to Imaging Provider On-Site Visit Materials and Evaluation Requirement, describes how we will meet the requirement set forth in the RFP.

EDS Response to Imaging Provider On-Site Visit Materials and Evaluation Requirement

RFP No.	RFP Requirement	EDS Response
40.5.2.62	Fiscal Agent shall perform imaging of all materials and the provider on-site evaluation applicable to a provider site visit, linking to the provider identification number for complete profile data retrieval.	Met by interChange and operational processes and procedures. Required provider documents will be scanned, stored, and indexed to allow ease of retrieval through the Documentum solution. Information discussed during on-site visits will be recorded in the CTMS panels within interChange and reference the documentation scanned and retained in Documentum.

Imaging Provider Training Workshop Materials and Provider Evaluation Forms Requirements

The following table, EDS Response to Imaging Provider Training Workshop Materials and Provider Evaluation Forms Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Imaging Provider Training Workshop Materials and Provider Evaluation Forms Requirements

RFP No.	RFP Requirement	EDS Response
40.5.2.63	Fiscal Agent shall perform imaging of all Provider Training Workshop materials and Provider Training Evaluations, linking to the provider identification number for complete profile data retrieval.	Met by interChange, through COTS integration, and through operational processes and procedures. The required provider documents will be scanned, stored, and indexed to allow ease of retrieval through the Documentum solution. Information discussed during on-site visits will be recorded in the CTMS Web panels within interChange and reference the documentation scanned and retained in Documentum.
40.5.2.64	Fiscal Agent shall provide training to State staff in the use of the Customer Call Center System, initially and on an ongoing basis.	Met by operational processes and procedures. The Replacement MMIS call center will be supported through the AVRS and CTMS. EDS will provide required training to State staff members initially and ongoing in the use of the CTMS and AVRS.
40.5.2.65	Fiscal Agent shall provide all Customer Service Call Center reports according to State specification.	Met through configuration of interChange parameters and features. EDS will provide customer service call center reports according to State specification.
40.5.2.66	Fiscal Agent shall maintain up-to-date complete system and user documentation.	Met by interChange and operational processes and procedures. EDS will maintain updated complete system and user documentation that will be available to the State through iTRACE.
40.5.2.67	Fiscal Agent shall develop workflow processes for customer service support activities.	Met by interChange and operational processes and procedures. EDS will develop required processes around the

RFP No.	RFP Requirement	EDS Response
		customer service support activities using required logging and documenting by the EDS provider and recipient call center staff members within the CTMS module.

E-Mail Communications Requirement

The following table, EDS Response to E-Mail Communications Requirement, describes how we will meet the requirement set forth in the RFP.

EDS Response to E-Mail Communications Requirement

RFP No.	RFP Requirement	EDS Response
40.5.2.68	Fiscal Agent shall produce listserv lists that are updated as appropriate to new enrollments, disenrollments, and provider change requests for individual or mass communications based on State protocols and approval for types of communications.	Met by operational processes and procedures and through COTS integration. With the COTS L-Soft Listserv tool, EDS Provider Enrollment will initiate and maintain e-mail listservs based on provider enrollments, disenrollments, and change requests for individual or mass communications based on State protocols and approval for types of communications.

Recording/Tracking Provider/Recipient Verbal Communications Requirements

The following table, EDS Response to Recording/Tracking Provider/Recipient Verbal Communications Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Recording/Tracking Provider/Recipient Verbal Communications Requirements

RFP No.	RFP Requirement	EDS Response
40.5.2.69	Fiscal Agent shall ensure recording and tracking verbal communications with provider and recipients are available for use between the hours of 7:00 A.M. to 11:00 P.M. Eastern Time Monday through Friday and from 7:00 A.M. to 6:00 P.M. Saturday and Sunday.	Met by interChange and operational processes and procedures. AVRS and CTMS will be the primary systems used during the EDS call center operational hours of 7 a.m. to 11 p.m. Eastern Time Monday through Friday and from 7 a.m. to 6 p.m. Saturday and Sunday. AVRS will provide the ability to record calls, and the EDS call center supervisors, such as Tomeka Evans, will listen in and monitor quality of calls during operations. We will use CTMS for documenting call requests or inquiries and the responses provided by EDS call center staff members.
40.5.2.70	Fiscal Agent shall perform daily system checks to ensure that the recording/tracking business area is functioning	Met by interChange and operational processes and procedures. The EDS Provider and Recipient Management

RFP No.	RFP Requirement	EDS Response
	as designed and provides system logging of check date, time, operator, comments, and reporting as directed by the State.	team, manager Chris Ferrell, and supervisors such as Tomeka Evans will set up appropriate processes and procedures for call center staff members to follow. The EDS Provider and Recipient Management team, using CTMS reporting, will monitor, document, and report to the State on call center activities by staff person and for the department.
40.5.2.71	Fiscal Agent shall provide State-approved instructional materials and secure, browser-based, Web-enabled tutorial for use of the Recording/Tracking Provider/Recipient Communications function/query tool.	Met through customization of interChange and the Learning Management System (LMS). EDS' trainers and instructional design specialists will work with the State to develop and provide State-approved instructional materials and secure, browser-based, Web-enabled tutorials. These tutorials will be available to the providers through the Provider Web Portal.
40.5.2.72	Fiscal Agent shall provide appropriate staff to monitor and support the continuous availability of the recording/tracking query tool.	Met by operational processes and procedures. The EDS Systems team, led by Tim Sullivan, will monitor and maintain interChange and the supporting EDS provider and recipient call center systems—AVRS, CTMS, and Documentum—and verify the availability of these required tools during the required operational hours.

40.5.3 Provider Operational Performance Standards

This section notes the standards and points of delivery with training, approval times, log information, and areas of access for information delivery.

Response to Provider Operational Performance Standards

The following table, Provider Operational Performance Standards and Metrics for Measurement, describes how we will meet the requirements set forth in the RFP. The Metrics for Measurement column identifies EDS' approach for meeting, measuring, and reporting the standard. Metrics data will be captured, reported, and presented to the State online through a performance dashboard, which will be readily available and accessible to the State for ease of information and reference.

Provider Operational Performance Standards and Metrics for Measurement

RFP No.	RFP Requirement	Metrics for Measurement
40.5.3.1	Fiscal Agent shall log and image all hard copy provider applications received within one (1) State business day of	Met by interChange and operational processes and procedures. Required documents will be scanned, indexed, logged, and stored within one State business day of receipt

RFP No.	RFP Requirement	Metrics for Measurement
	receipt.	for review, reference, and retrieval as needed through the Documentum solution.
40.5.3.2	Fiscal Agent shall initiate credentialing and source verification to ensure participation guidelines are met on all completed applications within three (3) business days.	Met by interChange and operational processes and procedures. EDS Provider Enrollment staff members will initiate credentialing and source verification through the interChange provider enrollment workflow process on completed applications within three business days.
40.5.3.3	Fiscal Agent shall complete and approve all providers for participation who have no negative responses to credentialing requirements within two (2) State business days of receipt of all data necessary to adjudicate the application.	Met by interChange and operational processes and procedures. EDS Provider Enrollment staff members will complete enrollments through the interChange provider enrollment workflow process and update the provider enrollment Web panels with appropriate provider data reflecting approval for participation in State programs. This provider enrollment process will be completed within two State business days of receipt of needed data if no negative responses are received for that application.
40.5.3.4	Fiscal Agent shall send approval letters and other State-required information within one (1) State business day of provider participation approval.	Met by interChange and operational processes and procedures. EDS will send approval letters and other State-required information within one business day of application approval. The letter generator will automatically generate an enrollment approval letter on the activation of an enrollment.
40.5.3.5	Fiscal Agent shall send denial letters and other State-required information within one (1) State business day of provider participation denial.	Met by interChange and operational processes and procedures. EDS will send denial letters and other State-required information within one State business day of provider participation denial. The letter generator will automatically create an enrollment denial letter after the decision to deny an enrollment.
40.5.3.6	Fiscal Agent shall initiate Urgent Reviews within one (1) State business day of receipt of any adverse provider information.	Met by interChange and operational processes and procedures. EDS Provider Enrollment staff members will initiate urgent reviews through the interChange provider enrollment workflow process within one State business day of receipt of any adverse provider information.
40.5.3.7	Fiscal Agent shall acknowledge receipt of provider appeal requests within one (1) State business day of receipt.	Met by interChange and operational processes and procedures. The EDS Provider Enrollment team will acknowledge receipt of provider appeal requests within one State business day of receipt through e-mail, fax, or letter notification.
40.5.3.8	Fiscal Agent shall ensure that all appeals are adjudicated within thirty (30) calendar days of receipt unless permission for delay is received from the State.	Met by operational processes and procedures. The EDS Provider Enrollment team will track, monitor, and verify that appeals are adjudicated within 30 calendar days of receipt unless permission for delay is received from the State.
40.5.3.9	Fiscal Agent shall provide the State with an extract of the MMIS Provider tables each business night.	Met through customization of interChange. EDS will provide the State with an extract of the MMIS provider tables each

RFP No.	RFP Requirement	Metrics for Measurement
		business night.
40.5.3.10	Fiscal Agent shall support online real-time access between EIS, Mental Health Eligibility Inquiry, Medicaid Quality Control, Online Verification, ACTS, and HIS and the Replacement MMIS using API and SOA concepts, from 7:00 A.M. until 7:00 P.M. Eastern Time Monday through Friday, including non-State business days when EIS is available for online processing, and from 10:00 A.M. to 5:00 P.M. Eastern Time on weekends when EIS is available for online processing.	Met through customization of interChange. EDS will support online real-time access between EIS, Mental Health Eligibility Inquiry, Medicaid Quality Control, Online Verification, ACTS, and HIS and the Replacement MMIS. Our eligibility interChange Web panels will support this request and align with use of API and SOA concepts. Access will be provided from 7 a.m. until 7 p.m. Eastern Time Monday through Friday—including non-State business days when EIS is available for online processing—and from 10 a.m. to 5 p.m. Eastern Time on weekends when EIS is available for online processing.
40.5.3.11	Fiscal Agent shall provide online real-time access to provider data for State-designated staff using API and SOA concepts between EIS and the Replacement MMIS 7:00 A.M. until 8:00 p.m. Eastern Time Monday through Friday, including non-State business days when EIS is available for online processing, and from 10:00 A.M. to 5:00 P.M. Eastern Time on weekends and when EIS is available for online processing.	Met by interChange. EDS will provide online real-time access for State-designated staff using interChange provider Web panels that align with API and SOA concepts between EIS and the Replacement MMIS from 7 a.m. until 8 p.m. Eastern Time Monday through Friday—including non-State business days when EIS is available for online processing—and from 10 a.m. to 5 p.m. Eastern Time on weekends and when EIS is available for online processing.
40.5.3.12	Fiscal Agent shall provide batch access to provider data using API and SOA concepts between EIS and the Replacement MMIS from 5:30 P.M. Eastern Time Monday through Friday until batch processing is completed.	Met through customization of interChange. EDS will provide data integration batch access to provider data using API and SOA concepts between EIS and the Replacement MMIS from 5:30 p.m. Eastern Time Monday through Friday until batch processing is completed.
40.5.3.13	Fiscal Agent shall provide online real-time access to Provider data for State-designated staff using API and SOA concepts between EIS and the Replacement MMIS.	Met by interChange. EDS will provide online real-time access for State-designated staff using interChange provider Web panels that align with API and SOA concepts between EIS and the Replacement MMIS.
40.5.3.14	Fiscal Agent shall provide initial and ongoing updated e-mail listservs based on initial and ongoing provider enrollments, disenrollments, and change requests the same day the transaction occurs ninety-nine and nine tenths (99.9) percent of the time.	Met by operational processes and procedures and through COTS integration. With the COTS L-Soft Listserv tool, the EDS Provider Enrollment team will initiate and maintain e-mail listservs based on provider enrollments, disenrollments, and change requests the same day the transaction occurs 99.9 percent of the time.
40.5.3.15	Fiscal Agent shall provide initial and ongoing capability for recording and tracking communications with providers and recipients during State business days between the hours of 7:00 A.M. to 11:00 P.M. Eastern Time Monday through Friday and from 7:00 A.M. to 6:00 P.M. Saturday and Sunday ninety-nine and nine tenths (99.9) percent of the time.	Met by interChange and operational processes and procedures. AVRS and CTMS will be the primary systems used during the EDS call center operational hours of 7 a.m. to 11 p.m. Eastern Time Monday through Friday and from 7 a.m. to 6 p.m. Saturday and Sunday. AVRS will record calls and the EDS Call Center supervisors, such as Tomeka Evans, will listen and monitor quality of calls during operations. CTMS will be used for documenting call requests or inquiries and the responses provided by EDS call center staff.

RFP No.	RFP Requirement	Metrics for Measurement
40.5.3.16	Fiscal Agent shall provide monthly system check logs in the content, frequency, format, and media as directed by the State.	Met by interChange. The interChange user interface provides online access to audit trails for updates applied to the provider data.
40.5.3.17	Fiscal Agent shall produce State-approved initial and ongoing updates to training materials and secure, browser-based, Web-enabled tutorials in the content, frequency, format, and all media as directed by the State.	Met through customization of interChange and the LMS. EDS' trainers and instructional design specialists will work with the State to develop and provide State-approved instructional materials and secure, browser-based, Web-enabled tutorials. These tutorials will be available to the providers through the Provider Web Portal.

40.6.2 Reference Operational Requirements

Reference operational requirements will be carried out by the Claims Operations Organization under the leadership of Tammy Wheeler. Tammy and her team bring a high level of expertise and experience in reference operations to the program. The team members have more than 25 years of relevant healthcare and Medicaid experience, which underscores their understanding of successful reference operations implementation.

Timely, comprehensive, and accurate maintenance of reference data is crucial to effective, efficient, and quality healthcare program management. To help the State achieve these objectives, our Replacement MMIS will accomplish the following:

- Offer a system that gives authorized users the ability to make changes to reference data—such as audit limitations, prior approval, or rate modifications—through online browser page updates rather than submitting change requests to a programmer or analyst
- Provide the flexibility to support more than 15 distinct methods of claims processing for multi-payer purposes
- Allow users to display and review the reference file maintenance history through the audit trail feature

While the Operations team is charged with maintaining efficiency and quality in making these updates, they are supported by the robust interChange technology in the benefit plan and edit/audit maintenance pages found within the application. We describe these features in proposal sections 40.6.1 Reference System Requirements and 40.8.1 Claims Processing System Requirements. With these capabilities, the team can focus on accuracy and effectiveness.

We will maintain accurate reference data, making sure that the correct information is used in claims adjudication by monitoring claims processing activities and providing the State with an analysis of the impact. We will research clinical policy-related issues using claims history, online reference and eligibility resources, policy documentation, and medical standards of practice.

The Replacement MMIS will provide update capabilities to reference data by using secure browser page access, which will facilitate a fast and flexible way for users to perform individual inquiries or modifications of reference file data. Authorized users can navigate the pages with quick and easy point-and-click access and open multiple browser sessions to view several pages simultaneously.

We will perform online and mass updates to the reference files as specified by the State. To efficiently apply updates to the data sets used in the reference function, the Replacement MMIS will accept online and electronic or tape file updates to each code set record, with the capability to make changes to

individual records or mass changes to groups or classes of records. Specific Web pages will be used to specify the attributes of a benefit plan, including program codes, claim type editing, dependent programs, and mutually exclusive benefit plan criteria. The Replacement MMIS will maintain ICD-10-CM and PCS codes when implemented.

We will provide the required reports and reference file listings to the State. The Replacement MMIS reference data maintenance function will produce numerous reports to assist in the analysis effort and in overall management of program operations. The system will offer flexible, on-demand desktop inquiry and reporting through easy-to-use parameters and browser pages. Inquiry results will be presented immediately in formatted display browser pages, where the user can print or view reference data.

This approach will greatly reduce delays in receiving updated reports. Additionally, the electronic format of the reports will allow users to search for critical information, print the data, and export the data to a spreadsheet application for review. Reports that can be produced to assist State staff members in analyzing and implementing automated batch reference updates include the following:

- **Annual HCPCS Update—Added Modifier Codes for Century/Year (CCYY)—**Displays modifiers to be added beginning in the upcoming year according to the information received on the CMS annual HCPCS update
- **Annual HCPCS Update—Added Procedure Codes for CCYY—**Displays procedure codes to be added beginning in the upcoming year according to the information received on the CMS annual HCPCS update
- **HCPCS Update Annual HCPCS Update—Deleted Procedure Codes for CCYY—**Displays procedure codes to be deleted beginning in the upcoming year according to the information received on the CMS annual HCPCS update
- **Annual HCPCS Update—Error Report for CCYY—**Lists errors generated during the annual HCPCS update process
- **Annual HCPCS Update—Summary Report for CCYY—**Summarizes changes applied during the annual HCPCS update process
- **Annual ICD-9 Diagnosis and Procedure Code Updates—**Lists ICD-9-CM diagnosis and procedure codes added and description changes from the annual update of the ICD-9-CM file
- **Procedure to Audit Cross-Reference Report—**Contains a listing of the procedure codes linked to audits, and for each procedure code on the report, includes the audits that use the procedure code
- **Revenue Code to Audit Cross-Reference Report—**Contains a listing of the revenue codes linked to audits by revenue code

- **Weekly Drug Update Error Listing—**Lists the error transactions identified during the weekly drug update process
- **Weekly Drug Update Summary—**Shows totals for errors, records read, added, updated, and changed during the weekly automated update or during manual updates

The Operations team can use the document management system and iTRACE for many of the tracking and process flow document requirements necessary to maintain accurate and timely operations for activities that occur or are audited outside the interChange browser pages.

Response to Reference Operational Requirements

The following table, EDS Response to Reference Operational Requirements, describes how we will meet the requirements set forth in the RFP. Where appropriate, we have listed the existing interChange user interface panels, reports, or processes that meet the stated requirements.

EDS Response to Reference Operational Requirements

RFP No.	RFP Requirement	EDS Response
40.6.2.1	Fiscal Agent shall log receipt date of each Reference File maintenance request, file maintenance initiation completion date, operator completing request, and supervisor validation date.	Met by interChange and operational processes and procedures. We will maintain a record of the receipt date of each reference file maintenance request, file maintenance initiation completion date, staff member completing the request, and the supervisor validation date. File maintenance requests will be stored in the document management system for search and retrieval. The document management system can play a key role in maintaining a communication trail of these requests and their stage in the process.
40.6.2.2	Fiscal Agent shall notify the State in writing when a file maintenance request has not been made in accordance with the State Memo and/or as applicable to the contractual performance criteria.	Met by operational processes and procedures. EDS reference procedures will provide for notifying the State in writing when a file maintenance request has not been made in accordance with the State Memo and/or as applicable to the contractual performance criteria.
40.6.2.3	Fiscal Agent shall maintain procedure code updates and applicable editing data as directed by the State or upon receipt of all pertinent information requested from the State; produce before and after images; and return them to the originator of the State request.	Met by interChange and operational processes and procedures. EDS will maintain procedure code updates and applicable editing data as directed by the State or upon receipt of all pertinent information requested from the State. Additionally, we will produce before and after images of procedure code updates and return them to the originator of the State request. The information also will be available through an online report.
40.6.2.4	Fiscal Agent shall retain MMIS Reference data change	Met by operational processes and procedures. We will retain

RFP No.	RFP Requirement	EDS Response
	requests received from the State in the format received for control, balance, and audit purposes for the life of the Fiscal Agent Contract.	MMIS reference data change request in the same format received from the State for the life of the contract.
40.6.2.5	Fiscal Agent shall verify the accuracy of all file maintenance activities; produce weekly reports that summarize, by operator, file maintenance activities, including timeliness of updates and operator accuracy; reports shall be made available to the Contract Monitoring Unit by 7:00 A.M. Eastern Time each Monday following the update activity.	Met by interChange and operational processes and procedures. EDS understands the importance of accurate reference data for claims processing and reporting. We will implement procedures to verify the accuracy of all file maintenance activities and produce weekly reports to the Contract Monitoring Unit by 7:00 a.m. Eastern each Monday following the update activity.
40.6.2.6	Fiscal Agent shall perform research and analysis for adjudication and policy issues.	Met by operational processes and procedures. EDS will research and analyze adjudication and policy issues and report findings and corrective actions to the State. The necessary and skilled staff resides in the Claims Operations unit and can be supported with our Medical Policy Review team and reference analysts.
40.6.2.7	Fiscal Agent shall analyze the appropriateness of the cross-reference of new CPT codes and ICD-9/ICD-10 codes to MMIS edits and audits and make recommendations to the State for incorporation of the codes into the established edit criteria or for additional edits/audits as appropriate.	Met by operational processes and procedures. EDS clinical staff is familiar and experienced in cross-referencing new CPT codes and ICD-9/ICD-10 codes to MMIS edits and audits. We will continue to provide experienced staff members who will perform this function and make recommendations to the State for incorporation of the codes into the established edit criteria or for additional edits/audits as appropriate.
40.6.2.8	Fiscal Agent shall update edit criteria and all applicable documentation and notify the State when updates occur.	Met by interChange and operational processes and procedures. EDS will update edit criteria and all applicable documentation and notify the State when updates occur.
40.6.2.9	Fiscal Agent shall provide PAL tiers information for provider inquiries.	Met by interChange and operational processes and procedures. The PAL indicator will be listed on the drug file or on a file where the PAL tier can be retrieved easily for provider inquiries.
40.6.2.10	Fiscal Agent shall notify providers of DESI drug denials of payment through the Pharmacy Newsletter or other State-approved medium for communication.	Met by operational processes and procedures. EDS will notify providers of DESI drug denial of payment through the Pharmacy Newsletter or other State-approved medium of communication.

40.6.3 Reference Operational Performance Standards

We recognize the unique challenges in implementing a Replacement MMIS and understand the State's expectations for timely, accurate reference data maintenance.

Our team will apply updates to the reference files promptly after the update processing for batch submissions, and real-time for online submissions. We will work with State staff members to determine which data elements will be updated. After the data elements have been identified, authorized users will perform the updates. Each time an authorized user makes an update to the reference data, a record will be inserted into the audit trail showing the user ID of the person who made the change, the date and time of the change, and the result of the change. The audit trail will maintain an accurate record of entries into the reference function. Reference file changes will be documented. Our comprehensive documentation will record changes and any quality checks performed on the updated record.

The Replacement MMIS will accept online and batch updates to reference files. Authorized users with the appropriate security profile will perform updates in a real-time environment using browser pages. Online updates and manually entered updates to individual reference data will be achieved by using the online update and add menus of the appropriate maintenance page. To preserve the data integrity, online deletions of the reference files will not be allowed. Procedure and diagnosis codes, pricing data, and other date-sensitive data will be end-dated, not deleted. End dating allows the data history to remain in the database indefinitely for claims processing and can be viewable online for research.

Batch updates are appropriate when significant amounts of data must be updated. To accomplish batch updates, our technical staff members will obtain the data to be loaded, and subject-matter experts (SMEs) will develop update processes that input the new data to the appropriate tables. Our SMEs for the data affected by the batch update will assist technical staff members in performing the batch updates. The ability to maintain the reference files through batch or online updates is essential to the accurate application of State policy to claims processing.

Outside the quarterly or yearly update process, the State may approve manual updates for any reference file, including procedure, drug, diagnosis-related group (DRG), diagnosis, provider, pricing, claim exception criteria, utilization review medical criteria, third-party criteria, and edit disposition files. The State will provide us with written direction when additions or changes are needed to the reference files. This documentation will be reviewed to determine needed clarifications related to system features, program understanding, provider or client impact, and any potential impact on claims processing. Clarifications will be obtained by contact with the appropriate State staff member, as well as functional units that may be impacted by the change.

When we are confident that questions have been resolved, the Replacement MMIS will be updated in accordance with the direction from the State. If the clarifications resulted in a change to the criteria noted in the written document, a new document will be received from the State or the modifications will be noted on the original document for historical purposes.

Quality will be a constant theme. Simple changes, such as procedure codes or rate updates, will be sight-verified when entered through the browser page. A second person will verify these changes against audit trail reports. More extensive changes, such as claim exceptions or creating a new provider type, will be thoroughly tested. The test results will be reviewed with the State and approval obtained before implementation of the change. After implementation of the change, the changes are sight-verified by the analyst who entered the change. Additionally, the data is verified against the audit trail reports by a second person. The policy is not considered to be completely implemented until the system, user, and provider documentation have been completed and verified. When complete, the State will be notified in writing and new versions of the appropriate manuals will be provided. Our State staff members and other functional units also will be notified of the change, with appropriate instructions given for resolution of claims processing issues.

Response to Reference Operational Performance Standards

The following table, Reference Operational Performance Standards and Metrics for Measurement, describes how we will meet the requirements set forth in the RFP. The Metrics for Measurement column identifies EDS' approach for meeting, measuring, and reporting the standard. Metrics data will be captured, reported, and presented to the State online through a performance dashboard, which will be readily available and accessible to the State for ease of information and reference.

Reference Operational Performance Standards and Metrics for Measurement

RFP No.	RFP Requirement	Metrics for Measurement
40.6.3.1	Fiscal Agent shall initiate all Reference File maintenance requests within one (1) State business day of receipt of a request and complete such maintenance according to State-defined timeframe: • Online updates within two (2) State business days of receipt • Mass adjustments within two (2) claims cycles • Other within timeframe, as directed by the State.	Met by interChange and operational processes and procedures. We will initiate maintenance requests within one State business day of receipt and complete the requested maintenance according to the State-defined time frames, namely the following: • Online updates within two State business days of receipt • Mass adjustments within two claims cycles • Other within time frame, as directed by the State
40.6.3.2	Fiscal Agent shall apply Reference File updates (mass updates and subscription service updates) to the Replacement MMIS according to State-defined schedule.	Met by interChange and operational processes and procedures. We will work with the State to define the time frame for production releases of mass adjustments and updates.
40.6.3.3	Fiscal Agent shall notify the State in writing when a file maintenance request has not been completed, as directed by the State.	Met by operational processes and procedures. The File Maintenance team will design processes and procedures that will facilitate the completion of file maintenance

RFP No.	RFP Requirement	Metrics for Measurement
		requests as directed by the State. EDS will notify the State in writing when a file maintenance request has not been completed as directed by the State.
40.6.3.4	Fiscal Agent shall produce before and after images and return them to the originator of the State Memo the same day the change is made.	Met by interChange and operational processes and procedures. We will print before and after images and return them to the originator of the State Memo the same day the change is made. Additionally, these images will be available through online reporting.
40.6.3.5	Fiscal Agent shall verify the accuracy of all file maintenance activities, producing weekly reports for the Contract Monitoring Unit by 7:00 A.M. Eastern Time each State business Monday.	Met by interChange and operational processes and procedures. The File Maintenance team will develop processes and procedures to verify the accuracy of all file maintenance activities and produce weekly reports and submit them to the Contract Monitoring Unit by 7:00 a.m. Eastern each State business Monday.

40.7.2 Prior Approval Operational Requirements

Our work in this area falls under the Prior Approval Operations organization, led by Prior Approval Manager Sharlene Bryant. Sharlene has successfully led PA operations for the State since 2006. Her experience also includes 10 years of North Carolina Medicaid work, five years with DMH, and eight years working for Federal Health Care.

Making sure North Carolina recipients receive timely authorizations for services while allowing the State to control expenditures are the hallmarks of a successful prior approval (PA) process. Timely, accurate adjudications of PAs require the following:

- Clinical expertise
- Strong understanding of State policy
- Technical infrastructure to support the adjudication process

Through our 30 years of experience with the North Carolina Medicaid Program, we have a broad insight and a strong understanding of State policies. The clinical expertise and our technical infrastructure solution enable our team to focus on the decision, not the paperwork. We are committed to providing enhancements in the technical infrastructure to reduce paper, eliminate unnecessary manual intervention, and decrease current adjudication times.

Our Replacement MMIS will provide the following capabilities in support of PA:

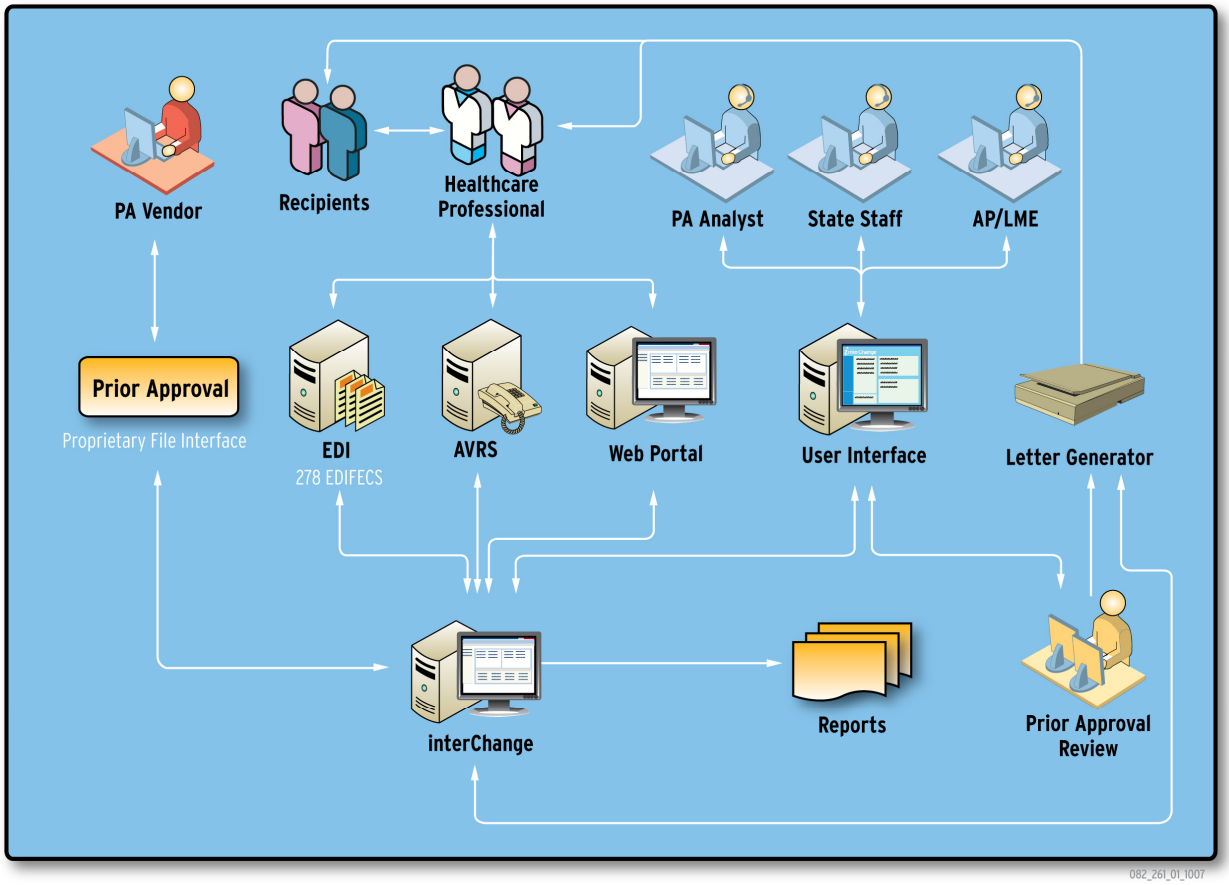
- Validated recipient eligibility, provider eligibility, and service coverage to process the PA request based on predefined rules
- System-generated PA records for pharmacy-related claims that meet customized rules related to the recipient; claims history, including pharmacy, medical, and institutional data; and even prescribing provider taxonomy information
- Web-based access for providers to initiate and inquire on PA request decision status, as well as the authorized and remaining units or dollar amounts
- Role-based security access that gives authorized users the appropriate security levels for their job functions, ranging from basic inquiry to complete service authorization entry, update, and approval capabilities
- Online information necessary to analyze, review, and make determinations on PA requests, as well as easy maintenance of the services requiring PA
- System-generated provider and recipient notification letters that users can initiate using point-and-click technology on the Prior Approval page

- Multiple sources for entering transactions for PA processing, including paper, fax, Web portal, automated voice response system (AVRS), and standard HIPAA-compliant transactions

The Replacement MMIS will enable users to initiate and inquire on PAs through many authorized sources, including EDI, Web Portal, local PA analysts, external PA vendors, telephone, fax, and mail.

The following exhibit, Prior Approval Flow, shows the number of ways a PA request can be received and how they are processed.

Prior Approval Flow



PA requests are subject to the same business rules, no matter how they are received.

We recognize the importance of having qualified, trained professionals available to assist in resolving PA issues as quickly and efficiently as possible. Therefore, the PA help desk will be staffed with highly trained personnel to respond to the PA requests and inquiries. Pharmacy technicians will be available to assist with pharmacy PAs and inquiries. These individuals will have immediate access to a pharmacist if they need to escalate an issue.

Nurses will be available to respond to out-of-state, surgery, or durable medical equipment PAs and inquiries. If medical consultation is needed, the medical

director will be available for consultation. Additionally, optical technicians will be available to respond to optical/vision PAs and inquiries. To handle dental and orthodontic PAs and inquiries, we will work with dental hygienists and orthodontists to verify that the appropriate services are authorized and inquiries from provider and recipients are handled quickly and accurately. A dental director is available for consultation when necessary.

The following table, PA Key Professionals and Responsibilities, highlights some of our staff's areas of work.

PA Key Professionals and Responsibilities

Professional	Responsibilities
Medical director	• Using State policy guidelines, assesses claims for approval or denial of PA requests for covered surgical procedures • Educates North Carolina provider community on how to best serve the needs of their patients
Dental director	• Using State policy guidelines, assesses Medicaid claims for approval or denial of PA requests for dental and orthodontic surgeries and procedures • Completes consultation review sheet on orthodontic cases to provide feedback to the North Carolina provider community regarding the oral health of their patients
Physical therapist	• Using State policy guidelines, assesses claims for approval or denial of PA requests by evaluating diagnosis, prognosis, and planned intervention for children who are experiencing functional limitations or disability due to trauma, a disorder, or disease process for pediatric mobility equipment
Nurse staff	• Reviews Certificate of Medical Necessity (CMN) forms along with State policy guidelines to determine the medical necessity for durable medical equipment (DME) • Reviews and prices equipment repairs that are required for recipients
Dental hygienists	• Using State policy guidelines, assesses claims for approval or denial of PA requests for dental procedures • Reviews the current request to compare its procedure codes and tooth numbers with other dental PA segments on file
Optical/hearing aid analysts	• Using State policy guidelines, assesses claims for approval or denial of PA requests for visual and hearing aids • Submits visual aid orders to contractor (Nash Optical)

Within the Replacement MMIS, each payer group will maintain its unique approach to PA. In some programs, PA is relied on heavily as a means to control costs. Other programs rely on back-end auditing to validate program compliance and subject few services to PA. The Replacement MMIS will allow users to denote by specific payer group which services require PA for a given plan.

After a payer group has established its specific PA requirements, the Replacement MMIS will recognize this limitation during processing and will not pay claims without the presence of an approved PA for the service.

PA determinations will be made case by case, using one of the following outcomes:

- **Approved—**Used when the service is approved exactly as requested
- **Modified—**Used when the number of units, dollars, or time frame requested is authorized at a decreased level
- **Denied—**Used when all of a requested service is denied
- **Pended—**Used when information is insufficient for making a determination or when another request appears in the system for the same service

Affect on Claims Processing

The Replacement MMIS will allow authorized staff to determine the conditions under which a service must have a PA before it will pay. These services can be defined either through the use of benefit program administration (BPA) rules for individual services or through the use of audits for program limits, step therapy, or service contra-indication. Through the use of PA, providers can bypass the specific edits or audits that would otherwise prevent payment for services provided. The provider does not need to supply the PA number on the claim during submission. The Replacement MMIS will use appropriate matching logic based on provider, recipient, service date, and services authorized to determine if there is a valid PA on file. Assuming there is a match, the system will bypass that edit or audit.

If the claim remains in a payable condition, the PA will be associated with that specific claim and the number of allowed units or dollars will be compared to the billed units or dollars. If the remaining PA units or dollars are less than the billed amount, the system will either cut back the units or dollars with an appropriate explanation of benefits (EOB) or deny the service. This choice is configured by selecting a check box at the individual edit or audit level.

DUR+

The Replacement MMIS PA system will provide support to automatically generate pharmacy-related PAs in situations that meet State-defined criteria. The need for physician- or pharmacist-initiated pharmacy-related PA requests will be vastly reduced through the use of the EDS DUR+ PA capability, which automatically reviews the recipient, existing PA history, medical and pharmaceutical history, and State-configurable business rules to determine if a PA can be automatically generated from a pharmacy claim in process based on State rules.

The Replacement MMIS will provide the framework to support these objectives through efficient operation and maintenance of a secure system that provides current status, service limit, and PA information to the State and the recipient and provider communities.

Retro-DUR

Through our collaboration with the industry-leading subcontractor Health Information Designs (HID), we will provide Retro-DUR reporting to meet the needs of the State and support safe and effective selection and use of prescription drug products for recipients. HID's flexible reporting tool, RxExplorer, provides ad hoc reporting capabilities with a comprehensive and integrated view of the State healthcare programs. These reports will enable the State to analyze clinical components and costs and utilization of pharmacy benefits.

The Replacement MMIS' Retro-DUR function integrates smoothly and efficiently with the DUR+ function. Information from the Retro-DUR function also contributes direct resources to the DUR categories and issues that have potential to yield the greatest therapeutic and economic benefit to the State.

The Replacement MMIS' Retro-DUR processing cycle will regularly produce extractable ad hoc, standard DUR, and user-defined detail and summary-level pharmacy reports. These Retro-DUR reports will be available through convenient browser-based pages, requiring minimal user intervention to get the information specified by input parameters.

Response to Prior Approval Operational Requirements

The following tables map the detailed solutions to the operational requirements of the prior approval functional area. Where appropriate, we have listed the existing interChange user interface panels, reports, and processes that meet the stated requirements. We also have identified when an integrated COTS piece of software is used to meet the requirements.

General Prior Approval Operational Requirements

The following table, EDS Response to General Prior Approval Operational Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to General Prior Approval Operational Requirements

RFP No.	RFP Requirement	EDS Response
40.7.2.1	Fiscal Agent shall record telephone pharmacy prior approval requests in the same format as the pharmacy paper/facsimile hard copy version.	Met by interChange and operational processes and procedures. Our customer service center staff will manually record telephone pharmacy calls in the Contact Tracking Management System (CTMS). If necessary, the pharmacy PA

RFP No.	RFP Requirement	EDS Response
		staff will enter the PA request into the PA panels for the review and decision process. Online audit trails capture changes made to PA data records by user ID, date, and time stamp for future research and reference.
40.7.2.2	Fiscal Agent shall enter each prior approval request online to include the following: receipt date of each prior approval request made to the Fiscal Agent, denial code, decision date, and mailing date of decision.	Met by interChange and operational processes and procedures. The PA panels support entry of receipt date, the date keyed, the review date, the date mailed, the date an update was received, and the date the update was reviewed, as well as any decisions, reasons, and status.
40.7.2.3	Fiscal Agent shall adjudicate prior approvals and mail system-generated disposition letters.	Met by interChange and operational processes and procedures. We will review PA requests and make determinations using State criteria. The DOC1 letter generator tool triggers PA notices to be produced based on a number of conditions, including approved, denied, reduced, or pended PA requests. These letters include standard and free-form text and incorporate variables, such as provider, recipient, or referring provider information, directly from the PA request. These letters are stored in the document management system for future review as necessary.
40.7.2.4	Fiscal Agent shall receive and determine resolution (e.g. approval, denial, or pending) of prior approval and override requests, including retroactive requests based on State-approved medical criteria and medical judgment.	Met by interChange and operational processes and procedures. Our PA staff will receive PA requests and make the appropriate determination. We will review retroactive requests and enter the decision based on State-approved medical criteria and medical judgment.
40.7.2.5	Fiscal Agent shall notify the State via a quarterly report of the number of prior approval requests received, number entered into the system within one (1) State business day, and the number entered into the system after more than one (1) State business day.	Met by interChange and operational processes and procedures. We will develop a standard report that can be run quarterly to identify the number of PA requests received, the number entered into the system within one State business day, and the number entered into the system after more than one State business day.
40.7.2.6	Fiscal Agent shall provide a weekly batch processing report that indicates the date and time the file was received, date and time processed, number of transactions received, number of transactions processed, number of transactions updated, and number of transactions errored, listing each error transaction and error reason.	Met by interChange. EDS will create this report through the EDI process and the use of EDIFECS software reporting. Reported information will include the date and time the file was received, date and time processed, number of transactions received, number of transactions processed, and number of transactions updated, listing each error transaction and error reason.
40.7.2.7	Fiscal Agent shall notify the State monthly when it takes more than one (1) business day from receipt to process and render a decision on a non-emergency prior approval and override request that does not require additional research or additional information.	Met by interChange and operational processes and procedures. interChange supports real-time PA adjudication and notification. The COTS InRule rules engine and K2 workflow engine provide the necessary tools to receive and render a decision on non-emergency PAs and override requests in a timely fashion.

RFP No.	RFP Requirement	EDS Response
40.7.2.8	Fiscal Agent shall notify the State monthly when it takes more than one (1) business day from receipt of all required information to process and render a decision on a non-emergency prior approval and override request that required additional information or research.	Met by interChange and operational processes and procedures. The system supports real-time PA adjudication and notification. The COTS InRule rules engine and K2 workflow engine provide the necessary tools to receive and render a decision on non-emergency PAs and override requests in a timely fashion.
40.7.2.9	Fiscal Agent shall notify the State when it takes more than five (5) business days to process, render a decision, and mail a status report on a prior approval request for retrospective and therapeutic days.	Met by interChange and operational processes and procedures. interChange supports real-time PA adjudication and notification. The COTS InRule rules engine and K2 workflow engine provide the necessary tools to receive and render a decision on retrospective and therapeutic leave days in a timely fashion.
40.7.2.10	Fiscal Agent shall provide the capability for authorized services to be flagged for pre-payment review.	Met by interChange and operational processes and procedures. We will flag and suspend State-authorized service claims for prepayment review process flow.
40.7.2.11	Fiscal Agent shall represent the State throughout the hearing/appeals process for all prior approval decisions made by the Fiscal Agent. Fiscal Agent shall attend Office of Administrative Hearings Representation and must include the Fiscal Agent staff that rendered the final decision of denial.	Met by operational processes and procedures. EDS will provide the appropriate personnel, such as the medical director, to represent the State throughout the hearing/appeals process for the PA decisions made by the EDS staff. The EDS staff who rendered the final decision of denial will participate in the Office of Administrative Hearings Representation.
40.7.2.12	Fiscal Agent shall perform long-term care facility on-site visits with or without State staff as requested for specific provider problems.	Met by operational processes and procedures. A provider services representative will perform on-site visits when requested or deemed necessary.
40.7.2.13	Fiscal Agent shall evaluate and determine prior approval adjudication for: • Eye exams or refraction • Visual aids • Hearing aids, accessories, ear molds, FM systems, repairs • Dental and orthodontics • Hyperbaric oxygenation therapy • Blepharoplasty/blepharoptosis eyelid repair • Panniculectomy • Breast surgery • Clinical severe obesity surgery • Lingual frenulum surgery • Stereotactic pallidotomy • Electrical osteogenic stimulators	Met by interChange and operational processes and procedures. EDS professional staff members are responsible for assessing Medicaid claims for approval or denial of services using State policy guidelines. The EDS professional staff includes the following: • Medical director • Dental director • Physical therapist • Nurses • Dental hygienists • Optical/hearing aid analysts

RFP No.	RFP Requirement	EDS Response
	• Keloids • Craniofacial/facial surgeries • Out-of-state ambulance • Rhinoplasty • Chiropractic and podiatry • Durable medical equipment • Orthotics and prosthetics • Pharmacy • All services for DPH payment programs	
40.7.2.14	Fiscal Agent shall present prior approval, referral, and override information and provide education at provider workshops.	Met by operational processes and procedures. Our PA staff members will work with our Provider Services staff to prepare provider education material related to PA, and the Provider Services staff member will conduct provider education and workshops. As appropriate, PA staff will accompany Provider Services staff to provider workshops.
40.7.2.15	Fiscal Agent shall respond to and resolve all phone inquiries/questions from recipients, providers, Office of Citizen Services, and manufacturers pertaining to pharmacy drug-related issues and concerns.	Met by interChange and operational processes and procedures. Pharmacy drug-related telephone inquiries will be received by the call center and routed to the Pharmacy team as appropriate. Our pharmacy tech staff will respond to inquiries requiring a greater level of pharmacy knowledge. If necessary, they will elevate to our pharmacist for final resolution.
40.7.2.16	Fiscal Agent shall ensure that the Pharmacy Prior Approval Customer Service Center is available from 7:00 A.M. until 11:00 P.M. Eastern Time on State business days Monday through Friday, and from 7:00 A.M. until 6:00 P.M. Eastern Time on Saturday and Sunday.	Met by interChange and operational processes and procedures. We will staff the Pharmacy PA Customer Service Call Center as required in the RFP. Calls will initially be received by the call center and routed to the designated service representative for PA, referral, and override requests.
40.7.2.17	Fiscal Agent shall ensure that the non-pharmacy Customer Service Center is available for prior approval, referral and override requests from 7:00 A.M. until 7:00 P.M. Eastern Time Monday through Friday and from 8:00 A.M. until 5:00 P.M. Eastern Time on Saturday	Met by operational processes and procedures. We will staff the non-pharmacy PA Customer Service Call Center to meet the State's specified hours of operation. Calls will initially be received by the call center and routed to the designated service representative for PA, referral, and override requests.
40.7.2.18	Fiscal Agent shall ensure that adequate prior approval staff, including a clinical pharmacist, is on-site during all hours of call center operation (including evenings and weekends).	Met by operational processes and procedures. Our PA staff, including a clinical pharmacist, will be on-site during call center operation hours. Calls will initially be received by the Customer Service Call Center and routed to the designated service representative.
40.7.2.19	Fiscal Agent shall locate a Prior Approval Customer Service Center within the State-approved Fiscal Agent's	Met by operational processes and procedures. EDS will continue to staff a PA customer service center at our local

RFP No.	RFP Requirement	EDS Response
	local facility unless otherwise approved by the State.	facility.
40.7.2.20	Fiscal Agent shall provide capability to receive prior approval requests for stem cell and bone marrow transplants. If all clinical information is included in the request, then the Fiscal Agent forwards the request to the DMA Hospital Consultant for review. If all clinical information is not included in the request, the Fiscal Agent must contact the requesting provider for additional clinical information before forwarding the request to the DMA Hospital Consultant for review.	Met by operational processes and procedures. On receipt of a stem cell or bone marrow transplant request, our staff will review the documentation to verify complete content. If complete State-determined clinical information is included in the request, we will forward the request to the DMA Hospital Consultant for review. If all clinical information is not included in the request, we will contact the requesting provider for additional clinical information before forwarding the request to the DMA Hospital Consultant for review.
40.7.2.21	Fiscal Agent shall provide training for Prior Approval Vendors and State staff.	Met by operational processes and procedures. Our Provider Services staff will provide PA training to PA vendors and State staff identified during the DDI Phase of the contract.
40.7.2.22	Fiscal Agent shall ensure verification of recipient eligibility, provider program participation, and third party coverage during adjudication of prior approvals.	Met by interChange and operational processes and procedures. We will use automated tools such as InRule to verify business rules and compliance checks needed for authorization and adjudication of PA requests.
40.7.2.23	Fiscal Agent shall ensure automated prior approval adjudication is not available when TPL coverage exists for recipient. Manual review and verification of coverage must be conducted to determine prior approval authorization.	Met through customization of interChange. Automated PA processes are extended to review TPL coverage for the recipient in question. Based on the existence of TPL coverage, the PA request will not auto-adjudicate but will be forced into a manual review.
40.7.2.24	Fiscal Agent shall provide for toll-free telephone and fax number access for providers to request prior approvals, referrals, and overrides	Met by operational processes and procedures. Our Customer Service Call Center will provide toll-free telephone and fax number access for providers to request PAs, referrals, and overrides.

Pharmacy Benefits Management Requirements

Pharmacy Director Sharon Greeson will oversee all pharmacy benefit operations, including the pharmacist, pharmacy technicians, drug rebate staff, and PA call center. Sharon has successfully performed this role for the State since 1997 and has more than 23 years of experience in pharmacy, with the last 11 years specifically involved in Medicaid with oversight of POS and batch claims processing, drug rebate, the PAL list, and the pharmacy staff. She has been instrumental in successfully implementing many pharmacy changes and improvements, such as rebate collections on single source J codes, Medicare part B and D cost avoidance, Family Planning Waiver, and third-party cost avoidance, just to name a few.

The following table, Pharmacy Benefits Key Professionals and Responsibilities, highlights some of our staff's areas of work.

Pharmacy Benefits Key Professionals and Responsibilities

Professional	Responsibilities
Pharmacy Director	• Oversees all pharmacy and drug rebate staff • Makes sure staff has a sufficient level of training to meet and exceed the State's expectations • Oversees POS system, drug file vendor and Retro-DUR vendor • Attends meetings as required by the State to discuss POS edits, audits, and functionality • Attends meetings with the State's Community Care Program to prevent duplication of effort • Assists drug rebate staff in resolution efforts
Pharmacist Consultant	• Makes sure the Pro-DUR and Retro-DUR programs are operating effectively and efficiently • Attends monthly meetings to review Pro-DUR alerts and discuss aberrant drug patterns • Prepares DUR annual report • Represents EDS for the PA appeals process • Reviews and notifies DMA weekly of new drugs with recommendations for PA, PDL, step therapy, and the PAL • Reviews and maintains Medicare Part D—excluded drug list
Pharmacy technician	• Responds to telephone inquiries from recipients, providers, and the Office of Citizen Services when they need more specific assistance than the regular call center can handle • Responds to calls and inquiries from pharmaceutical manufacturers • Reviews all manual pharmacy and compound claims • Oversees monthly pharmacy newsletter • Makes sure the Web site is kept current with the State maximum allowable cost (SMAC) list, DERP reports, PAL tiers, and DESI drugs • Attends meetings and prepares minutes

The following table, EDS Response to Pharmacy Benefits Management Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Pharmacy Benefits Management Requirements

RFP No.	RFP Requirement	EDS Response
40.7.2.25	Fiscal Agent shall prepare the CMS Annual Report that includes all information, charts, and statistics relating/pertaining to the Prospective and Retrospective DUR Programs in the format and media as directed by the State.	Met by interChange and operational processes and procedures. We will prepare the DUR program—related CMS annual report in the format and media directed by the State.
40.7.2.26	Fiscal Agent shall coordinate with the DUR Contractor to assure functionality of the Pharmacy Point-of-Sale	Met by operational processes and procedures. The Pharmacy team will meet with the DUR contractor monthly to discuss

RFP No.	RFP Requirement	EDS Response
	Business Area, including adding edits, PRO-DUR informational alerts and intervention, conflict, and outcome codes (NCPDP 5.1 standards) and shall assist DUR Vendor with the Retrospective DUR Program.	Pro-DUR activity, intervention, conflict, and outcome codes and new edits that may be needed in the POS system. The Retro-DUR program also will be discussed for potential ideas or assistance.
40.7.2.27	Fiscal Agent shall provide for updating clinical data, dosing limits to DUR alerts, changes in GCN, GCN-Sequence, weekly DUR file updates, and State-selected FDB data elements.	Met by interChange and operational processes and procedures. The EDS pharmacy staff will update or coordinate the updates with the selected drug file vendor. Updates by the EDS staff will be done through the Replacement MMIS panels by authorized users and reviewed for accuracy as necessary. Updates completed by the vendor will be directly fed to the Replacement MMIS through the weekly drug file process/upload. The DUR updates will be done only as directed by the State.
40.7.2.28	Fiscal Agent shall prepare monthly Pharmacy Newsletter for State approval and distribute as directed by the State.	Met by operational processes and procedures. The Pharmacy team will write and collect relevant articles for the pharmacy newsletter. These articles will include information regarding system changes, changes in policy, changes in drug rebate labelers, and relevant articles addressed to providers. The pharmacy newsletter will be produced monthly and distribute as directed.
40.7.2.29	Fiscal Agent shall ensure daily supervisor signoffs of each Pharmacy Prior Approval Service Representative work queue transferring any prior approvals to the next shift's work queue to ensure performance standards are met.	Met by operational processes and procedures. Our operational procedures will require supervisor signoff for pharmacy work queue during shift transfer to make sure performance standards are met.
40.7.2.30	Fiscal Agent shall coordinate with the State's Drug Utilization Review Vendor or the State to ensure appropriate Pharmacy POS alerts for potential drug therapy problems are identified; shall meet each month; and shall prepare meeting minutes.	Met by operational processes and procedures. The Pharmacy team will meet with the DUR vendor monthly to discuss POS Pro-DUR alerts and discuss potential drug therapy problems identified due to these alerts, intervention, conflict, and outcome codes and new edits that may be needed in the POS system. Monthly meetings will be held to discuss these patterns, and meeting minutes will be provided.
40.7.2.31	Fiscal Agent shall post on the IC Web site the EBM updates to PAL clinical pearls.	Met by interChange and operational processes and procedures. The Pharmacy team will post the evidence-based medicine (EBM) updates to Prescription Advantage List (PAL) clinical pearls to the pharmacy Web site as approved by the State.
40.7.2.32	Fiscal Agent shall maintain the Prior Approval IC Web site that will contain the State Maximum Allowable Cost (SMAC) list and linkage to the Drug Effective Review Process (DERP) reports.	Met by interChange and operational processes and procedures. We will update the SMAC list on the Web site on receipt from the vendor. The link to the DERP reports will be maintained.
40.7.2.33	Fiscal Agent shall notify DMA weekly of new drugs with recommended criteria/protocol that become available in the marketplace that are in the same classes as those	Met by operational processes and procedures. A clinical pharmacist will review new drugs as they become available in the marketplace and will make recommendations for the

RFP No.	RFP Requirement	EDS Response
	drugs included in the Prior Approval drug list and PAL.	PA drug list and PAL.
40.7.2.34	Fiscal Agent shall develop criteria-driven recommendations for each new drug within an existing Prior Approval therapeutic class category.	Met by operational processes and procedures. The Clinical team will evaluate new drugs within an existing PA class and will develop criteria-driven recommendations.
40.7.2.35	Fiscal Agent shall coordinate with the State's Retrospective DUR Vendor or the State to capture claim data specific to aberrant drug patterns; shall meet each month; and shall prepare meeting minutes.	Met by interChange and operational processes and procedures. We will work with HID or the State to capture claim data specific to aberrant drug patterns. Monthly meetings will be held to discuss these patterns, and meeting minutes will be provided.
40.7.2.36	Fiscal Agent shall coordinate with the State's Community Care Program to prevent duplication or fragmentation of effort related to pharmacy benefit coverage; shall meet each month; and shall prepare meeting minutes.	Met by operational processes and procedures. We will document efforts involving changes to the pharmacy benefit. Monthly meetings will be held to discuss these efforts to confirm that duplication or fragmentation of effort is not occurring. Meeting minutes will be provided.
40.7.2.37	Fiscal Agent shall adjudicate provider appeals.	Met by interChange and operational processes and procedures. We will use the PA Administrative Review panel, which maintains the administrative review date received and date mailed. The Appeal panel holds the date received, appeal date, mail date, and dismiss date.
40.7.2.38	Fiscal Agent shall prepare monthly Pharmacy Bulletin/Newsletter information for State approval in format, content, and media as directed by the State, including the production, updating of preferred drug lists, prior approvals and lists, and other informational materials for prescribers.	Met by operational processes and procedures. Bulletin articles regarding policy changes, updates of preferred drug lists, PAs updates, and other related pharmacy benefit information will be consolidated into a monthly pharmacy bulletin or newsletter in a State-approved format.
40.7.2.39	Fiscal Agent shall provide for dispensing and reimbursement of a seventy-two-hour (72-hour) supply of prior approval drug in emergency situations.	Met by interChange and operational processes and procedures. The interChange PA system provides for handling this emergency situation.
40.7.2.40	Fiscal Agent shall identify pharmacy provider training issues related to prior approvals and shall address at workshops	Met by interChange and operational processes and procedures. The Pharmacy team will log issues related to questions received on the PA complaints and issues related to potential training issues to assist in the process. We will communicate these to the team that conducts the provider training workshops.
40.7.2.41	Fiscal Agent shall make recommendations to the State on drugs for a preferred drug list and drugs for which prior approval and/or step therapy protocols would be appropriate. The list shall be based on utilization patterns and shall take into consideration clinical value, recipient and provider disruption, and cost savings.	Met by operational processes and procedures. Our Pharmacy team will review the State's preferred drug list (PDL) for potential additions. We also will recommend step therapy in situations that may warrant a first line drug before an expensive second line is used.
40.7.2.42	Fiscal Agent shall add the new drug(s) to their respective therapeutic Prior Approval categories and to add new Prior Approval categories after final approval and	Met by interChange and operational processes and procedures. After a new drug class is added to the PA list or a drug is added to an existing category, the Pharmacy team

RFP No.	RFP Requirement	EDS Response
	notification from DMA; updates must be included on IC Web site within forty-eight (48) hours of notification.	will update the Pharmacy PA Web site within 48 hours of DMA notification.

40.7.3 Prior Approval Operational Performance Standards

We have established our PA quality plan to set performance standards that are in sync with quality measures, put checkpoints in place to monitor compliance, and implement corrective measures when required.

We will perform quality checks to verify that the process, activities, standards, procedures, and the outcomes are giving the best level of service to the State, the provider and recipient communities, and our business partners. We accomplish this by examining output and work products of employees, monitoring telephone and written correspondence, and reviewing processes and results to maintain timely, complete, meaningful, and accurate information.

Response to Prior Approval Operational Performance Standards

The following table, EDS Response to Prior Approval Operational Performance Standards and Metrics for Measurement, describes how we will meet the requirements set forth in the RFP. The Metrics for Measurement column identifies EDS' approach for meeting, measuring, and reporting the standard. Metrics data will be captured, reported, and presented to the State online through a performance dashboard, which will be readily available and accessible to the State for ease of information and reference.

Prior Approval Operational Performance Standards and Metrics for Measurement

RFP No.	RFP Requirement	Metrics for Measurement
40.7.3.1	Fiscal Agent shall update the Prior Approval business area with all prior approval results received from other entities within twenty-four (24) hours of receipt from each entity, except Fridays, when the updates shall be available by 7:00 A.M. Eastern Time on the following Monday.	Met by interChange and operational processes and procedures. We will configure the BizTalk 2006 data integration server and software to incorporate specific required business rules to support timely updates to PA business areas in accordance with the State's requirements.
40.7.3.2	Fiscal Agent shall render a decision for non-pharmacy prior approval within one (1) State business days of the receipt of all of the required information or research for non-emergency prior approval requests.	Met by interChange and operational processes and procedures. The real-time PA adjudication of interChange supports punctual decision-making after receipt of required information or research.

RFP No.	RFP Requirement	Metrics for Measurement
40.7.3.3	Fiscal Agent shall generate and mail prior approval decisions to appropriate designees within two (2) State business days of rendering a decision.	Met by interChange and operational processes and procedures. The letter generator triggers PA notices to appropriate designees. Letters are mailed within one business day of rendering a decision.
40.7.3.4	Fiscal Agent shall apply the State Prior Approval Policy with ninety-nine and nine-tenths (99.9) percent accuracy rate based on the information available when rendering a prior approval decision.	Met by interChange and operational processes and procedures. We will apply State Prior Approval Policy to the system logic and manual quality control reviews to meet the State-required 99.9 percent accuracy rate.
40.7.3.5	Fiscal Agent shall provide online inquiry and data entry to the Prior Approval data to providers, Fiscal Agent staff, and State-designated staff from 6:00 A.M. until 11:00 P.M. Eastern Time Monday through Friday and 7:00 A.M. to 7:00 P.M. on Saturday and Sunday ninety-nine and nine-tenths (99.9) percent of the time.	Met by interChange and operational processes and procedures. The interChange Web-based system for inquiry and data entry to the PA data will be available to providers, fiscal agent staff, and State-designated staff from 6:00 a.m to 11:00 p.m. Eastern Monday through Friday and 7:00 a.m. to 7:00 p.m. on Saturday and Sunday 99.9 percent of the time, except during scheduled system downtime.
40.7.3.6**	Fiscal Agent shall provide online inquiry and data entry to the Prior Approval data to AP/LME staff and State-designated staff from 7:00 A.M. until 7:00 P.M. Eastern Time Monday through Friday ninety-nine and nine-tenths (99.9) percent of the time.	Met by interChange and operational processes and procedures. The interChange Web-based system for inquiry and data entry to PA data will be available to AP/LME staff and State-designated staff from 7:00 a.m. to 7:00 p.m. Eastern Monday through Friday 99.9 percent of the time, except during scheduled system downtime.
40.7.3.7	Fiscal Agent shall provide online Prior Approval for Pharmacy Prior Approval from 7:00 A.M. to 11:00 P.M. Eastern Time Monday through Friday and 7:00 A.M. to 6:00 P.M. Eastern Time Saturday and Sunday ninety-nine and nine-tenths (99.9) percent of the time.	Met by interChange and operational processes and procedures. The interChange Web-based system for pharmacy PA will be available from 7:00 a.m. to 11:00 p.m. Eastern Monday through Friday and 7:00 a.m. to 6:00 p.m. Eastern Saturday and Sunday 99.9 percent of the time, except during scheduled system downtime.
40.7.3.8	Fiscal Agent shall produce system-generated letters to recipients and providers of the status of prior approval requests within twenty-four (24) hours from the time of receipt.	Met by interChange and operational processes and procedures. The letter generator triggers PA status letters to recipients and providers. Letters will be mailed within one business day of rendering a decision.
40.7.3.9	Fiscal Agent shall produce weekly Pharmacy Alerts.	Met by interChange and operational processes and procedures. EDS will produce weekly pharmacy alerts as required to the pharmacy providers identified as such within interChange. These alerts will be distributed by listserv or e-mail and posted to the interChange Web portal for easy online reference by the pharmacy providers.
40.7.3.10	Fiscal Agent shall adjudicate each complete pharmacy prior approval request within one (1) State business day of receipt.	Met by interChange and operational processes and procedures. The real-time PA adjudication of interChange supports punctual decision-making and processing within one business day of receipt.
40.7.3.11	Fiscal Agent shall meet monthly with DUR, the State and/or Retrospective DUR vendors and Community Care Program and include minutes in bi-weekly Project Status	Met by operational processes and procedures. We will meet monthly with DUR, the State, and/or Retro-DUR vendors and Community Care Program and include minutes in the

RFP No.	RFP Requirement	Metrics for Measurement
	Report.	biweekly Project Status Report as directed by the State.
40.7.3.12	Fiscal Agent shall adjudicate provider pharmacy prior approval request appeals within one (1) State business days of receipt.	Met by interChange and operational processes and procedures. The real-time PA adjudication of interChange supports punctual decision-making and processing within one business day of receipt.
40.7.3.13	Fiscal Agent shall respond to a requesting provider within one (1) hour for a telephone request for an emergency override.	Met by interChange and operational processes and procedures. Our Customer Service Center will respond to provider telephone requests for an emergency override within one hour.

40.8.2 Claims Processing Operational Requirements

Claims operational requirements will be carried out by the Claims Operations Organization under the leadership of Tammy Wheeler. Tammy and her team of nurses, analysts, and clerks bring a high level of expertise and experience in claims operations to the program with experienced mail room, electronic claims, and claims and adjustment staff. Tammy has more than 25 years of relevant healthcare and Medicaid experience, which underscores her understanding of successful claims implementation and operations.

We understand the importance of executing an efficient claims and encounters business process function in accordance with the policies, procedures, and benefit and budget limitations established by the State. Our Replacement MMIS claims processing business solution, in conjunction with our operational team and processes, will provide for the capture, control, editing, and auditing of multi-payer claims and encounters from the time of initial receipt through final disposition.

The objectives of the Replacement MMIS claims processing operational functions include the following:

- Mail preparation and postage handling
- Electronic, paper, and adjustment claim acquisition and control
- Accurate and timely claims, encounters, and adjustments processing through final adjudication

Our team, led by Tammy Wheeler, will work efficiently and collaboratively with the State to meet the objectives of the claims business process function.

Mail Preparation and Postage Handling

Our mail room will be responsible for handling incoming and outgoing mail. The EDS courier will pick up and deliver mail to and from the United States Post Office each State business day. The courier also will pick up and deliver mail to the State offices twice each business day and on request. The mail will be handled following HIPAA requirements to comply with protected health information (PHI) and security requirements. Mail delivered to the EDS facility will be processed by the mail room for proper distribution.

The control of incoming mail is handled by experienced, well-trained mail room staff to make sure documents are controlled and routed appropriately. Electronic media, such as CDs, are routed to the EDS Electronic Data Interchange (EDI) team for appropriate handling and processing. Paper claims and adjustments, along with corresponding attachments, are sorted, prescreened, and batched for processing as described in the following Claims Acquisition and Control subsection. Additionally, nonclaim documents such as prior approval requests, provider enrollment requests, and provider written correspondence, will be

controlled, sorted, prescreened, scanned, and indexed before the distribution, handling, and processing of these types of documents.

EDS' mail room staff members also control the outgoing mail processing. Correspondence to providers or recipients, such as Return to Provider (RTP) letters, Recipient Explanations of Medicaid Benefits (REOMBs), Certificates of Creditable Coverage (COCCs), and others, will be processed for postage and delivery according to State requirements.

Claims Acquisition and Control

The Replacement MMIS will accept claims through a variety of media, including Web submission, HIPAA-compliant electronic transactions, and entry of paper claims. Our business solution encompasses the capture and control of claims, encounters, and supporting attachments. A unique transaction control number will be assigned to each claim and encounter, enabling tracking from receipt to final disposition.

We have selected SunGard FormWorks software for image and data capture of paper claims. FormWorks offers state-of-the-art technology that uses a high-volume capture, workflow, and hard disk storage and retrieval system. This solution allows us to capture the data fields necessary to process a claim and provide a high degree of data entry accuracy. The imaged claim, adjustment, and encounter documents will be retained in the Electronic Data Management System (EDMS) and will be readily available to EDS and State staff as required.

FormWorks will minimize the need for manual data entry through the use of optical character recognition (OCR) software, which will automatically read, identify, understand, and process the claim data contained on the forms. Claim data from the OCR software will be uploaded multiple times throughout each business day into the Replacement MMIS for processing. Claims that cannot be processed through the OCR mechanism will be keyed from image by experienced staff to provide for accurate capturing of the required data. Adjustments will be manually keyed from the image to capture into the Replacement MMIS for processing.

The Replacement MMIS will use proven processes that provide positive control of incoming claims, adjustments, and encounters. To efficiently process claims, encounters, and adjustment and monitor and track them through final adjudication, the system will assign each claim, encounter, and adjustment a unique internal control number (ICN) that includes the year and Julian date of receipt, batch number, and sequence of the claim, encounter, or adjustment, within the batch. The ICN will remain constant for the life of the claim. It will be assigned within one business workday of receipt on paper claims. On electronic claims, the ICN will be assigned the same day of receipt.

The Replacement MMIS will maintain a claim control and inventory system using a variety of tools, including operational processes and procedures,

electronic security authorizations, and detailed claims, adjustments, and encounters reports produced through the FormWorks OCR solution and interChange, allowing for strict control, balancing, and security of the Replacement MMIS. The EDS team will use the OCR solution and interChange report data to account for each claim, adjustment, and encounter batch and will balance and account for all claims, adjustments, and encounters from the start of processing through adjudication, including the update to the adjudicated claims history files.

If the claim, adjustment, or encounter fails any edit or audit, it will be routed to a specific system location for online review through interChange panels. Online reports also will be provided to reflect the tracking of the claim, adjustment, and encounter location as it moves through the system, indicating the date it entered a location and the date it exited that location. This online and reporting process within interChange establishes a complete audit trail for each claim, adjustment, and encounter.

The moment a claim, adjustment, or encounter transaction enters interChange, it can be tracked through each phase of processing. The status of each transaction may be viewed on claim pages, such as the Claim Inquiry page. This browser-based page will allow the user to view one claim or multiple claims through various selection options. Users also can access the online Transaction Register report, which will identify every claim processed in a daily adjudication cycle. The Transaction Register report will list each claim by the following:

- ICN
- Recipient ID number
- Provider ID number
- Provider category of service
- Transaction code
- Dates of service
- Payment amount

Resolution of Suspended Claims and Adjustments

Claims and adjustments failing edits and audits that are not set to systematically deny will suspend and route to the appropriate interChange claim or adjustment suspension locations. The EDS Claims Resolution team will manually review suspended claims and adjustments online through interChange panels and determine the most appropriate resolution action based on the applicable State policy. The Replacement MMIS will track this action, indicating the date the claim or adjustment entered the location, the edit or audit it failed, and the date it exited that suspension location. The system also will record the identification of the EDS claims resolution staff member who processed the claim or adjustment at each suspension location.

Claims and adjustment resolution in the Replacement MMIS will be a paperless process performed by browser access in real time. The EDS claims resolution staff members will have online access to the claims or adjustments data that was entered into the claims processing system and an image of the claim that was submitted for processing through the EDMS. The EDS analysts and nurses will have access with point-and-click navigation to various interChange pages, such as the recipient and provider pages, that may be needed to verify data on the claim and determine appropriate resolution.

The Replacement MMIS suspense scheduling function will allow authorized users to define how claims are routed for resolution. The system will maintain a complete audit trail of every claim and adjustment that is easily accessible by authorized users through the claims and adjustment browser-based pages.

Response to Claims Processing Operational Requirements

The following tables map the detailed solutions to the operational requirements of the claims processing functional area. Where appropriate, we have listed the existing interChange user interface panels, reports, and processes that meet the stated requirements. We also have identified when an integrated COTS piece of software is used to meet the requirements.

General Responsibilities Requirements

The following table, EDS Response to General Responsibilities Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to General Responsibilities Requirements

RFP No.	RFP Requirement	EDS Response
40.8.2.1	Fiscal Agent shall perform all claims processing operations functions to support Claims Processing Business Area requirements specified in the Replacement MMIS and user documentation and operating procedures, including, but not limited to: • Pickup and delivery of mail • Sorting and screening of documents • Scanning and batching of documents • Batch control • Data entry • Pharmacy Point-of-Sale • Payer determination processing • Edit processing	Met by interChange and operational processes and procedures. The EDS Claims Operation team, led by Tammy Wheeler, will perform claims processing operations functions to support the claims processing business area requirements. Further details are included throughout this section.

RFP No.	RFP Requirement	EDS Response
	• Suspense resolution • Medical review • Claims pricing • Adjudication processing • Adjustment processing • Payment processing • Financial processing • Encounter processing	
40.8.2.2	Fiscal Agent shall maintain and update the current State-approved Medical Procedure Audit Policy (MPAP).	Met by operational processes and procedures. We will update the State-approved MPAP documentation as defined by the State throughout the life of the contract. iTRACE will provide online access to the resolution pages the EDS team of analysts and nurses will follow to adjudicate suspended claims. The resolution pages contain the criteria for posting the edit or audit written in nontechnical language, the associated service groups, the associated policies, the detailed step-by-step-instructions for manual review, a consolidated view of the associated disposition rows, and links to the associated RFP requirements, test cases, and associated change orders.
40.8.2.3	Fiscal Agent shall create test, process, and review claims in a duplicate region (test region) to assure that State-requested changes to the system adjudicate as anticipated and make changes or receive approval according to contractual agreements.	Met by interChange and operational processes and procedures. Prior to production implementation, the EDS Systems team, led by Tim Sullivan, will develop, test, and review claims to be processed in a test environment/region to confirm that State-requested changes meet State approval.

Mailroom Requirements

The following table, EDS Response to Mailroom Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Mailroom Requirements

RFP No.	RFP Requirement	EDS Response
40.8.2.4	Fiscal Agent shall prepare and process all incoming and outgoing mail.	Met by operational processes and procedures. EDS' experienced mail room staff will receive and prepare incoming mail to facilitate image capture and distribution as needed. We will prepare and handle outgoing mail as required and in accordance with U.S. postal guidelines.
40.8.2.5	Fiscal Agent shall pick up and deliver mail to the State	Met by operational processes and procedures. EDS staffing

RFP No.	RFP Requirement	EDS Response
	once in the morning, once in the afternoon of each State business day, and at the request of the State.	will include a courier for mail delivery and pickup twice each business day. Additional courier runs will be provided at the request of the State.
40.8.2.6	Fiscal Agent shall control hand-delivered mail at the Fiscal Agent's main entrance for security and management of routing to appropriate personnel or functional unit.	Met by operational processes and procedures. EDS staff will control hand-delivered mail received at our main entrance and will properly secure and distribute/route it to the appropriate personnel or EDS functional unit.
40.8.2.7	Fiscal Agent shall ensure no mail, claims, tapes, diskettes, cash, or checks are misplaced after receipt by the Fiscal Agent.	Met by operational processes and procedures. Mail is either picked up by EDS courier or hand-delivered to the EDS site. It is received in individual post office boxes to allow distribution to the appropriate unit with minimal handling. Checks and cash will be directed to a bank lock box to eliminate the receipt and handling of these items. The bank will provide a daily report and transfer of funds to the State. Any checks and cash received directly at the EDS facility will be immediately redirected to the EDS lock box for proper handling and accounting of monies. Copies of checks and the supporting documentation will be provided by the bank for scanning and retention of financial data as needed. Claims will be kept intact and prepared for scanning, where they will receive an ICN for tracking purposes. If any tapes and diskettes are received directly by EDS, we will establish a log and tracking process to secure the data through to submission in interChange.
40.8.2.8	Fiscal Agent shall ensure all mail is date-stamped with date of receipt and within one (1) business day of receipt.	Met by operational processes and procedures. Within one business day of receipt, EDS mail room staff will capture through the scanning/imaging process all mail and assign an internal control number (ICN). The ICN includes a Julian date, which will denote the process was completed within one business day of receipt.
40.8.2.9	Fiscal Agent shall maintain system logging for packages/envelopes mailed via USPS or any other mailing service.	Met by operational processes and procedures. Envelopes and packages mailed via USPS or any other mailing service will be logged through the mailing equipment accounting system, and the State will have available a daily report noting the total number of packages mailed daily.
40.8.2.10	Fiscal Agent shall prepare RTP letters, REOMBs, notice of service approval or denial, and appeal rights TPL letters, drug recovery invoices, estate letters, COCC, and small packages for First Class Mail delivery.	Met by operational processes and procedures. EDS will continue to prepare outgoing RTP letters, REOMBs, notice of service approval or denial, and appeal rights TPL letters, drug recovery invoices, estate letters, COCCs, and small packages for first-class mail delivery. EDS will use Pitney Bowes' presort capabilities to provide first-class mailing cost savings for mass mailing.
40.8.2.11	Fiscal Agent shall print and mail/deliver electronically Replacement MM IS State-approved forms.	Met by interChange and operational processes and procedures. EDS will make these forms readily available through the interChange Web portal. On request, EDS will

RFP No.	RFP Requirement	EDS Response
		print and mail State-approved paper forms.
40.8.2.12	Fiscal Agent shall log postage costs daily and report to the State a reconciliation of all postage costs to types of articles mailed and distributed	Met by operational processes and procedures. EDS mail room staff will generate a postage cost daily report to the State, which will reconcile all daily postage costs to the types of articles mailed and distributed.
40.8.2.13	Fiscal Agent shall prepare RAs for mailing and/or transmitting, EFTs for transmitting, and checks for release and mailing.	Met by interChange and operational processes and procedures. interChange will generate the RAs, EFTs, and checks for transmission or mailing as required. RAs will be provided electronically to the providers through the interChange Web portal and will only be accessible through a secure mailbox by authorized users.

Claims Acquisition Requirements

The following table, EDS Response to Claims Acquisition Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Claims Acquisition Requirements

RFP No.	RFP Requirement	EDS Response
40.8.2.14	Fiscal Agent shall scan hard copy claims and accompanying documentation.	Met by operational processes and procedures and through COTS integration. EDS mail room staff will facilitate the sorting, scanning, and indexing of hard-copy claims and accompanying documents. The documents will be scanned through the use of Kodak scanners and the SunGard FormWorks EDMS software.
40.8.2.15	Fiscal Agent shall pre-screen hard copy claims before entering claims into the system and return those not meeting certain criteria to providers under the RTP letter, indicating missing or incorrect information and log returned claims daily.	Met by operational processes and procedures and through COTS integration. Claims data is captured using SunGard FormWorks optical character recognition (OCR) technology. Claims missing or submitted with invalid data will be rejected through the OCR process. These claims will be returned to the provider by the EDS mail room with an RTP letter generated through the use of the DOC1 tool. EDS staff will generate a daily report listing claims returned to the provider.

Adjustments Requirements

The following table, EDS Response to Adjustments Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Adjustments Requirements

RFP No.	RFP Requirement	EDS Response
40.8.2.16	Fiscal Agent shall sort, log, and batch adjustment requests and supporting documentation.	Met by operational processes and procedures. EDS mail room staff will facilitate sorting, prepping, and logging through the batching process of hard-copy adjustments and accompanying documents.
40.8.2.17	Fiscal Agent shall assign adjustment internal control numbers that can associate back with the original claim or previous adjustment.	Met by interChange. Unique ICNs are assigned during the adjustment scanning process. The ICN identifies the Julian date of receipt, and the adjustment through reference claim data on the adjustments will be used in processing to link the submitted adjustment to a previously processed claim or adjustment.
40.8.2.18	Fiscal Agent shall return adjustment requests with RTP letter to provider, indicating missing or other required information needs.	Met by operational processes and procedures and through COTS integration. Adjustments identified during the entry process as missing and/or submitted with invalid data will be rejected from processing. These adjustments will be returned to the provider by the EDS mail room with a RTP letter generated through the use of the DOC1 letter generation tool.
40.8.2.19	Fiscal Agent shall scan adjustments and supporting documentation.	Met by operational processes and procedures and through COTS integration. EDS mail room staff will facilitate scanning and indexing of hard-copy adjustments and accompanying documents. The adjustment documents will be scanned through the use of Kodak scanners and the SunGard FormWorks EDMS software.
40.8.2.20	Fiscal Agent shall verify the quality and readability of scanned adjustment documents.	Met by operational processes and procedures. Adjustment documents are monitored and quality checked during the scanning process by the EDS mail room staff. Adjustments that do not meet scanning quality requirements will be returned to the provider for resubmission and/or rescanned if required.
40.8.2.21	Fiscal Agent shall reconcile all adjustments (hard copy) entered into the system to batch processing cycle input and output figures.	Met by interChange and operational processes and procedures. Inventory reporting tracks incoming and adjudicated adjustments. The EDS adjustment analyst will monitor the reports to confirm that input/output figures balance for each processing cycle.

Claims Entry Requirements

The following table, EDS Response to Claims Entry Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Claims Entry Requirements

RFP No.	RFP Requirement	EDS Response
40.8.2.22	Fiscal Agent shall perform data entry of all hard copy claims.	Met by operational processes and procedures and through COTS integration. We will facilitate the data entry of hard-copy claims using SunGard FormWorks OCR technology. The use of OCR technology will minimize the need for manual data entry by automatically reading, identifying, understanding, and processing the information contained on the claims forms. The OCR process also helps reduce the number of data entry errors and quickens the submission of the hard-copy claim data into the Replacement MMIS for processing.
40.8.2.23	Fiscal Agent shall determine if front-end denials are required (such as claims that do not have required sterilization forms or Medicare voucher attached for Medicaid Claims).	Met by operational processes and procedures and through COTS integration. The EDS Claims team will work with the FormWorks OCR technology to establish the required business rules for the claim data entry requirements. These OCR business rules will include the ability to identify front-end claim denials to be applied for claims that do not have required forms/vouchers during the claims capture process.
40.8.2.24	Fiscal Agent shall perform individual paper and electronic claim overrides on edits, such as presumptive eligibility, Medicare A, B, and C, HMO coverage, TPL, and timely filing limit	Met by interChange and operational processes and procedures. These paper or electronic claims reflecting override data elements will be suspended by the interChange business rules engine. The EDS Claims Resolution team will manually review and, as appropriate per the State edit resolution policy, apply the override to the edit and permit the claim to continue through the adjudication process.

Specific to Adjustments Requirement

The following table, EDS Response to Specific to Adjustments Requirement, describes how we will meet the requirement set forth in the RFP.

EDS Response to Specific to Adjustments Requirement

RFP No.	RFP Requirement	EDS Response
40.8.2.25	Fiscal Agent shall perform data entry of adjustments.	Met by interChange and operational processes and procedures. interChange has adjustment panels for data entry of adjustment requests. The EDS clerical staff will use the scanned documents and enter the required data elements to begin the adjudication process of provider paper adjustment requests.

Specific to Electronic Claims Submission/EDI Requirements

The following table, EDS Response to Specific to Electronic Claims Submission/EDI Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Specific to Electronic Claims Submission/EDI Requirements

RFP No.	RFP Requirement	EDS Response
40.8.2.26	Fiscal Agent shall distribute provider claim submission software.	Met by interChange. interChange provides the direct data entry of claims to providers through an easy-to-use Web portal. This interactive process will enable providers to see immediate results related to claim adjudication. Providers can also use the 837 transaction submission process to submit claims electronically to the Replacement MMIS.
40.8.2.27	Fiscal Agent shall develop and implement procedures to ensure the integrity of claims submitted by providers via ECS/EDI.	Met by interChange and operational processes and procedures. The EDS EDI team will establish processes and procedures to confirm the integrity of claims through secure access and ECS/EDI data backup. The translation software used to convert HIPAA transactions to proprietary formats validates required HIPAA compliancy standards and will reject any transactions not meeting standards.
40.8.2.28	Fiscal Agent shall ensure that all providers submitting via ECS/EDI have signed and returned State-approved ECS/EDI agreements prior to accepting any "production" claim data.	Met by operational processes and procedures and through COTS integration of the EMC | Documentum tool. The EDS EDI team will verify that the provider has executed a signed ECS/EDI agreement prior to the provider's claims being accepted into Replacement MMIS production processing. After the agreement is completed, provider interChange panels will be updated to reflect that the agreement is on file. This data will be used during claim processing for additional validation that the ECS/EDI agreement is on file.
40.8.2.29	Fiscal Agent shall maintain the original imaged provider-signed ECS/EDI agreements linked to the provider's file data.	Met through COTS integration. On receipt of ECS/EDI provider-signed agreements, the EDS mail room staff will sort, scan, index, and image them within Documentum for retention and reference as needed by EDS and State staff.
40.8.2.30	Fiscal Agent shall accept tape-to-tape billing from defined sources.	Met by operational processes and procedures. Standard industry practices have eliminated tape-to-tape billing. Because this claim submission type is outdated and obsolete within the industry, interChange does not support the requirement. However, the EDS Network and EDI team members will maintain a secure process for handling the tapes received in order to return them to the submitting entity. We will work with the submitting entity to use existing, current claim submission mechanisms such as 837 transactions and the Provider Web Portal.

RFP No.	RFP Requirement	EDS Response
40.8.2.31	Fiscal Agent shall staff ECS/EDI Help Desk to respond to provider support requirements from 8:00 A.M. to 5:00 P.M. Eastern Time on State business days.	Met by operational processes and procedures. EDS' EDI team, led by Alan Martin, will transition to the Replacement MMIS operations and continue to support EDI provider inquiries from 8:00 a.m. to 5:00 p.m. Eastern Time on State business days.
40.8.2.32	Fiscal Agent shall perform ECS/EDI Trading Partner acceptance testing and send memo to the State for signoff and approval of Trading Partner claims submission once testing is successful.	Met by interChange and operational processes and procedures. The experienced EDS EDI team will perform EDI trading partner acceptance testing and verify that test results meet interChange and State claims submission requirements. On successful testing, the EDS EDI team will send a memo to the State for signoff and approval of claims submission into production.
40.8.2.33	Fiscal Agent shall perform provider ECS/EDI acceptance testing.	Met by interChange and operational processes and procedures. The EDS EDI team will perform provider acceptance testing for EDI transmission prior to allowing provider submission of claims data into production.
40.8.2.34	Fiscal Agent shall assign provider ECS/EDI security identification number during testing and add to the production security file when provider is ECS/EDI-approved.	Met by interChange and operational processes and procedures. EDS' EDI staff will assign a security identification number during EDI testing, maintaining the process we have in place today. After successful testing, this identification number is moved to production.
40.8.2.35	Fiscal Agent shall log tapes and diskettes upon receipt and assigns batch number.	Met by operational processes and procedures. The ECS/EDI unit no longer receives tapes and diskette claims submission; however, we will maintain a secure process of internal handling and batch number assignment if received. Please see our response to requirement 40.8.2.30.
40.8.2.36	Fiscal Agent shall perform acceptance testing of VANs for Pharmacy POS claim submission.	Met by operational processes and procedures. The experienced EDI staff will perform acceptance testing of VANs for pharmacy POS claims submission. VANs will not be allowed to submit claims into the Replacement MMIS production environment until State and interChange requirements are met.
40.8.2.37	Fiscal Agent shall obtain and maintain signed Pharmacy POS Trading Partner Agreements prior to accepting any "production" POS claim data.	Met by operational processes and procedures and through COTS integration. EDS' EDI staff currently obtains and maintains the paper pharmacy POS trading partner agreements. Agreements received during Replacement MMIS operations will be scanned, imaged, and indexed by the EDS mail room staff for retention and future reference within Documentum.
40.8.2.38	Fiscal Agent shall perform pharmacy worksheet resolutions to resolve pending front-end edits for pharmacy claims and submits resolved worksheets to data entry for processing.	Met by interChange and operational processes and procedures. Our EDS claims resolution staff will review and process suspended claims according to State approved resolution criteria. Pharmacy claims failing for any of the edits and audits not set to systematically deny will be

RFP No.	RFP Requirement	EDS Response
		resolved through use of the interChange claims corrections panels.

Drug Utilization Review Requirements

The following table, EDS Response to Drug Utilization Review Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Drug Utilization Review Requirements

RFP No.	RFP Requirement	EDS Response
40.8.2.39	Fiscal Agent shall produce information to support the State in completing the CMS Annual Drug Utilization Review Report.	Met by interChange and operational processes and procedures. We will produce the Pro-DUR Alert Summary report for the reported fiscal year. In conjunction with the Retro-DUR vendor, HID, supporting documentation, the State will be equipped to complete the CMS Annual Drug Utilization Review report.
40.8.2.40	Fiscal Agent shall attend the DUR board meetings, supply copies of the annual DUR Report, and apply all board recommendations to POS once approved by the State.	Met by interChange and operational processes and procedures. The EDS Pharmacy staff, led by Sharon Greeson, will attend the quarterly DUR board meetings and supply copies of the annual DUR report. After the DUR board meeting, the POS recommended changes will be discussed with State staff for clarification and approval.

Retrospective Drug Utilization Review Requirement

The following table, EDS Response to Retrospective Drug Utilization Review Requirement, describes how we will meet the requirement set forth in the RFP.

EDS Response to Retrospective Drug Utilization Review Requirement

RFP No.	RFP Requirement	EDS Response
40.8.2.41	Fiscal Agent shall submit quarterly extract files to the DUR Vendor within five (5) State business days of the month following the quarter's end.	Met by operational processes and procedures and through customization of interChange. EDS will create a program for the Replacement MMIS to provide an extract of required information to the Retro-DUR vendor, HID, within the specified time frame.

Manual Review Requirements

The following table, EDS Response to Manual Review Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Manual Review Requirements

RFP No.	RFP Requirement	EDS Response
40.8.2.42	Fiscal Agent shall conduct manual reviews of claims for specific services.	Met by interChange and operational processes and procedures. EDS' Claims Operations team will continue to efficiently and accurately manually review and process suspended claims. We will accomplish this through interChange panels and automated processes for suspended claims that fail any of the edits and audits that are not set to systematically deny.
40.8.2.43	Fiscal Agent shall perform manual review on claims according to the manual review procedure manual that identifies claim error information and State-approval criteria.	Met by interChange and operational processes and procedures. Our experienced claims resolution staff, led by Tammy Wheeler, will apply the State-approved audit/edit resolution criteria when manually reviewing suspended claims.
40.8.2.44	Fiscal Agent shall refer claims requiring policy decisions to the State.	Met by interChange and operational processes and procedures. Claims failing for audits and edits that specify that State intervention is required will be referred to the State for policy decision based on the audit/edit resolution criteria. Claims will be available to the State through interChange panels that facilitate the process, control, and timely resolution of the suspended claim.
40.8.2.45	Fiscal Agent shall perform manual review when claim for EPSDT eligible recipient is denied for "non-covered" services.	Met by interChange and operational processes and procedures. We will develop a process, in conjunction with the State, to establish claim audit and edit criteria during cycle process to suspend such potential EDPSDT claims prior to denial. EDS will work with the State to establish the criteria to determine appropriate resolution of such claims. If necessary, EDS will engage the State staff for policy input, and we will do so according to our response to requirement 40.8.2.44.

Adjustments Requirements

The following table, EDS Response to Adjustments Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Adjustments Requirements

RFP No.	RFP Requirement	EDS Response
40.8.2.46	Fiscal Agent shall return adjustment requests not acceptable due to individual invalid information.	Met by operational processes and procedures and through COTS integration. EDS will notify a provider of invalid adjustment information through an RTP letter generated by the DOC1 tool or through the provider's remittance advice, whichever is appropriate.

RFP No.	RFP Requirement	EDS Response
40.8.2.47	Fiscal Agent shall review adjustment requests.	Met by operational processes and procedures. EDS' experienced Knowledge Adjustment team will manually review adjustment requests through interChange panels to determine appropriate action required for processing. Resolution will be according to State-approved criteria.
40.8.2.48	Fiscal Agent shall process claim-specific retroactive rate adjustments as specified by the State.	Met through configuration of interChange parameters and features. interChange supports automated retroactive rate mass adjustments on large volumes of adjudicated claims. We will initiate the mass adjustments through the Mass Adjustment Entry interChange panel. Authorized users can adjust claims for State-requested retroactive rate changes by region, claim type, program, provider ID, type and specialty, service code (procedure, revenue, NDC, DRG, diagnosis), error code, aid category, recipient, and recipient age or sex.

State-Authorized Claim Overrides Requirements

The following table, EDS Response to State-Authorized Claim Overrides Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to State-Authorized Claim Overrides Requirements

RFP No.	RFP Requirement	EDS Response
40.8.2.49	Fiscal Agent shall refer denied claims to the State for review when special circumstances require override designation.	Met by operational processes and procedures. Denied claims are referred to the State for review when EDS' review determines that circumstances outside the defined scope of work effort, such as outside system parameters or resolution criteria, are involved. The State will have access to denied claims online to review the claim and provide instructions to EDS designating the appropriate override for the claims.
40.8.2.50	Fiscal Agent shall provide a method to process payments for any specific claim and maintain an audit trail.	Met through operational processes and procedures and through configuration of interChange parameters and features. interChange provides a history of claim location, tracking the claim from intake to adjudication. Additionally, claims requiring manual processing outside the usual parameters will have an audit trail maintained by interChange identifying the user, action, and time of claim work.

General Claims Resolution Requirements

The following table, EDS Response to General Claims Resolution Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to General Claims Resolution Requirements

RFP No.	RFP Requirement	EDS Response
40.8.2.51	Fiscal Agent shall add functionality to management fee payments to allow for enhanced/reduced fees for individual providers and shall provide interactive updates when entering the revisions into the system.	Met through configuration of interChange parameters and features. interChange provides for managed care payments based on program-specific negotiated capitation payment rates. As is the case in claims pricing, online, real-time user-updateable tables with effective begin and end dates drive the managed care capitation payment process. The capitation payments are based on criteria that may include the county or ZIP code of the recipient or provider, recipient age or gender, aid category, rate region, TPL resource code, program status code, Medicare status, or other risk factors.
40.8.2.52	Fiscal Agent shall complete a report of identified claims with the potential for TPL, including Medicare, based on the previous mentioned elements.	Met through customization of interChange. The Replacement MMIS will maintain insurance coverage information at the recipient-specific level. The relational database architecture will make this information available for automatic interface with claims processing to fully support cost-avoidance editing. The State will be able to define restrictions for adding third-party coverage by recipient or by specific categories of recipients. The report specifications will be determined during the DDI Phase.
40.8.2.53	Fiscal Agent shall use claims consultants to serve as technical supervisors to staff performing claims processing. These individuals shall: • Research and analyze problem areas at the request of the State • Provide consultation on complex cases and advise when to refer to the Fiscal Agent's medical consultant and/or the State • Review, analyze, and recommend suggestions affecting State operations.	Met by operational processes and procedures. EDS will provide claims oversight by supervisory staff and consultants, as needed, to assist with research and analysis of complex claims processing issues. Our Claims Operations team will work closely with our directors, Dr. Margaret Martin (medical), Dr. James Brooks (dental), and Sharon Greeson (pharmacy), and the State's experienced clinical policy staff and directors for review, analysis, research, and consultation on complex clinical claim issues.
40.8.2.54	Fiscal Agent shall obtain approval from NC DHHS for the amount to be applied for payment.	Met by interChange and operational processes and procedures. The Replacement MMIS will generate the Payment Estimation Report (FIN-1332) each week for State review. From this report, the State can determine the authorized payment amount.

RFP No.	RFP Requirement	EDS Response
40.8.2.55	Fiscal Agent shall check remaining balance as each payment amount is calculated to verify that the budgeted amount is not exceeded.	Met by interChange and operational processes and procedures. The Replacement MMIS will interface with the North Carolina Accounting System (NCAS) as required before the checkwrite cycle to load the budget files received from the State. After the files are loaded and the NCAS Budget Load Report has been generated, the State will be notified and asked to verify that the dollar amounts are accurate and to make sure claims can be paid.
40.8.2.56	Fiscal Agent shall manually price claims as designated by State policy.	Met through configuration of interChange parameters and features. Claim details billed with a manual pricing payment indicator suspend for review. EDS' claims resolution staff will work and price these claims as specified by the approved State criteria.

40.8.3 Claims Processing Operational Performance Standards

Our interChange claims processing business solution, in conjunction with our operational processes, provides for the capture, control, editing, and auditing of multi-payer claims and encounters from the time of initial receipt through final disposition. The expertise and understanding we have gained in our working relationship with the State over the past 30 years drives us to meet the performance standards outlined in this RFP. We appreciate the State's position of making sure appropriate healthcare is delivered to North Carolina's neediest citizens, and we understand our role in correctly and promptly reimbursing the providers delivering this care.

Response to Claims Processing Operational Performance Standards

The following table, Claims Processing Operational Performance Standards and Metrics for Measurement, describes how we will meet the requirements set forth in the RFP. The Metrics for Measurement column identifies EDS' approach for meeting, measuring, and reporting the standard. Metrics data will be captured, reported, and presented to the State online through a performance dashboard, which will be readily available and accessible to the State for ease of information and reference.

Claims Processing Operational Performance Standards and Metrics for Measurement

RFP No.	RFP Requirement	Metrics for Measurement
40.8.3.1	Fiscal Agent shall date-stamp all mail with actual date of receipt within one (1) business day of receipt at Fiscal Agent site.	Met by operational processes and procedures. EDS' mail room will apply a date stamp or ICN, which includes the Julian date corresponding to the date of receipt, within one business day of receipt.
40.8.3.2	Fiscal Agent shall print and mail Replacement MMIS State-approved forms to providers within two (2) business days of receipt of the provider request (at no cost to the provider).	Met by interChange and operational processes and procedures. Providers will be able to obtain forms 24 hours a day, 7 days a week, through the interChange Web portal. As requested by providers, EDS' mail room will provide and mail to the providers requested forms within two business days.
40.8.3.3	Fiscal Agent shall provide ECS/EDI Help Desk staff from 8:00 A.M. to 5:00 P.M. Eastern Time on State business days.	Met by operational processes and procedures. Our experienced EDI Help Desk team, led by Alan Martin, will continue to provide coverage from 8:00 a.m. to 5:00 p.m. Eastern Time on State business days.
40.8.3.4	Fiscal Agent shall electronically acknowledge back to the submitter, within twenty-four (24) hours of processing, a notice of all teleprocessed electronic claims files received as either accepted or rejected, along with the number of claims.	Met by interChange. EDS' EDI team will provide electronic acknowledgement within 24 hours of processing. The acknowledgement will indicate to the transmitting entity if the electronic claims submission are accepted or rejected, along with the number of claims.
40.8.3.5	Fiscal Agent shall assign an ICN to every claim, attachment, and adjustment within twenty-four (24) hours of receipt.	Met by operational processes and procedures. Mail room staff will prepare incoming mail for data capture and assignment of an ICN within one business day of receipt.
40.8.3.6	Fiscal Agent shall maintain data entry-field accuracy rates above ninety-eight (98) percent.	Met by operational processes and procedures and through COTS integration. FormWorks OCR technology will incorporate quality checking and reporting at various data entry stages. EDS' claims operations manager will monitor, track, validate, and report manual accuracy to support compliance of the 98 percent accuracy rate.
40.8.3.7	Fiscal Agent shall scan every claim and attachment within one (1) State business day.	Met by operational processes and procedures. EDS' mail room staff will receive, prepare, sort, and batch claims and attachments for scanning and will scan within one State business day from receipt.
40.8.3.8	Fiscal Agent shall return hard copy claims missing State-specified required data within two (2) State business days of receipt.	Met by operational processes and procedures and through COTS integration. We will return claims with missing data to the provider for correction and resubmission using the RTP letters generated through DOC1 letter generator and send within two State business days.
40.8.3.9	Fiscal Agent shall process all provider-initiated adjustments within forty-five (45) calendar days of receipt; however, if the claim requires a review by the State, the forty-five (45) calendar days shall suspend	Met by interChange and operational processes and procedures. Our claims operations staff will monitor adjustments through inventory control reports to maintain compliance with the 45 calendar day processing

RFP No.	RFP Requirement	Metrics for Measurement
	until the claim is returned to the Fiscal Agent.	requirement.
40.8.3.10	Fiscal Agent shall adjudicate: • Ninety (90) percent of all clean claims for payment or denial within thirty (30) calendar days of receipt • Ninety-nine (99) percent of all clean claims for payment or denial within ninety (90) calendar days of receipt • All non-clean claims within thirty (30) calendar days of the date of correction of the condition that caused the claim to be unclean.	Met by interChange and operational processes and procedures. EDS' claims operations staff, led by Tammy Wheeler, will monitor claims adjudication to maintain compliance with State processing time frames through inventory control reports.
40.8.3.11	Fiscal Agent shall provide correct claims disposition and post to the appropriate account or when appropriate, request additional information within one (1) State business day of receipt.	Met by interChange and operational processes and procedures. The Replacement MMIS claims engine will determine the appropriate funding code based on financial criteria established during claim processing. If the appropriate account code is not identifiable, EDS will work with the State to obtain additional information within one State business day of receipt/processing.
40.8.3.12	Fiscal Agent shall notify the State of any delays in the checkwrite process by 8:00 A.M. Eastern Time the next State business day following the checkwrite cycle.	Met by operational processes and procedures. Our EDS Systems and Financial team will monitor the checkwrite cycle for completion. Any delays will be reported to the State by 8:00 a.m. Eastern Time the next State business day following the checkwrite cycle.
40.8.3.13	Fiscal Agent shall notify the State immediately upon discovery of any erroneous payments, irrespective of cause, and prior to initiating appropriate recovery action. Fiscal Agent shall use the change request process to notify the State of any system errors that result in a potential provider erroneous payment.	Met by interChange and operational processes and procedures. On discovery of erroneous payment, EDS' Operations team will notify the State of the finding and the anticipated resolution and time frame.
40.8.3.14	Fiscal Agent shall provide financial month-end reporting to the State within three (3) days from the last checkwrite of each month.	Met by interChange and operational processes and procedures. interChange contains numerous financial reports necessary for claims processing that will be created and forwarded to the State within three days from the last checkwrite of each month.
40.8.3.15	Fiscal Agent shall provide specified quarterly extract files to the DUR Vendor within five (5) State business days of the start of the month following the quarter's end.	Met by interChange and operational processes and procedures. We will create a program for the Replacement MMIS to provide an extract of required information to the Retro-DUR vendor, HID, within the contracted time frame.
40.8.3.16**	Fiscal Agent shall adjudicate for payment all claims with date of service in previous fiscal year July through April claims by the last checkwrite in May for payment, and shall adjudicate all claims for May and June by the last checkwrite in October of the current fiscal year August for payment due to State fiscal year processing of the	Met by interChange and operational processes and procedures. Claims submitted will be adjudicated in a timely manner, promoting completion in the appropriate fiscal year.

RFP No.	RFP Requirement	Metrics for Measurement
	State monies.	
40.8.3.17	Fiscal Agent shall ensure that all payments, adjustments, and other financial transactions made through the Replacement MMIS shall be made on behalf of eligible clients to enrolled providers for approved services in accordance with the payment rules and other policies of the State.	Met by interChange. We will configure the rules and edits in interChange to meet State payment rules and policies. The Replacement MMIS will then process recipient and provider eligibility edits to determine the correct segment for the claim date of service. Additionally, the interChange claims engine will determine the appropriate fund code based on financial criteria established during claim processing.
40.8.3.18	Fiscal Agent shall timely process all claims to assure that the average time from receipt to payment is within the schedule of allowable times. In addition, payments shall be made in compliance with Federal regulations, and the Fiscal Agent shall pay any penalties, interest, and/or court cost and attorney's fees arising from any claim made by a provider against the Fiscal Agent or the State where the Fiscal Agent's actions resulted in a claim payment that was late.	Met by interChange and operational processes and procedures. The EDS Operations team, led by Melissa Robinson, acknowledge and understand the importance of adjudicating claims in an accurate and timely manner, and our team will support the State healthcare programs to meet this goal.
40.8.3.19	Fiscal Agent shall successfully complete each checkwrite by the date on the State-approved Checkwrite Schedule.	Met by interChange and operational processes and procedures. Per the State-approved checkwrite schedules, EDS will execute and complete all scheduled checkwrites.

40.9.2 Managed Care Operational Requirements

The responsibility for providing a successful implementation of managed care operational requirements falls under our Provider and Recipient Services organization. This group, led by Chris Ferrell, manages call center functions, education, training, and communication with the providers and recipients. Chris has eight years of Medicaid experience, including successfully providing services to key Medicaid program stakeholders for the State.

This section addresses the requirements met by interChange to integrate the recipient, provider, claim, and reference information into a single repository, expediting managed care operational processes. Our operational performance, in conjunction with the Replacement MMIS, will facilitate efficient and effective management of the managed care program for the State.

Response to Managed Care Operational Requirements

The following table, EDS Response to Managed Care Operational Requirements, describes how we will meet the requirements set forth in the RFP. Where appropriate, we have listed the existing interChange user interface panels, reports, and processes that meet the stated requirements.

EDS Response to Managed Care Operational Requirements

RFP No.	RFP Requirement	EDS Response
40.9.2.1	Fiscal Agent shall resolve all errors, discrepancies, and/or issues related to capitated payments or management fees.	Met by interChange and operational processes and procedures. We will design specific operational procedures to meet requirements related to resolution of errors, discrepancies, or issues related to capitated payments or management fees. We will use the Web access into the Replacement MMIS managed care system to investigate and resolve open issues.
40.9.2.2	Fiscal Agent shall monitor encounter processing to ensure no payments are generated as a result of encounter processing.	Met by interChange and operational processes and procedures. Safeguards are established systematically in the claims system and reference system rules to prevent payments from being generated as a result of encounter processing.
40.9.2.3	Fiscal Agent shall compile, update, and distribute the Data Submission Manual for encounter data processing.	Met by operational processes and procedures. The updated Data Submission Manual for encounter data processing will include changes related to the Replacement MMIS Web-based access and functionality.
40.9.2.4	Fiscal Agent shall serve as first point of contact for questions regarding encounter-related issues.	Met by interChange and operational processes and procedures. We will support toll-free telephone access for managed care providers, and calls will be directed through

RFP No.	RFP Requirement	EDS Response
		call flow options to call center staff specific to the type of provider calling. The call center staff will have access to encounter-related information found in the recipient, claims, and reference systems.
40.9.2.5	Fiscal Agent shall conduct training seminars with providers and State staff regarding the encounter claim submission process.	Met by operational processes and procedures. We will provide training seminars with State staff and providers on the encounter claim submission process and incorporate operational process improvements as a result of the Replacement MMIS.
40.9.2.6	Fiscal Agent shall serve as point of contact for Medicaid providers requesting Managed Care override approvals, make a determination regarding issuance of override, and enter the override approval into the system.	Met by interChange and operational processes and procedures. We will continue to serve as the point of contact for managed care override requests. We will follow guidelines established by the State to make a determination on the request and then enter the override determination decision in the Replacement MMIS managed care system.
40.9.2.7	Fiscal Agent shall support toll-free telephone access and be the point of contact for Managed Care providers between 8:00 A.M. and 5:00 P.M. Eastern Time each State business day.	Met by interChange and operational processes and procedures. We will support toll-free telephone access for managed care providers, and calls will be directed through call flow options to call center staff specific to the type of provider calling. Telephone lines will be open between 8:00 a.m. and 5:00 p.m. Eastern each State business day.
40.9.2.8	Fiscal Agent shall log receipt of Managed Care provider telephone messages, including brief description of reason for the call, date received, date and who responded to the call, action taken, and any necessary follow-up actions, and ensure follow-up actions are completed.	Met by interChange and operational processes and procedures. We will log managed care provider telephone calls relating to a question or concern in the Contact Tracking Management System (CTMS). The Notes panel in the CTMS allows users to enter and modify notes for a particular contact question within the tracking system. Telephone calls regarding managed care override requests will be tracked through a separate mechanism, in which data will be accessed in claims processing.

40.9.3 Managed Care Operational Performance Standards

The Replacement MMIS and our experience with the State's managed care program give us the advantage in meeting the performance standards for this operational area.

Response to Managed Care Operational Performance Standards

The following table, Managed Care Operational Performance Standards and Metrics for Measurement, describes how we will meet the requirements set forth

in the RFP. The Metrics for Measurement column identifies EDS' approach for meeting, measuring, and reporting the standard. Metrics data will be captured, reported, and presented to the State online through a performance dashboard, which will be readily available and accessible to the State for ease of information and reference.

Managed Care Operational Performance Standards and Metrics for Measurement

RFP No.	RFP Requirement	Metrics for Measurement
40.9.3.1	Fiscal Agent shall provide the Withhold and Penalty Log within five (5) State business days of the end of the previous month.	Met by interChange and operational processes and procedures. We will design the Withhold and Penalty log notification process to meet the State's performance standards.
40.9.3.2	Fiscal Agent shall provide the file maintenance log for Managed Care-related transactions within five (5) State business days of the end of the previous month.	Met by interChange and operational processes and procedures. The Managed Care panels, audit trails, and automated file processing logs provide details on who performed an update and when. We will design the file maintenance logs for managed care–related transactions and notification processes to meet performance standards.
40.9.3.3	Fiscal Agent shall complete requests for changes to capitation payments/management fees within two (2) State business days from date of request.	Met by interChange and operational processes and procedures. Using the Capitation Rate Override panel in the managed care system, we will design the process for capitation payment/management fee changes to meet the standard of two State business days from date of request.
40.9.3.4	Fiscal Agent shall enter all written override approval requests into the system within two (2) State business days from receipt of the request and provide a decision to the requesting providers within five (5) State business days from receipt of request.	Met by interChange and operational processes and procedures. We will follow guidelines established by the State to make a determination on the request, and then enter the override determination decision in the Replacement MMIS managed care system. The written override approval request procedures will meet the defined performance standards.
40.9.3.5	Fiscal Agent shall respond to a requesting provider within one (1) hour for a telephone request for an emergency override.	Met by interChange and operational processes and procedures. We will follow guidelines established by the State to make a determination on the request, and then enter the override determination decision in the Replacement MMIS managed care system. Telephone override request procedures will be designed to meet the one-hour performance standard.
40.9.3.6	Fiscal Agent shall compile, update, and distribute the Data Submission Manual for encounter data processing to providers within five (5) State business days from State date of approval of change.	Met by operational processes and procedures. The updated Data Submission Manual for encounter data processing will be distributed to providers within five State business days from the date of the State's approval of the change.
40.9.3.7	Fiscal Agent shall provide toll-free access and a point of contact for Managed Care providers between 8:00 A.M.	Met by interChange and operational processes and procedures. We will continue to support toll-free telephone

RFP No.	RFP Requirement	Metrics for Measurement
	and 5:00 P.M. Eastern Time each State business day.	access for managed care providers. Calls will be directed through the call flow options to a call center staff specific to the type of provider calling. Telephone lines will be open between 8:00 a.m. and 5:00 p.m. Eastern each State business day.
40.9.3.8	Fiscal Agent shall respond to Managed Care provider telephone messages within one (1) State business day of receipt of the message.	Met by interChange and operational processes and procedures. We will use the CTMS capability to track managed care provider telephone messages to enable response within one State business day of receipt of the message.
40.9.3.9	Fiscal Agent shall produce Managed Care provider enrollment reports and make them available to providers no later than the first day of each month.	Met by interChange and operational processes and procedures. Managed care provider enrollment reports will be produced using the 834 transaction or through reports. For example, the monthly PMP Enrollment Roster Report lists PMP information by recipient.
40.9.3.10	Fiscal Agent shall conduct weekly searches for all "exempt" numbers that are linked to the mandatory program category for a system-generated letter advising the eligible of the potential of primary care provider selection from five (5) providers within a thirty-mile (30-mile) range.	Met by interChange and operational processes and procedures. We will work with the State to verify the appropriate exclusions for a recipient from managed care. We will conduct weekly reviews of the recipients tagged as exempt and confirm that the exclusion is correct per State requirements.
40.9.3.11	Fiscal Agent shall send the Health Choice file to the North Carolina State Health Plan by the third business day of each month.	Met by interChange and operational processes and procedures. The Health Choice file will be sent to the State Health Plan using the 834 transaction by the third business day of each month.

40.10.2 Health Check Operational Requirements

The Health Check operational requirements will be carried out by the Provider/Recipient Relations organization, led by Provider/Recipient Services Manager Chris Ferrell. This group will work with the State to instruct Health Check coordinators and providers about the Replacement MMIS' processes and associated operational improvements. Our training will include Health Check data access through the Replacement MMIS Web pages, schedule updates through the Automated Information Notification System (AINS), and Health Check management fee generation.

This section addresses requirements met by the Replacement MMIS incorporating enhancements that will reduce the current paper processes and manual responses. EDS' operational performance, in conjunction with the Replacement MMIS, will help facilitate efficient and effective management of the Health Check program for the State.

Within the Replacement MMIS, Health Check processes will be accommodated within the early and periodic screening, diagnosis, and treatment (EPSDT) functional area. The primary objectives of the automated EPSDT function of the Replacement MMIS are to accomplish the following:

- Maintain identification of individuals eligible for EPSDT services
- Provide paid claim records data to the State for EPSDT paid services
- Provide reports for tracking and monitoring purposes and to meet federal and state reporting requirements (HCFA 416)

Response to Health Check Operational Requirements

The following table, EDS Response to Health Check Operational Requirements, describes how we will meet the requirements set forth in the RFP. Where appropriate, we have listed the existing interChange user interface panels, reports, and processes that meet the stated requirements.

EDS Response to Health Check Operational Requirements

RFP No.	RFP Requirement	EDS Response
40.10.2.1	Fiscal Agent shall produce and update Health Check User Manual(s).	Met by operational processes and procedures. We will produce and incorporate system and process enhancements into the Health Check User Manuals.
40.10.2.2	Fiscal Agent shall provide telephone and on-site technical support and training for Health Check Coordinators.	Met by operational processes and procedures. Our telephone and on-site training will include the new system feature of Health Check Coordinator management fee calculation and the associated operational procedure.
40.10.2.3	Fiscal Agent shall participate in Health Check Coordinator	Met by operational processes and procedures. We will

RFP No.	RFP Requirement	EDS Response
	Training Sessions in Raleigh, NC.	participate in Health Check Coordinator Training sessions and incorporate them into the training plan.
40.10.2.4	Fiscal Agent shall update Health Check Billing Guide.	Met by operational processes and procedures. The Health Check Billing Guide will include changes related to the Replacement MMIS' Web-based access and functionality.
40.10.2.5	Fiscal Agent shall conduct agenda planning meetings with State Health Check staff prior to Provider Training Workshops and conduct mock workshops for State approval.	Met by operational processes and procedures. To gain State approval of Health Check Provider Training Workshops, EDS will conduct agenda-planning sessions and mock workshops with the State.
40.10.2.6	Fiscal Agent shall conduct annual regional Health Check workshops for participating providers in six (6) separate sites throughout the State.	Met by operational processes and procedures. The training plan will incorporate the annual regional Health Check workshops at six separate sites.
40.10.2.7	Fiscal Agent shall monitor the Denied Claims Report for Health Check denials and contact providers by telephone to educate and schedule provider visits if denial rate is above ten (10) percent.	Met by operational processes and procedures. We will use the EPSDT Screen Search panel to identify claims meeting the prescribed denial rate for the provider. The field representatives will contact the providers by telephone or on-site visits to educate the provider staff.
40.10.2.8	Fiscal Agent shall review the Health Check County Option File Master Report monthly to ensure that all participating counties received Automated Information Notification System (AINS) (or Fiscal Agent equivalent) data and all Health Check reports.	Met by operational processes and procedures. The Health Check County Option File Master Report is currently created monthly by the EDS Provider Services staff. They will bring their experience to the Replacement MMIS program and continue to review and update the file as required. They will review the report monthly to make sure the participating counties receive the State-specified data and reports.
40.10.2.9	Fiscal Agent shall review the Health Check Management Fee Option File Master Report monthly to ensure that Health Check management fee claims were generated correctly.	Met by operational processes and procedures. We will establish a process to validate the calculation and generation of the Health Check management fees by the Replacement MMIS.
40.10.2.10	Fiscal Agent shall submit the monthly FTE Report to the State for approval.	Met by operational processes and procedures. We will use the new Web pages to create the monthly FTE report for submission to the State.
40.10.2.11	Fiscal Agent shall respond to questions from Health Check County staff related to Health Check management fees and provides written responses to the State.	Met by operational processes and procedures. EDS will respond to county staff inquiries about the calculation and generation of the Health Check management fees by the Replacement MMIS and provide written responses to the State.
40.10.2.12	Fiscal Agent shall provide telephone support and on-site provider visits to educate providers on the Health Check program, policies, and billing requirements.	Met by operational processes and procedures. We will provide both telephone and on-site education on the enhanced Health Check functions such as the periodicity schedule correspondence and recipient Health Check data search through Web page inquiry.
40.10.2.13	Fiscal Agent shall coordinate rewrite of the Health Check	Met by operational processes and procedures. The billing guide will include changes related to new system's Web-

RFP No.	RFP Requirement	EDS Response
	Billing Guide.	based access and functionality.

40.10.3 Health Check Operational Performance Standards

The operational performance standards for Health Check include training and varied team support. Areas of response support Health Check with updated Web, telephone, report, and training support.

Response to Health Check Operational Performance Standards

The following table, Health Check Operational Performance Standards and Metrics for Measurement, describes how we will meet the requirements set forth in the RFP. The Metrics for Measurement column identifies EDS' approach for meeting, measuring, and reporting the standard. Metrics data will be captured, reported, and presented to the State online through a performance dashboard, which will be readily available and accessible to the State for ease of information and reference.

Health Check Operational Performance Standards and Metrics for Measurement

RFP No.	RFP Requirement	Metrics for Measurement
40.10.3.1	Fiscal Agent shall maintain and update Health Check User Manual(s) within thirty (30) days of a change in policy/procedures and shall notify HCCS within two (2) days after posting.	Met by operational processes and procedures. We will incorporate the Health Check User Manual modifications related to policy and procedure changes within 30 business days of change notification and alert the Health Check county staff within two business days of posting.
40.10.3.2	Fiscal Agent shall produce CMS Statistical Database updates and required reports one (1) month prior to CMS deadline and shall make all appropriate corrections to reports within forty-eight (48) hours of notification of problem.	Met by operational processes and procedures. We will continue to update and produce the CMS Statistical Database one month prior to the CMS deadline. We will correct issues related to the report within 48 hours of notification. If we determine, by the nature of the identified problem, that the correction will require more than 48 hours, we will notify the State and expedite the appropriate solution.
40.10.3.3	Fiscal Agent shall produce a monthly FTE Report by the second Friday from the end of each month.	Met by operational processes and procedures. We will use the new Web pages to create and manage the monthly FTE report for submission to the State by the second Friday from the end of each month.
40.10.3.4	Fiscal Agent shall provide training for use of the Health Check functionality to HCCS, in their respective counties,	Met by operational processes and procedures. EDS will provide training of the Health Check functionality to HCCS, in

RFP No.	RFP Requirement	Metrics for Measurement
	within three (3) weeks of notification by the State.	their respective counties, within three weeks of State notification. Training will incorporate operational process improvements as a result of easier access to Health Check information through Web pages.
40.10.3.5	Fiscal Agent shall review claim denials and contact providers with denial rate greater than ten (10) percent within fourteen (14) days of claim denial.	Met by interChange and operational processes and procedures. We will establish a process, using the EPSDT Screen Search panel, to identify claims meeting the denial rate and contact the provider within 14 days of claim denial.
40.10.3.6	Fiscal Agent shall respond to questions from Health Check county staff related to Health Check management fees within twenty-four (24) hours of receipt and shall notify State Health Check staff in writing of inquiry and resolution within forty-eight (48) hours of receipt.	Met by operational processes and procedures. EDS will respond to county staff inquiries about the calculation and generation of the Health Check management fees by the Replacement MMIS within 24 hours of receipt and will forward the inquiry with our resolution to the State staff within 48 hours of receipt.
40.10.3.7	Fiscal Agent shall update addresses in the Health Check County Option File within twenty-four (24) hours of receipt.	Met by operational processes and procedures. EDS will use the Web page access to the Health Check county information to update department and coordinator addresses within the required time from receipt.
40.10.3.8	Fiscal Agent shall coordinate with the State for the annual revisions to the Health Check Billing Guide.	Met by operational processes and procedures. The Health Check Billing Guide will include ongoing modifications related to the Replacement MMIS' Web-based access and functionality.

40.11.2 TPL Operational Requirements

TPL operational requirements will be carried out by the Financial Services Organization under the leadership of Jamie Herubin. Jamie and his team bring a high level of expertise and experience in state healthcare programs. The team has more than 23 years of relevant healthcare and Medicaid experience, which will be a foundation toward providing successful TPL operations in support of the State.

Third-party resources have a legal obligation to pay part or all of the claims for an individual's Medicaid-covered services. Information may be obtained from commercial insurance companies or managed care organizations (MCOs), pharmacy benefits managers (PBMs), county and tribal certifying agencies, providers, recipients, and employers.

Rapid third-party resource identification is critical to cost avoidance. If a provider bills Medicaid without indicating a transaction from a primary insurance source, the Replacement MMIS will deny the claim and request that the provider bill Medicaid as the payer of last resort. When retroactive post-payment billings are necessary due to the existence of private coverage, the Replacement MMIS can produce billings in many formats and media.

Third-party resource identification and verification functions are critical to the following business processes:

- Eligibility updating to identify third-party liable resources
- Claims processing and cost avoidance
- Eligibility determinations
- State and federal fiscal reporting

EDS understands that the State is requesting TPL operational services in support of DMA, DMH, DPH, and ORHCC. We also acknowledge that TPL operational support is limited to tasks in support of non-Medicaid entities, such as DPH, while DMA will continue to use other vendors for TPL operational recovery activities. Therefore, EDS will provide the necessary data to the State-approved entities, as required by the RFP.

EDS is ready to provide these services to the State and will continue to offer innovative ideas as technology further evolves. We will perform the following operations management activities:

- **Claims processing—**EDS will work with the State to develop extracts or imports that facilitate appropriate cost avoidance and third-party recoveries.
- **Recipients—**The Replacement MMIS will provide online browser pages for inquiry and maintenance of recipient data, including TPL.

- **Providers—**For data export, EDS will establish a vendor output interface with the Medicaid TPL recoveries vendor to supply information on providers to assist the vendor with determining resource data. This interface to the Medicaid TPL recoveries vendor is performed monthly for TPL recoveries, collections, and identification. In North Carolina, the interface will only provide for identification, and EDS will perform recoveries and collections.
- **Care management—**The Third-Party Payment Analysis Replacement MMIS page displays claim counts, dollar amounts, related percentages, and rankings of the information by provider type and specialty for paid claims with third-party payment considerations.

In addition to what has been described above, EDS will provide coordination of benefits (COB) efforts in support of the State in the following areas:

- Carrier invoice issuance
- Letters/collections
- Disposition of funds
- Tracking and reporting

EDS will support the State with TPL efforts to handle recoveries and collections, including receipt and disposition of funds. Receipt and disposition of funds will be against State TPL recovery cases at the claim level, and entry and viewing of this information will be completed through the use of interChange panels.

Response to TPL Operational Requirements

The following table, EDS Response to TPL Operational Requirements, describes how we will meet the requirements set forth in the RFP. Where appropriate, we have listed the existing interChange user interface panels, reports, or processes that meet the stated requirements.

EDS Response to TPL Operational Requirements

RFP No.	RFP Requirement	EDS Response
40.11.2.1	Fiscal Agent shall identify claims and support recovery actions when Medicare resources are identified or verified after claims have been paid.	Met by operational processes and procedures and through customization of interChange. We will send the TPL recoveries vendor the Medicaid paid claims, and the interChange TPL post paid billing process will handle the non-Medicaid recoveries.
40.11.2.2**	Fiscal Agent shall process and track recoveries and collections	Met by interChange and operational processes and procedures. Recoveries and collections are processed and tracked by interChange.
40.11.2.3**	Fiscal Agent shall track and post recoveries to individual claim histories.	Met by operational processes and procedures and through customization of interChange. We will send the State-approved TPL recovery vendors the Medicaid-paid claims,

RFP No.	RFP Requirement	EDS Response
		and the interChange TPL post paid billing process will handle the non-Medicaid recoveries.
40.11.2.4**	Fiscal Agent shall enter or update recovery cases from recoveries received	Met by interChange and operational processes and procedures. This basic feature is integral to interChange. The Case Tracking Base Web panel records fundamental information about a specific case. We will send the State-approved TPL recovery vendors the Medicaid-paid claims, and the interChange TPL recovery update process will handle the non-Medicaid recoveries.
40.11.2.5	Fiscal Agent shall generate carrier update transactions to the State	Met by operational processes and procedures and through customization of interChange. EDS will create a new interface to generate carrier update transactions for the State.
40.11.2.6	Fiscal Agent shall extract and process TPL data transmitted by ACTS from the DIRM electronic File Cabinet	Met through customization of interChange. This requirement will be met as part of the change for the ACTS and DIRM interfaces.
40.11.2.7	Fiscal Agent shall produce a daily extract of TPL carrier and recipient resource data for ACTS, CSDW, and EIS	Met through customization of interChange. Extract files required by external entities for processing will be created and transmitted as specified.
40.11.2.8	Fiscal Agent shall produce an extract of updates to TPL recipient resource data for ACTS for Medicaid recipients referred to Child Support	Met through customization of interChange. EDS will create an extract file with updates to TPL recipient resource data for ACTS for Medicaid recipients referred to Child Support.

40.11.3 TPL Operational Performance Standards

EDS will meet the operational performance standards identified in this section of the RFP. To prevent unintentional loss of eligibility, the system will identify the recipients as eligible for programs with real-time, online edits. These third-party edits will be applied to the update sources and suspend the third-party coverage transaction to confirm the validity of the coverage before allowing the system to accept the update. This includes checks to not remove program eligibility for an enrolled recipient.

The Replacement MMIS will provide a flexible process for documents to be sent to any entity within the MMIS files. To support the operational business processes of verification of coverage, we will use this function to perform the following:

- Contact employers and carriers when employers notify the State of existing insurance coverage that has not been previously identified

- Send and receive confirmation forms to and from providers when insurance information they submit differs from the MMIS records
- Generate confirmation forms to obtain the detailed plan information to verify third-party coverage prior to its use in cost avoidance and post-payment billing or to support eligibility determination decisions
- Contact the provider and carrier when Medicaid claims indicate commercial insurance payment amounts and no coverage exists on the Replacement MMIS for the recipient or a new potential insurance carrier is identified through a claim billing

Response to TPL Operational Performance Standards

The following table, TPL Operational Performance Standards and Metrics for Measurement, describes how we will meet the requirements set forth in the RFP. The Metrics for Measurement column identifies EDS' approach for meeting, measuring, and reporting the standard. Metrics data will be captured, reported, and presented to the State online through a performance dashboard, which will be readily available and accessible to the State for ease of information and reference.

TPL Operational Performance Standards and Metrics for Measurement

RFP No.	RFP Requirement	Metrics for Measurement
40.11.3.1	~~Fiscal Agent shall produce system-generated letters to providers, recipients, and county offices.~~	Cancelled. This requirement was deleted by RFP 30-DHHS-1228-08-R.
40.11.3.2	Fiscal Agent shall adjust paid Claims History for State-specified TPL recoveries and provider/recipient collections within five (5) State business days from end of the previous month.	Met by interChange. This requirement will be met by the normal claims processing inherent to the Replacement MMIS. Adjustments are created and then submitted to the claims engine for processing.
40.11.3.3**	Fiscal Agent shall disposition the recoveries/collections accurately and consistently ninety-nine and eight tenths (99.8) percent of the time.	Met by interChange and operational processes and procedures. TPL panels in the Replacement MMIS will be used to perform the dispositioning function. We will make sure the disposition of recoveries and collections is accurate and consistent 99.8 percent of the time.
40.11.3.4	Fiscal Agent shall produce and bill drug invoices for insurance carriers within five (5) State business days of TPL entry.	Met by interChange and operational processes and procedures. TPL panels in the Replacement MMIS will be used to perform the dispositioning function. The Replacement MMIS will produce and bill drug invoices for insurance carriers, and this will be done within five State business days of TPL entry.
40.11.3.5	Fiscal Agent shall mail the accident inquiry letters to the identified recipients within five (5) State business days	Met by interChange and operational processes and procedures. The Replacement MMIS will generate accident inquiry letters, and we will mail them to identified

RFP No.	RFP Requirement	Metrics for Measurement
	from end of the previous month.	recipients within five State business days from end of the previous month.
40.11.3.6	Fiscal Agent shall generate an Estate Recovery invoice within two (2) business days after a recipient meets the defined criteria.	Met by interChange and operational processes and procedures. Operational and system procedures will be established to meet this requirement.
40.11.3.7	Fiscal Agent shall provide TPL edit/error report(s) for ACTS for State staff access each State business day.	Met by interChange. Error reports for TPL processing will be provided by the Replacement MMIS and available for viewing through the browser.
40.11.3.8	Fiscal Agent shall provide daily (next business day) transmission logs showing successful transmission of TPL data to CSDW and to and from ACTS available for State staff access each State business day.	Met by interChange. Transaction logs will be maintained and provided the next business day to CSDW and to and from ACTS as part of transaction and interface file processing.
40.11.3.9	The Fiscal Agent shall extract and process recipient TPL data transmitted by ACTS from the electronic DIRM File Cabinet by 7:00 A.M.	Met by interChange. Recipient TPL data from ACTS will be extracted, processed, and transmitted by ACTS from the electronic DIRM File Cabinet by 7:00 a.m.
40.11.3.10	The Fiscal Agent shall produce a daily extract of TPL carrier and recipient resource data to DIRM for ACTS, CSDW, and EIS	Met by interChange. Extract files required by external entities for daily processing will be created and transmitted as required by the RFP.
40.11.3.11	The Fiscal Agent shall produce a daily extract of updates to TPL recipient resource data to DIRM for ACTS for Medicaid recipients referred to Child Support.	Met by interChange. Extract files required by external entities for daily processing will be created and transmitted as required by the RFP.

40.12.2 Drug Rebate Operational Requirements

Our drug rebate experience places us ahead of our competitors because we have a nationally recognized system and staff members—such as our pharmacy director, Sharon Greeson—with the knowledge to successfully support the State's drug rebate program. The current Drug Rebate team will use their experience in North Carolina to facilitate a smooth transition to the Replacement MMIS and to expand drug rebate to meet DPH and ORHCC requirements.

EDS is a leader in the area of providing Medicaid drug rebate services. We have been providing Medicaid rebate administration services for state agencies since the program began in 1991. EDS has successfully managed North Carolina's drug rebate program since 1991. During these 16 years, we invoiced $2.86 billion for the State, collecting all but 0.25 percent. From 2004 to 2006, we collected $1.15 billion for the State.

Our rebate efforts comply with OBRA 1990 requirements and the subsequent mandated changes. We administer CMS drug rebate programs for our Medicaid clients in Alabama, Connecticut, Delaware, Arkansas, Rhode Island, Idaho, Kansas, and Oklahoma.

In the following subsections, we offer an overview of our drug rebate operational processes.

Verification of 340b or Public Health Services(PHS) Providers

One of the first steps in invoicing is reviewing the Health Resources and Services Administration (HRSA) Web site for updates to the 340b list of providers. An accurate and thorough review must be completed to verify that claims from these providers are not included in the drug rebate invoice process. The interChange PHS Provider Maintenance browser-based panel is used to inquire about, add, or maintain the PHS entities that are excluded from the drug rebate invoice process. The Web page displays the Medicaid provider number, provider name, and entity type. The PHS Provider Date Maintenance browser-based Web panel is used to view, add, and maintain the PHS provider exclusion date entries, along with the applicable start date and the end date segment. Other drugs can be excluded based on State-defined criteria.

Invoicing

The interChange drug rebate system automatically generates quarterly invoices and cover letters in electronic media and Web-enabled electronic format based on the manufacturer's request, as well as paper, if requested.

The process of invoicing begins with the receipt of the quarterly CMS files. In addition to the Unit Rebate Amount (URA), there is additional information that is

extracted and updates legal, financial, and technical addresses, contacts and telephone numbers, and participation effective and termination dates for each manufacturer in the Replacement MMIS. The actual production of invoices requires inputs from the CMS quarterly rate file, drug rebate labeler file, and drug rebate claims file, which are combined with drug reference data from the Replacement MMIS. Claim usage data is merged with the CMS rebate per unit and manufacturer files to calculate and automatically generate quarterly invoices at the NDC level.

The experienced EDS Drug Rebate team will use the Drug Rebate CMS Unit Discrepancy report to identify NDCs on the quarterly rate tape with a unit of measure that disagrees with the unit of measure on the drug database.

Our knowledgeable Drug Rebate team will validate invoices to verify the accuracy of information and reduce disputes. For a percentage of NDCs, we view claim-level data to verify that invoices are consistent with the invoice total units reimbursed, number of prescriptions, and reimbursement amount to providers. interChange supports this verification by providing online access to information and the ability to generate invoice, collection, and dispute reports.

NDC-level invoicing provides the manufacturer with drug rebate data at the level necessary to expeditiously process and pay invoices. The interChange subsystem performs an edit check on the CMS data to check for NDC termination dates and DESI flags. If this information does not match the pricing information on the drug record, the differences will be reported. interChange also checks the CMS data for rebates per unit (RPUs), nonparticipating manufacturers, and billing units against the drug file extract received from the Replacement MMIS to determine if changes must be made to the drug file.

EDS will generate and transmit a quarterly file of the State's required drug rebate invoice information including prior period adjustment to CMS and the State electronically as part of each quarterly invoice generation process. Along with the usage file, the EDS Drug Rebate team sends a confirmation letter to CMS.

The interChange drug rebate system can handle the complexities of the multiple rebate programs and separately identify drug rebate amounts by program. The Replacement MMIS will be configured to generate separate invoices for DMA, DMH, DPH, and ORHCC.

The State will benefit by selecting our drug rebate solution, which includes offering staff members experienced in the interaction among CMS, the State, drug manufacturers, and pharmacy providers.

Check Receipt and Drug Rebate Accounting

Drug rebate accounting is an essential element to collecting maximum rebate dollars. Building on our previous experience, the interChange drug rebate system follows general accounting principals designed to minimize redundant

input and improve productivity while posting drug rebate payments, dispute resolutions, and prior period adjustments—at a summary and NDC level.

EDS will accept the CMS Reconciliation of State Invoice (ROSI) and Prior Quarter Adjustment Statement (PQAS) from manufacturers. A lock box will be maintained to receive the physical checks and attached documentation from the manufacturers, such as remittances. The lock box vendor images the front of the checks. After depositing the payment in the State's account, the lock box vendor forwards the documentation to EDS, which includes copies of the deposited checks for rebate amounts from manufacturers, a copy of the deposit slip, original supporting documents, and the original envelope with the postmark date. A cover sheet is included with the package that lists the checks in the package, deposit date, check numbers, dollar amount of each check, total number of listed checks, and a unique receipt number for each check. EDS' Drug Rebate team will enter the information from the checks and documentation into the interChange drug rebate system.

Checks received are first posted and tracked with basic information—such as deposit date, issuer, postmark date, amount, and check number. The interChange drug rebate system provides a drug rebate accounts receivable program that allows the EDS Drug Rebate team to use drop-down menus for fast, accurate dispositioning of the payment. The team can post payments to the NDC level of the invoice. An audit check is in place whereby the daily deposit must balance to the checks posted or interChange will not allow the authorized user to continue. The interChange drug rebate system allows for allocations of funds at multiple levels to verify that payments are attributed to the correct invoice records. EDS' Drug Rebate team reconciles every ROSI at the NDC, year, and quarter rebate record on receipt. interChange performs a trial allocation of the actual receipt to identify differences between invoiced amounts and payments received. Afterward, these differences are reviewed and recorded as disputes by unit at the NDC level with interChange.

Drug rebate accounts receivables are created by interChange automatically equating to the produced drug manufacturer invoices. interChange can apply payments received from drug manufacturers electronically by the process of electronic funds transfer (EFT). EDS' Drug Rebate team can process NDC-level corrections to rebate information received from the manufacturer online. Drug rebate NDC-level updates are automatically processed on receipt of the CMS quarterly file.

End-of-Month Process and Interest Assessment

To verify that drug rebate receipts are properly posted, EDS has developed operational processes and procedures to verify that the checks and EFT data are entered into the system and that the corresponding entries balance and reconcile to all funds received and posted to the drug rebate lock box. These procedures include using secured browser-based Web panels, implementing automated

audits, issuing a Cash Control Number (CCN) for each check, dispositioning from the CCN, and keeping the account receivable open until the check is dispositioned fully. EDS' Drug Rebate team reconciles and reports that all payments are applied in the interChange drug rebate system and applied to the corresponding labeler account receivable accounts.

Deposits are accounted for and reported daily to the State. Drug rebate accounts receivable balancing reports are generated monthly. Daily and monthly operational procedures confirm that every payment is posted and accounted for and reported to the State and CMS, as required.

The interChange drug rebate system will provide the capability to compute drug rebate interest charges beginning on the 39th day from the original postmark date of the invoice, which is in compliance with CMS reporting requirements. interChange allows the user to update and maintain the weekly Treasury bill (T-bill) rate information on the T-Bill Rate browser-based Web panel. This information is vital for the appropriate assessment of interest on rebate amounts.

EDS' authorized drug rebate user accesses the Drug Rebate Interest Calculator browser-based Web panel, which calculates interest on an outstanding invoice balance. Interest received will be reviewed for accuracy and reasonableness. Interest is maintained separately from invoice balances, which allows the user to research invoices for outstanding balances and interest discrepancies. Interest less than the State-defined threshold will be deducted from the manufacturer's outstanding balance with State approval.

When the end of month is verified and interest is calculated, a summary of the monthly drug rebate activity will be forwarded to the State for review.

Drug Rebate Dispute Resolution

EDS' experienced Drug Rebate team, led by Sharon Greeson, will carry forward our proven dispute resolution functions that are part of the drug rebate programs including research and resolution of discrepancies and process and procedures between the State and participating manufacturers' records. The dispute resolution efforts fully comply with the Omnibus Budget Reconciliation Act (OBRA) and the *Best Practices Guide for Dispute Resolution Under the Medicaid Drug Rebate Program*. The dispute resolution process is highly organized and enables EDS to quickly resolve disputes and collect payment for the State. As necessary, data exchanges with manufactures during the dispute process will adhere to HIPAA privacy and security requirements. The following are ways we increase cash flow for our clients:

- Attention to detail, providing effective, efficient dispute resolution results
- Aggressive time lines regarding manufacturer disputes

- Providing a drug rebate system for processing and tracking the rebate resolution process by manufacturer (by labeler code) that has an outstanding account balance
- Processing and providing electronic manufacturer provider-level reports according to HIPAA requirements
- Ongoing effective communication documented in interChange with the manufacturers' contact personnel as needed
- Ongoing review of potential Replacement MMIS claims processing edits to add from up-front prevention of disputes
- Conversion of claims billing units to drug rebate unit before the generation of drug rebate invoices

The interChange drug rebate system reports payment discrepancies, disputes, and online information necessary to support dispute resolution when a manufacturer disagrees with the invoiced rebate amount. The system allows users to inquire or add dispute information from various panels, eliminating the need to enter data multiple times.

On receipt of a manufacturer's dispute information, the EDS Drug Rebate team will enter dispute information on the Dispute Detail Resolution browser-based Web panel. This Web panel allows the team to select from a list of CMS-defined and required reason codes that drug manufacturers must use when disputing invoiced products. Communication with the drug manufacturers is tracked in the interChange system in comment fields, which can be entered at the invoice or NDC level. This allows the user to record the date of contact with a drug manufacturer, the type of contact, and the resolution. The system automatically stamps the record each time it is updated so there is an audit trail of who made changes.

interChange will generate a monthly dispute status report, Drug Rebate Dispute Summary by Invoice Period, that provides an account of dispute information for each invoice period. This report is used to provide the State with statistics on dispute resolution through a monthly memorandum.

Reviewing Claim-Level Detail

The interChange drug rebate system provides accurate claim-level detail and a clear audit trail of any claim-level adjustments or corrections. The retention of accurate claim-level detail is required to justify rebate calculations. EDS' Drug Rebate team requests claim-level detail online, where the detail can be reviewed or downloaded to an Excel spreadsheet to allow for easy sorting based on review criteria. Authorized State users also can request the claim detail report to review the claims. The claim detail report lists the claims associated with a specific NDC for a specific invoice period. The EDS Drug Rebate team and the manufacturers

use claim detail reports to analyze pharmacy claim data during the dispute resolution process.

Our Drug Rebate team reviews the claim-level data and initiates adjustments if the billing pharmacy identifies an error in the claim data billed by the provider. These Replacement MMIS adjustments are carried back through the claim adjudication process, and interChange makes the necessary adjustments to the providers' healthcare program payment.

These claim adjustments and recoupments are reported back to the State and brought into the interChange drug rebate system after automatic recalculation of the invoice amount corresponding to the disputed NDC. The Replacement MMIS drug rebate system will produce a Recapitulation Report that summarizes the dispute resolution changes made to the original drug rebate invoice. This report will be posted and provided to the State for review and approval through iTRACE.

Tracking Disputes and Nonresponsive Manufacturers

interChange maintains an automated drug rebate tracking process, including nonresponsive manufacturers and documentation on the dispute resolution process. A Web panel displays labeler dispute data and the status of the dispute. EDS' Drug Rebate team uses this information to manage and prioritize dispute inventory. Online and system-generated reports also are key to managing rebate collections and dispute resolution. Online access to invoices, collection, and dispute trends supports quality initiatives that focus on trends and strategies to improve the success of the State drug rebate program.

The interChange drug rebate system will automatically generate delinquent letters to manufacturers that have not paid the invoice within 38 days. The authorized user can inquire on late payment letters by using the interChange notice tracking panels, which will identify the date a late payment letter was sent to the labeler, the invoice age, and the balance due. This process will benefit the State by providing a way to easily review and monitor correspondence being sent to the manufacturer.

Proactive Dispute Resolutions

EDS' experienced and knowledgeable Drug Rebate team will proactively work with manufacturers to resolve disputed NDCs to expedite payment. This proactive approach helps the manufacturer address the issue while avoiding a dispute of payment when possible. EDS' Pharmacy Director Sharon Greeson will continue to attend the CMS-sponsored national dispute resolution meetings. EDS takes advantage of these opportunities to meet face-to-face with the manufacturers and resolve difficult disputes. Sharon's drug rebate staff members have met with manufacturers including GlaxoSmithKline, Aventis, Schering-Plough, Bristol

Myers Squibb, and Merck that have participated in these CMS dispute resolution meetings. We have developed good working relationships with members of the CMS Dispute Resolution team, such as Diane Dunstan and Tami Bruce, and other members in the regional and central office. Measures such as these have helped EDS reduce the number of disputes in states where we support drug rebate processing.

Response to Drug Rebate Operational Requirements

The following table, EDS Response to Drug Rebate Operational Requirements, describes how we will meet the requirements set forth in the RFP. Where appropriate, we have listed the existing interChange user interface panels, reports, and processes that meet the stated requirements.

EDS Response to Drug Rebate Operational Requirements

RFP No.	RFP Requirement	EDS Response
40.12.2.1	Fiscal Agent shall update online Drug Rebate accounts receivable via the NDC with data such as labeler check number and check receipt date to monitor all Drug Rebate accounts receivable activity.	Met by interChange and operational processes and procedures. The checks will be entered in Web panels at the NDC level with the appropriate identification such as labeler check number and receipt date. A process will be developed to clearly identify the different programs and will apply manufacturer payments to the current drug rebate accounts receivable. Payments and accounts receivable activity will be tracked, monitored, and reported to the State.
40.12.2.2	Fiscal Agent shall make available to the State the total Medicaid expenditures for multiple source drugs (annually) as well as other drugs (every three [3] years); the record keeping for this requirement should include data such as mathematical or statistical computations, comparisons, and any other pertinent records to support pricing changes as they occur.	Met through customization of interChange. EDS will provide this data for reports that include total Medicaid expenditures for multiple source drugs annually and other drugs every three years. Data such as mathematical or statistical computations, comparisons, and any other pertinent records to support pricing changes as they occur will be available for querying and report generation.
40.12.2.3	Fiscal Agent shall receive and process rebate checks from labelers.	Met by interChange and operational processes and procedures. The checks will be entered at the NDC level with the appropriate identification such as labeler check number and receipt date and apply to the appropriate State drug rebate accounts receivable.
40.12.2.4	Fiscal Agent shall deposit labeler checks.	Met by operational processes and procedures. The labelers will be instructed to send payments to a lock box, where the funds are deposited and verified daily. Upon the EDS Drug Rebate team's daily verification, the funds will be transferred daily to the State's account.
40.12.2.5	Fiscal Agent shall allow for adjustment and write-off records.	Met by interChange and operational processes and procedures. Our Drug Rebate team will enter adjustment records to the claim detail if errors are found. The adjusted

RFP No.	RFP Requirement	EDS Response
		claim will be sent to the Replacement MMIS for final processing. The adjusted units will be denoted in the quarter that they were originally invoiced. interChange will accept State-approved write-offs against outstanding manufacturer balances.
40.12.2.6	Fiscal Agent shall perform interest calculation on outstanding Drug Rebate balances and apply results to Drug Rebate accounts receivable file.	Met by interChange and operational processes and procedures. The System and Operational process will automatically apply interest to outstanding balances when the end-of-month drug rebate process is executed. CMS guidelines for interest assessment will be adhered to.
40.12.2.7	Fiscal Agent shall perform end-of-month balancing process.	Met by interChange and operational processes and procedures. EDS' drug rebate accountant will run end-of-month reports to verify that the incoming checks or vouchers as entered into interChange balances to the account receivable's lock box data.
40.12.2.8	Fiscal Agent shall maintain Drug Rebate history data with online accessibility by extracting claims data monthly from Claims History and moving the data to the Drug Rebate history on a quarterly basis.	Met by interChange and operational processes and procedures. The claims data will be extracted monthly from the Replacement MMIS claims history file. The extract will be accumulated and applied to the interChange drug rebate system quarterly.
40.12.2.9	Fiscal Agent shall perform check and voucher entry for update to the accounts receivable records.	Met by interChange and operational processes and procedures. EDS' drug rebate accountant will enter the checks and vouchers to the appropriate manufacturer drug rebate accounts receivable quarterly as directed by the manufacturer ROSI or PQA.
40.12.2.10	Fiscal Agent shall receive, log, and process labeler disputes.	Met by interChange and operational processes and procedures. Our drug rebate accountant will log disputes in the interChange drug rebate system as identified by the ROSI or other labeler communication. The disputes will be processed and resolved by the experienced EDS Drug Rebate team.
40.12.2.11	Fiscal Agent shall maintain data for each quarter that a labeler disputes a particular NDC.	Met by interChange and operational processes and procedures. The dispute data will be retained so that different queries can be pulled, such as a labeler consistently disputing the same NDC each quarter.
40.12.2.12	Fiscal Agent shall research and resolve discrepancies, including calling providers about questionable claims.	Met by operational processes and procedures. EDS' drug rebate dispute team will determine the reason for the dispute and contact the provider when necessary. Any claims found with errors during this research will be adjusted or recouped as required.
40.12.2.13	Fiscal Agent shall initiate any necessary adjustments to change units of NDC.	Met by interChange and operational processes and procedures. Our Drug Rebate team will adjust claims as periodic claims submission errors are identified. Adjusted claims data will be transferred to the Replacement MMIS for

RFP No.	RFP Requirement	EDS Response
		processing and collection from the provider.
40.12.2.14	Fiscal Agent shall produce a Recapitulation Report.	Met by interChange and operational processes and procedures. After the dispute is resolved and required adjustments are entered, a recapitulation report will be produced and will be sent to the manufacturer as a revised invoice for the collection.
40.12.2.15	Fiscal Agent shall send Recapitulation Report to NC DHHS Auditor(s) for review and approval.	Met by operational processes and procedures. The EDS Drug Rebate team will send the recapitulation report to the NC DHHS auditor for review and approval.
40.12.2.16	Fiscal Agent shall send Recapitulation Report to labeler with copy of current summary balance once report is approved.	Met by interChange and operational processes and procedures. When approved by the NC DHHS auditor, the drug rebate staff will forward a copy of the approved recapitulation report and the current summary balance report to the labeler or manufacturer.
40.12.2.17	Fiscal Agent shall create and send quarterly invoices for each labeler that has a rebate agreement signed with CMS or the State as division-appropriate.	Met by interChange and operational processes and procedures. EDS' Drug Rebate team will initiate the drug rebate invoicing process after the CMS tape arrives from each approved State program. The invoices will be sent out quarterly for labelers or manufacturers with agreements on file with CMS or the State.
40.12.2.18	Fiscal Agent shall update DRS Labeler Data with information from CMS and the State.	Met by interChange and operational processes and procedures. DRS Labeler Data will be entered automatically into interChange for CMS query and as needed by the State.
40.12.2.19	Fiscal Agent shall ensure automated electronic transfer process to deliver invoice data and detail history to CMS and the State.	Met by interChange and operational processes and procedures. An automated electronic transfer process will enable delivery of invoices with data and detail history for CMS and the State, as required.
40.12.2.20	Fiscal Agent shall attend CMS-sponsored Drug Rebate Labeler Dispute meetings as required by the State and based on relevance of agenda.	Met by operational processes and procedures. Pharmacy Director Sharon Greeson will attend the CMS-sponsored Drug Rebate Labeler Dispute meetings as required by the State and based on relevance of the agenda.

40.12.3 Drug Rebate Operational Performance Standards

Experienced staff with Sharon's leadership will continue to support the State as we do today. Since 1991, we have been recognized by CMS through their audit of our drug rebate system's operational efforts.

Response to Drug Rebate Operational Performance Standards

The following table, Drug Rebate Operational Performance Standards and Metrics for Measurement, describes how we will meet the requirements set forth in the RFP. The Metrics for Measurement column identifies EDS' approach for meeting, measuring, and reporting the standard. Metrics data will be captured, reported, and presented to the State online through a performance dashboard, which will be readily available and accessible to the State for ease of information and reference.

Drug Rebate Operational Performance Standards and Metrics for Measurement

RFP No.	RFP Requirement	EDS Response
40.12.3.1	Fiscal Agent shall maintain an outstanding rebate balance percentage (i.e., overmore than/during/across forty-five [45] days) of less than ten (10) percent of total rebates due for each quarter excluding the outstanding balance of Manufacturers' Disputes Accounts Receivable.	Met by interChange and operational processes and procedures. The Drug Rebate team will use drug rebate accounts receivable reports to contact delinquent manufacturers for collection of overdue, aged balances.
40.12.3.2	Fiscal Agent shall make available to the State the total Medicaid expenditure for multiple source drugs (annually) as well as other drugs (every three years) accurately and consistently ninety-nine and nine tenths (99.9) percent of the time.	Met through customization of interChange. The checks will be entered in Web panels at the NDC level with the appropriate identification such as labeler check number and receipt date. A process will be developed to clearly identify the different programs and will apply manufacturer payments to the current drug rebate accounts receivable. Payments and accounts receivable activity will be tracked, monitored, and reported to the State.
40.12.3.3	Fiscal Agent shall log all labeler checks received by labeler, check number, amount, date received, date entered into DRS Accounts Receivable file, and date of deposit. Fiscal Agent shall forward the logs to the State within five (5) business days from the end of the previous month.	Met by interChange and operational processes and procedures. Our drug rebate accountant will log the labeler checks with the required information—such as labeler, check number, and amount—and the log will be forwarded to the State within five business days from the end of the previous month.
40.12.3.4	Fiscal Agent shall update the Drug Rebate accounts receivable within two (2) State business days of receipt.	Met by interChange and operational processes and procedures. EDS' drug rebate accountant will update the drug rebate accounts receivable within two State business days of receipt.
40.12.3.5	Fiscal Agent shall deposit all labeler checks within one (1) State business day of receipt.	Met by operational processes and procedures. The labelers will be instructed to send checks to a bank lock box where the funds are received and deposited daily. On verification, the funds will be transferred to the State's account within one State business day of receipt.
40.12.3.6	Fiscal Agent shall perform interest calculation on outstanding Drug Rebate balances and apply results to	Met by interChange and operational processes and procedures. The interChange drug rebate system will

RFP No.	RFP Requirement	EDS Response
	Drug Rebate accounts receivable ninety-nine and nine tenths (99.9) percent of the time, as directed by the State.	automatically calculate and apply interest to outstanding labeler balances monthly following CMS guidelines for interest assessment. The interest assessment will be applied to outstanding receivables 99.9 percent of the time.
40.12.3.7	Fiscal Agent shall perform end-of-month Drug Rebate balancing processes and forward to the State for review within five (5) State business days of the end of the previous month.	Met by interChange and operational processes and procedures. EDS' drug rebate accountant will run end-of-month reports to verify that incoming checks or vouchers were entered into the system and that the end-of-month balances. This will be forwarded to the State within five business days from the end of the previous month.
40.12.3.8	Fiscal Agent shall extract Drug Rebate history data monthly, moving it to the quarterly file within two (2) State business days from the end of the previous month.	Met by interChange and operational processes and procedures. The claims data will be extracted monthly from the Replacement MMIS claims history file. The extract will be accumulated and applied to the interChange drug rebate system quarterly. This extract process will be completed within two State business days from the end of the previous month.
40.12.3.9	Fiscal Agent shall receive and log all labeler disputes on the date of receipt, including data such as labeler, date of call, caller name/telephone number, issue, processor of call, resolution, follow-up requirements, and a tickler to ensure any follow-up requirements are completed. Fiscal Agent shall forward the log to the State within five (5) business days from the end of the previous month.	Met by interChange and operational processes and procedures. Our drug rebate accountant will log the labeler checks with the required information—such as labeler, check number, and amount—and the log will be forwarded to the State within five business days from the end of the previous month.
40.12.3.10	Fiscal Agent shall process all labeler disputes within ten (10) State business days from the date of receipt.	Met by interChange and operational processes and procedures. The drug rebate specialist will determine the reason for the dispute and contact providers as needed. Our experienced drug rebate resolution team will resolve disputes within 10 State business days from date of receipt.
40.12.3.11	Fiscal Agent shall produce a Recapitulation Report, which is a revised invoice, for the labeler one (1) State business day after the completion of the dispute resolution.	Met by interChange and operational processes and procedures. When the dispute is processed and adjustments entered, a recapitulation report will be produced. Our drug rebate staff will produce this within one State business day after the resolution of the dispute.
40.12.3.12	Fiscal Agent shall send the Recapitulation Report to NC DHHS Auditor(s) for review and approval by close of business the same day the Recapitulation Report is produced.	Met by operational processes and procedures. The drug rebate specialist will send the recapitulation report to the NC DHHS Auditor for review and approval by close of business the same day the Recapitulation Report is produced.
40.12.3.13	Fiscal Agent shall send the Recapitulation Report to the labeler with a copy of the current summary balance the same day the Fiscal Agent has received the NC DHHS Auditor's approval.	Met by operational processes and procedures. On approval, the EDS Drug Rebate team will forward a copy of the approved recapitulation report and the current summary balance report to the labeler within the same State business day.

RFP No.	RFP Requirement	EDS Response
40.12.3.14	Fiscal Agent shall create and forward quarterly invoices for each labeler that has a rebate agreement signed with CMS or the State, as division-appropriate, within five (5) State business days from receipt of CMS tape.	Met by interChange and operational processes and procedures. EDS' Drug Rebate team will initiate the drug rebate invoicing process after the CMS tape arrives from each approved State program. The invoices will be sent out quarterly for labelers or manufacturers with agreements on file with CMS or the State. Invoices will be issued after quarter-end receipt of the CMS tapes within five State business days.
40.12.3.15	Fiscal Agent shall maintain an outstanding rebate balance percentage (i.e., forty-five [45] days or more) of less than ten (10) percent of total rebates due for each quarter excluding the Labeler Disputes Outstanding Accounts Receivable balance accurately and ninety-nine and nine tenths (99.9) percent of the time.	Met by interChange and operational processes and procedures. The Drug Rebate team will use drug rebate accounts receivable reports to contact delinquent manufacturers for collection of overdue, aged balances. EDS' Drug Rebate team will maintain accurate accounts receivable balance 99.9 percent of the time.
40.12.3.16	Fiscal Agent shall electronically transfer required data to CMS and the State as applicable to the Drug Rebate requirements within five (5) State business days from invoicing.	Met by interChange and operational processes and procedures. After the invoices are created, the invoice detail will be sent to CMS and the State within five State business days from invoicing.
40.12.3.17	Fiscal Agent shall attend CMS-sponsored Drug Rebate Labeler Dispute meetings, as directed by the State.	Met by operational processes and procedures. Pharmacy Director Sharon Greeson will attend the CMS-sponsored Drug Rebate Labeler Dispute meetings as required by the State and based on relevance of the agenda.
40.12.3.18	Fiscal Agent shall provide online access to five (5) years of historical drug rebate invoices based on criteria provided by the State accurately and consistently ninety-nine and nine tenths (99.9) percent of the time.	Met by interChange. The interChange drug rebate system will provide online access to five years of historical drug rebate invoices using Web-based interChange panels. The data retained and reflected will meet State needs and provide an accurate and consistent view 99.9 percent of the time.

40.13.2 MARS Operational Requirements

EDS will provide a financial business analyst and a systems business analyst to support the MAR operational requirements. EDS Senior State Business Liaison Anthony Perkins also will be available to assist the State with MAR reports and related balancing outputs. These individuals will provide knowledge and expertise in interChange, State program policy, and the MAR solution and reporting, which will be invaluable to the State.

The Replacement MMIS management and administrative reporting (MAR) function will support the State's health and human services and federal requirements necessary for management reporting to provide a fully certified MAR solution.

EDS will provide two business analysts, one with a financial background and one with a systems background, to support the MAR operational requirements. The two business analysts will use the online MAR panels and will have direct access to BusinessObjects query and reporting functions, which will allow them to perform research against the detailed Replacement MMIS data. The State also will be provided this access for performance of queries and research of MAR data. Additionally, the EDS senior state business liaison, Anthony Perkins, will be available to support and assist the State with questions and inquiries relative to the MAR reports and related balancing outputs.

Our MAR solution will achieve the following:

- Extract data monthly from other functions of the MMIS and create extract files used to produce the monthly, quarterly, and annual MAR reports
- Summarize and maintain information from other functions for reporting data for current and historical time periods
- Run batch report jobs to create State and CMS reports
- Verify the accuracy of MAR reports through balancing processes
- Offer flexible desktop inquiry and reporting through parameter-driven Web pages

MAR reports will include summary information for executive management and detailed information for operations management, including cumulative data such as year-to-date information for comparative analysis.

EDS' financial and system business analysts will perform balancing of each monthly, quarterly, and annual report as required. We will balance the MAR data with comparable data from other MAR reports to support internal validity and provide an audit trail of the balancing process. EDS' senior State business liaison, along with the financial and system business analysts, will assist the State and address any questions about these reports, as well as assist with additional ad hoc MAR requests.

Response to MARS Operational Requirements

The following table, EDS Response to MARS Operational Requirements, describes how we will meet the requirements set forth in the RFP. Where appropriate, we have listed the existing interChange user interface panels, reports, or processes that meet the stated requirements.

EDS Response to MARS Operational Requirements

RFP No.	RFP Requirement	EDS Response
40.13.2.1	Fiscal Agent shall review the system audit trail for balanced reporting and deliver the balanced report to the State with each MARS production run.	Met by interChange and operational processes and procedures. EDS' financial and system business analysts will review the following MAR balancing reports and deliver balanced MAR reports after each MAR production run: • Balancing by COS • Balancing by Aid Category • MAR Reconciliation These reports balance parts of MAR to each other and operational balancing procedures executed by the EDS business analysts will verify that the production MAR data reconciles to the Replacement MMIS financial data.
40.13.2.2	Fiscal Agent shall respond to State requests for information concerning the reports.	Met by interChange and operational processes and procedures. The EDS system and financial business analysts, along with the EDS senior state business liaison, Anthony Perkins, will be available to answer questions and assist the State as needed concerning the MAR reports. Both EDS' analyst staff and the State will have access to interChange MAR panels and the BusinessObjects query and reporting function for ease of research and assistance with questions and ad hoc reporting.

40.13.3 MARS Operational Performance Standards

EDS acknowledges that there are no applicable MARS operational performance standards for the Replacement MMIS.

40.14.2 Financial Management and Accounting Operational Requirements

Financial operational requirements will be carried out by the Financial Management and Accounting organization under the leadership of Jamie Herubin. Jamie and his team bring a high level of expertise and experience to the program, which extends back to 1999 with Financial Management and Accounting operations for DMH. The team collectively has more than 23 years of relevant healthcare, DMA, and DMH experience contributing to their understanding of successful financial management and accounting operations.

The financial management and accounting operation carries the responsibility for processing and reconciling the financials for the State's healthcare programs. As such, the State seeks a financial management and accounting operation that enables accurate and timely processing of financial transactions.

The Replacement MMIS financial management and accounting operation, in conjunction with interChange, will delineate funding sources and apply or issue payments according to the State's budget. At the same time, it will provide a centralized system for managing the financial operations of the multiple divisions represented. For the past 30 years, EDS' Financial team has provided support for financial accounting, reporting, and balancing of funds for DMA, and we have provided this same level of support for DMH for the last seven years. Processing claims and issuing payments are important to effective and efficient financial management and accounting operation as well as providing refunds and managing accounts receivable in support of the State's needs.

In addition to internal balancing and tracking processes, the Replacement MMIS will provide users with critical financial information related to the reasons for financial transactions and the status of the transactions.

The following subsections discuss operational activities and how each plays a part in the overall Replacement MMIS.

State Program Funding

The Replacement MMIS will interface with the North Carolina Accounting System (NCAS) weekly before each checkwrite cycle to load the budget files received from the State. After the files are loaded and the NCAS Budget Load Report has been generated, the NC DHHS Controller's Office will be notified and asked to verify that the loaded funding amounts are accurate and to give approval for moving forward with the checkwrite cycle processes.

Claims adjudications and financial transactions will process during each checkwrite cycle based on the multi-payer design of interChange. Transactions for services for which no State funds are available will be denied unless the recipient has more than one population group to cover the service. If a recipient

has more than one population group, the claim will be immediately processed under the next population group to seek available funds.

The State will have the flexibility to set the criteria and hierarchy for claims payment to a particular budget/account, decide when to open and close budgets, and adjust budget dollars by cost center. The budget files will be updated during the checkwrite cycle with financial activity as transactions are processed against the open budgets. After the checkwrite is complete, the updated budget files will be transmitted to the State using the NCAS interface. Financial transactions and reporting will be accounted for and maintained in interChange. State, federal, and county shares will be computed for transactions such as recoupments, recoveries, paid claims, disproportionate share hospital (DSH)/cost settlement and payments, and State-authorized payouts.

Payment Estimation Reporting

Inherent within interChange, the Payment Estimation report (FIN-1332) is available each week. The transactional nature of interChange allows this report to accumulate claims paid since the last checkwrite and summarize by benefit plan and budget code the total number of transactions and estimated paid amounts before the checkwrite is executed.

Based on the payment estimate report, the State will have the data to make a decision whether sufficient funds exist to authorize a checkwrite. This information also will provide the State with a mechanism to estimate how many dollars must be moved from investments and draw dollars from CMS to fund the checkwrite. This function improves cash flow by allowing the State to better estimate cash needs and leave unencumbered State funds in interest-bearing accounts.

Accounts Receivable

Accounts receivable (A/R) records are established either systematically or manually within interChange. Manual requests to initiate an A/R come from various sources within the State and are entered through interChange Web panels. The Replacement MMIS Accounts Receivable Selection Web panel will allow the State to search for any outstanding amounts owed by the provider, dollars collected against an A/R, and any bad-debt or correction write-offs that have taken place.

A/R collection notification letters are created through the COTS DOC1 letter generator tool and sent to the provider to notify them of monies owed to the State and to request a refund because of insufficient claims activity by the provider. A/R reporting for tracking and reporting of current balance will be available to the State.

Returned Checks and Provider Refunds

When a financial transaction such as a returned check or provider refund is processed, the associated claims are voided and the corresponding budget account is credited with the returned amount. Providers will return payments, and after a check is received by EDS, the same procedure is followed as with a returned check.

Provider refunds and returned checks can be viewed through the Cash Receipt Search Web panel. Searches can be performed by provider name, cash control number, check amount, check date, and check number using this panel, which is readily accessible to State and EDS users.

Internal Revenue Service (IRS) Reporting

interChange will accumulate and retain provider earnings in the provider file. These calendar-year dollars are reported by the IRS' deadline of January 31 as medical and healthcare payments on the IRS 1099-MISC form. Provider earnings are reported electronically to the IRS by the established deadline. Corrections to 1099s can be requested by providers per IRS guidelines for the three most recent years of reported provider earnings. Authorized State and EDS users can access the details of annual 1099 reporting through the 1099 display panel in interChange. A CP2100 file is received from the IRS containing tax name and tax identification number mismatches, and B-Notices are issued and tracked to make sure appropriate withholdings and corrections occur, as required.

Financial Controls

The Replacement MMIS maintains financial activity according to the generally accepted accounting principles (GAAP) and contains more than sufficient controls to track each financial transaction, balance each batch, and maintain the appropriate audit trials on the claims history and consolidated A/R system. Where appropriate, the financial subsystem balancing functions in interChange are performed when required. The financial balancing processes compare expenditures, EFTs transmitted, manual warrants issued or reissued, State transfers, and system checks issued to notify the State of checkwrite funding requirements.

The provider earnings file is compared year-to-date (YTD) to the expenditure file and the payment transactions file to verify that the three are equal. Financial transactions and activities are balanced across subsystems. Financial counts and costs are compared on claim and non-claim transactions between files to confirm accuracy and that all transactions are accounted for. Additionally, EDS is well aware that the EDS Financial team must have tasks segregated to provide required financial controls.

Banking Interfaces

EDS will maintain required bank accounts for the State. A depository account is established for provider refund dollars. A disbursing account is established to receive the checkwrite funding and process EFTs and checks. The NC DHHS Controller's Office wires the total checkwrite dollars directly to the disbursing account bank. EDS' Financial team will be responsible for transferring the funds that remain after check presentments are satisfied to the State treasury account for investment. The State Treasurer Office will invest in financial instruments that meet State cash flow policy requirements and maximize interest. The State Treasurer and EDS will coordinate and provide funds to the disbursing office daily to cover the amount of check presentments.

Details supporting provider payments and check activity can be accessed through the interChange Payment Search Web panel. This Web panel allows users to view payment history for each provider. The history records indicate the date a payment was issued and the status of the payment with the bank, whether it has cleared or is still outstanding. This banking checkwrite funding, transfer, EFT, and check payment process is similar to current practices, and the EDS Financial team will continue to provide accurate, timely financial banking data in support of maximizing State dollars while issuing timely payments to providers.

Reconciliation

As we have described, the entire interChange financial functional area is predicated on linking each transaction to the supporting detail and accumulating this data at a summary level while maintaining and accounting for all dollars. The Replacement MMIS provides online access to financial transactions generated, and the EDS team will use these reports in conjunction with bank data to provide, monitor, and reconcile banking as well as generate the required financial statements and outputs necessary to support the State.

Response to Financial Management and Accounting Operational Requirements

The following tables map the detailed solutions to the operational requirements of the financial and accounting functional area. Where appropriate, we have listed the existing interChange user interface panels, reports, and processes that meet the stated requirements. We also have identified when an integrated COTS piece of software is used to meet the requirements.

General Financial Management and Accounting Requirements

The following table, EDS Response to General Financial Management and Accounting Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to General Financial Management and Accounting Requirements

RFP No.	RFP Requirement	EDS Response
40.14.2.1	Fiscal Agent shall maintain the Replacement MMIS consolidated accounting function by program, type, and provider. Fiscal Agent shall deduct/add appropriate amounts from provider payments for past due receivables and other required withholding.	Met by interChange and operational processes and procedures. We will maintain the consolidated accounting function by program, type, and provider. In addition, we will make deductions/adds in appropriate amounts from provider payments for past due receivables and other required withholding.
40.14.2.2	Fiscal Agent shall provide the State with confirmation and validation for each completed file maintenance request (receipt date of file maintenance request, file maintenance initiation date, file maintenance completion date, and supervisor validation date) related to Financial Management and Accounting.	Met by interChange and operational processes and procedures. File maintenance requests will follow a similar process as they do today. After discussion of the intended change with the State and an analysis of the impact, the tables in interChange will be updated through the Reference subsystem panels or through automated processes for bulk data, such as ICDJ code updates.
40.14.2.3	Fiscal Agent shall ensure provider payments are generated by the processing of claims for eligible recipients, adjustments, or by State authorizations, such as payouts for court orders, open/shut cases, dropped eligibility, and policy changes.	Met by interChange and operational processes and procedures. Automated data feeds and manual updates as required combined with reviews of claims payment will make sure claims are processing and provider payments are generated according to desired policy and procedures.
40.14.2.4**	Fiscal Agent shall provide nightly interface to NCAS to validate availability of funds for claim-specific reimbursement.	Met by interChange. Programs will run nightly to update interChange with transmitted NCAS data and likewise create any extract files to be sent to NCAS for processing.
40.14.2.5	Fiscal Agent shall establish systematic payment plans or recoupments for provider receivable balances, collect the payments, apply the payments, monitor the process, and report on the payment activity at a provider and summary level on a weekly basis. Once a provider becomes delinquent in the payment schedule, the recoupment process shall be implemented until the debt is resolved.	Met by interChange and operational processes and procedures. The Weekly Accounts Receivable Summary report meets this requirement. EDS' experienced Financial team will continue to monitor, track, report, and follow up on A/Rs.
40.14.2.6	Fiscal Agent shall ensure that correct Federal Medical Assistance Percentage (FMAP) is applied to receivables and payables within the monthly financial processing cycles. (Certain receivables and payables may be subject to prior period FMAP.)	Met by interChange. interChange is designed with optimization of the federal contribution in mind. Proper setting of the financial parameters will enable the appropriate FMAP to accounts receivable and accounts payable within the monthly financial processing cycles.

RFP No.	RFP Requirement	EDS Response
40.14.2.7	Fiscal Agent shall issue provider checks in the number of cycles required by the State each year on State-designated business days, dating the checks and reports for the checkwrite date except for the final checkwrite of the month, which is dated, as directed by the State.	Met through configuration of interChange parameters and features. interChange is flexible in the creation of financial cycle settings and processing dates to meet the State's checkwrite schedule.
40.14.2.8	Fiscal Agent shall balance each checkwrite in accordance with State-approved policy and procedures to ensure report accuracy and the completion of a final audit for that checkwrite.	Met by interChange and operational processes and procedures. interChange will not allow a cycle to complete unbalanced and provides checks and balances in its programming to enable a proper final result. Reporting will be reviewed as part of the regular process for financial accuracy.
40.14.2.9	Fiscal Agent shall accept requests to override EFT payment to a provider and create the check voucher as a paper check request.	Met by interChange and operational processes and procedures. interChange provides the function to accept requests to override EFT payment to a provider and create the check voucher as a paper check request in the base system and can be used as needed.
40.14.2.10	Fiscal Agent shall accept and process all check voucher reconciliation.	Met by interChange and operational processes and procedures. EDS' Financial team will accept and process all check voucher reconciliations.
40.14.2.11	Fiscal Agent shall execute Positive Pay processing.	Met by operational processes and procedures. Our Financial team with bank services, Positive Pay, will verify check presentment issues and resolve as appropriate using the Positive Pay process.
40.14.2.12	Fiscal Agent shall ensure weekly budget reporting is consistent with the costs allocated during the checkwrite.	Met by interChange. The Financial Budget Information panel meets this requirement.
40.14.2.13	Fiscal Agent shall submit a draft annual checkwrite schedule by the last State business day in September each year.	Met by operational processes and procedures. EDS' Financial team will create and submit an annual checkwrite schedule in the State's specified time frame for State approval.
40.14.2.14	Fiscal Agent shall perform checkwrites per the State-approved checkwrite schedules.	Met by interChange and operational processes and procedures. Per the State-approved checkwrite schedules, EDS will execute and complete all scheduled checkwrites.
40.14.2.15	Fiscal Agent shall notify the State of the total checkwrite expenditure on the first day following the cycle.	Met by interChange and operational processes and procedures. We will notify the State of the total checkwrite expenditure the first day following the cycle.
40.14.2.16	Fiscal Agent shall notify the State by close of business of notification from the State Controller's Office that funds are in place each day following any delays in check mailings and EFTs.	Met by operational processes and procedures. EDS' manager, Jamie Herubin, will notify the State that funds are in place each day following any delays in check mailings and EFTs by close of business notification from the State Controller's Office.
40.14.2.17	Fiscal Agent shall notify the State the next State business day following the checkwrite cycle of any delays in the checkwrite process.	Met by operational processes and procedures. EDS' manager, Jamie Herubin, will notify the State of any delays in the checkwrite process on the State's specified schedule.

RFP No.	RFP Requirement	EDS Response
40.14.2.18	Fiscal Agent shall respond to State Memos as appropriate for canceling or delaying checkwrites or release of system-generated checks or EFTs.	Met by operational processes and procedures. On receipt of State Memos for canceling or delaying checkwrites or release of system-generated checks or EFTs, the EDS Financial team will process the memo requests appropriately.
40.14.2.19	Fiscal Agent shall balance each checkwrite in accordance with State-approved policy and procedures to ensure report accuracy and the completion of a final audit for that checkwrite.	Met by interChange and operational processes and procedures. interChange will not allow a cycle to complete unbalanced and provides checks and balances in its programming to verify an accurate, balanced final result. These system balance checkpoints will align to the State-approved policy.
40.14.2.20	Fiscal Agent shall process check voucher information from the State Controller's Office, updating payment information.	Met by interChange and operational processes and procedures. We will process check voucher information from the State Controller's Office with updated payment information.
40.14.2.21	Fiscal Agent shall ensure that the weekly budget reporting is consistent with the costs allocated during the checkwrite.	Met by interChange. The Financial Budget Information panel meets this requirement and will provide budget report data that reconciles and reflects all costs for checkwrite.
40.14.2.22	Fiscal Agent shall produce third party letters within the financial processing function of the checkwrite cycle.	Met by interChange and through COTS integration. The COTS DOC1 letter generator component of interChange meets this requirement and can generate third-party letters, as required, within the financial processing function for the checkwrite cycle.
40.14.2.23	~~Fiscal Agent shall produce reports and State claims within the financial processing function of the checkwrite cycle.~~	Cancelled. This requirement was deleted by RFP 30-DHHS-1228-08-R.
40.14.2.24	Fiscal Agent shall process State Payout Authorization Forms in accordance with State-approved guidelines to adjudicate claims that fail to process through the Replacement MMIS under normal circumstances.	Met by interChange and operational processes and procedures. When claims fail to process through the Replacement MMIS under normal circumstances, we will process State Payout Authorization Forms in accordance with State-approved guidelines.
40.14.2.25	Fiscal Agent shall execute, manage, maintain, and update financial operations, including claims payment, accounts receivable, accounts payable, cash management, transaction data entry, and financial participation calculations while maintaining detail accounting records in accordance with GAAP for all program financial transactions.	Met by interChange and operational processes and procedures. interChange financial processing is designed to meet and support the GAAP requirements for tracking and reporting program financial transactions.
40.14.2.26	Fiscal Agent shall enter and summarize all Replacement MMIS financial accounting transactions in accordance with GAAP prior to month-end closing deadlines specified by the NC DHHS Controller.	Met by interChange and operational processes and procedures. interChange financial processing is designed to meet and support the GAAP requirements for tracking and reporting financial transactions. We will adhere to month-end closing deadlines specified by the NC DHHS Controller.

RFP No.	RFP Requirement	EDS Response
40.14.2.27	Fiscal Agent shall maintain the MMIS Financial System operations in compliance with applicable State and Federal laws, regulations, reporting requirements, policies, business rules, and procedures as published and referenced in the Contract and the Procurement Library.	Met by interChange and operational processes and procedures. As interChange is implemented, the design process and testing results will verify that the system is adjudicating and paying within the guidelines listed. Operational Quality Control staff will also be tasked adhering to all applicable laws, rules, policies, and regulations.
40.14.2.28	Fiscal Agent shall implement and maintain effective internal controls over financial operations, accounting, physical access, system backup and recovery, and security for all Replacement MMIS financial operations, data, records, and assets.	Met by interChange and operational processes and procedures. Access to the financial data and processes is controlled by role-based security to verify that only those authorized have access to these features in the system. This same role-based security is applied to each part of the system. Access to banking information will be restricted to only those EDS team members responsible for performing or managing banking functions. Separation of duties will be implemented to the fullest extent possible.
40.14.2.29	Fiscal Agent shall complete the Office of State Controller Internal Control Self Assessment upon request by the NC DHHS Controller and provide a signed original to the NC DHHS Controller.	Met by operational processes and procedures. The EDS team will complete the Office of State Controller Internal Control Self Assessment as requested by the NC DHHS Controller.

MMIS Program Accounts Payable Requirements

The following table, EDS Response to MMIS Program Accounts Payable Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to MMIS Program Accounts Payable Requirements

RFP No.	RFP Requirement	EDS Response
40.14.2.30	Fiscal Agent shall record provider claims payable less any overpayment recoupments and required withholding and produce all program cash disbursements in accordance with procedures and a schedule approved by the State for each checkwrite cycle, including State-authorized payments.	Met by interChange and operational processes and procedures. Pricing and payment processing rules will be established by the experienced and knowledgeable EDS Financial team to properly disburse the correct payment to the provider according to State schedules and checkwrite cycles.
40.14.2.31	Fiscal Agent shall determine daily cash requirements and draw program cash from a special State disbursing account as needed.	Met by operational processes and procedures and through customization of interChange. The Financial Budget Information panel and process will be customized to calculate a daily draw, and the EDS Financial team will coordinate with the State disbursing account, as needed.
40.14.2.32	Fiscal Agent shall collect recipient premium payments.	Met by interChange and operational processes and procedures. The Financial Cash Receipt Information panel meets this requirement with interChange. The EDS team will

RFP No.	RFP Requirement	EDS Response
		collect and apply recipient premium using this panel.
40.14.2.33	Fiscal Agent shall produce refunds of recipient premiums.	Met by interChange and operational processes and procedures. The Financial Expenditure Information panel meets this requirement, and the EDS Financial team will use this panel to record and issue refunds of recipient premiums, as required.

Replacement MMIS Accounts Receivable Process Requirements

The following table, EDS Response to Replacement MMIS Accounts Receivable Process Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Replacement MMIS Accounts Receivable Process Requirements

RFP No.	RFP Requirement	EDS Response
40.14.2.34	Fiscal Agent shall monitor the status of each accounts receivable and reports weekly and monthly to the State in aggregate and/or individual accounts, both on paper and online.	Met by interChange and operational processes and procedures. The Weekly Accounts Receivable Summary report meets this requirement.
40.14.2.35	Fiscal Agent shall monitor compliance with written procedures to meet State and Federal guidelines for collecting outstanding provider and recipient account receivables in accordance with State-approved policy and procedures to ensure report accuracy and the completion of a final audit for that checkwrite.	Met by interChange and operational processes and procedures. The experienced EDS Financial team will monitor compliance with written procedures to meet State and Federal guidelines for monitoring, tracking, reporting, and collecting outstanding provider and recipient accounts receivable.
40.14.2.36	Fiscal Agent shall monitor compliance with written procedures to meet State and Federal guidelines for collecting outstanding provider accounts receivable.	Met by interChange and operational processes and procedures. The experienced EDS Financial team will monitor compliance with written procedures to meet State and Federal guidelines for monitoring, tracking, reporting, and collecting outstanding provider and recipient accounts receivable.
40.14.2.37	Fiscal Agent shall "write off" outstanding accounts receivable, when directed by the State.	Met by interChange and operational processes and procedures. As directed by the State, EDS' Financial team will "write off" outstanding accounts receivable.
40.14.2.38	Fiscal Agent shall ensure accurate collection and management of accounts receivables.	Met by interChange and operational processes and procedures. EDS' experienced staff has supported the Medicaid and mental health A/R process for years, and we will continue this support.
40.14.2.39	Fiscal Agent shall ensure that correct FMAP is applied to	Met by interChange. interChange is designed with

RFP No.	RFP Requirement	EDS Response
	receivables and payables within the monthly financial processing cycles. (Certain receivables and payables may be subject to prior period FMAP.)	optimization of the federal contribution in mind. Proper setting of the financial parameters will enable the appropriate FMAP to accounts receivable and accounts payable.
40.14.2.40	Fiscal Agent shall maintain claim specific and gross level accounts receivable records for amounts due the program, recoup past due items based on a hierarchy table approved by the State, apply all payments, and produce and distribute invoices, collection letters and accounts receivable reports.	Met by interChange and operational processes and procedures. Financial systems processes will be provided and supported by interChange. This financial system functionality will be used by EDS' Financial team and is readily available to the State.

Financial Accounting and Reporting Process Requirements

The following table, EDS Response to Financial Accounting and Reporting Process Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Financial Accounting and Reporting Process Requirements

RFP No.	RFP Requirement	EDS Response
40.14.2.41	Fiscal Agent shall produce general ledger to correspond to the checkwrite over the State's fiscal year and adjust the general ledger account balances on June 30th to reflect activity between the last June checkwrite and June 30th.	Met by interChange and operational processes and procedures. The general ledger will correspond to the checkwrite over the State's fiscal year and be adjusted to account balances within the State's specified time frame, such as the State fiscal year.
40.14.2.42**	Fiscal Agent shall make details of the general ledger, including all entries and balances, available to authorized State staff.	Met by operational processes and procedures and through COTS integration. All interChange financial reports will be readily accessible using the EMC | Documentum tool.
40.14.2.43	Fiscal Agent shall summarize checkwrite activity in the Checkwrite Financial Summary, Financial Participation Report, and general expenditure reports on a year-to-date basis and within ten (10) days of the State's fiscal year end on June 30th and provide these reports in accordance with State-approved format, media, distribution, and frequency.	Met by operational process and procedures and through COTS integration. Checkwrite activity will be summarized in reports produced by interChange within the State's specified time frames and approved media format with immediate availability using the COTS Documentum tool.
40.14.2.44	Fiscal Agent shall change financial participation rates in the Replacement MMIS to correspond with the Federal fiscal year.	Met by interChange and operational processes and procedures. EDS' Financial team will update the financial participation rates as directed by the State each State fiscal year.
40.14.2.45	Fiscal Agent shall ensure cross-checks and balances to other reporting is using the same data and is categorized in such a manner as to facilitate informed	Met by interChange and operational processes and procedures. interChange is designed with optimization of the federal contribution in mind. Proper setting of the

RFP No.	RFP Requirement	EDS Response
	program administration and supporting the State's receipt of maximum.	policy parameters will verify maximum federal participation.
40.14.2.46**	Fiscal Agent shall refer questions regarding rates and budgets to the State.	Met by operational processes and procedures. We will work with the State on each aspect of the Replacement MMIS including financial and pricing and we will refer rate- and budget-related questions to the State for answers.
40.14.2.47	Fiscal Agent shall ensure adherence to NC DHHS Cash Management Plan and Procedures.	Met by operational processes and procedures. Cash flow management is a crucial aspect of the State executing its programs, and the experienced EDS Financial team, led by Jamie Herubin, has knowledge of these policies and procedures and will continue support and compliance with the NC DHHS Cash Management Plan.
40.14.2.48	Fiscal Agent shall incorporate State-approved automated and manual systems to satisfy accounting and record-keeping objectives.	Met by interChange and operational processes and procedures.
40.14.2.49	Fiscal Agent shall notify the State immediately upon discovery of any erroneous payments, irrespective of cause, and prior to initiating appropriate recovery action.	Met by operational processes and procedures. EDS' Financial team will notify the State immediately whenever erroneous payments are identified and prior to initiating recovery actions.
40.14.2.50**	Fiscal Agent shall produce an extract of DMH claims data for the Client Data Warehouse (CDW) with each checkwrite.	Met by interChange and operational processes and procedures. The Replacement MMIS will produce an extract of DMH claims data for the CDW with each checkwrite.

IRS Reporting and Compliance Requirements

The following table, EDS Response to IRS Reporting and Compliance Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to IRS Reporting and Compliance Requirements

RFP No.	RFP Requirement	EDS Response
40.14.2.51	Fiscal Agent shall summarize each provider's NC DHHS earnings by LOB for the previous calendar year no later than January 15th of the succeeding year, providing the summary to the Internal Revenue Service and North Carolina Department of Revenue (NC DOR) by sending a file using File Transfer Protocol (FTP) media. Fiscal Agent shall provide this same information on each provider's last RA for the calendar year.	Met by interChange and operational processes and procedures. Providers' NC DHHS earnings by LOB will be summarized annually within the State-specified timeframe by interChange processing. interChange uses FTP to send providers' earnings files to the IRS and NC DOR.
40.14.2.52	Fiscal Agent shall send system-generated letters to providers requesting updated W-9s or a special IRS form depending on whether they are a first or second B-Notice.	Met by operational processes and procedures and through COTS integration. The DOC1 tool will system-generate letters to providers requesting updated W-9s for IRS first or second B notices.

RFP No.	RFP Requirement	EDS Response
40.14.2.53	Fiscal Agent shall record receipt date of each withholding and penalty request and completion date of withholding or penalty.	Met by interChange and operational processes and procedures. The interChange financial panels will support tracking and recording of withholding or penalty activities.
40.14.2.54	Fiscal Agent shall provide the State with confirmation and validation for each completed date of withholding or penalty.	Met by operational processes and procedures. The EDS team will provide the State with confirmation and validation for each completed date of withholding or penalty. Additionally, the State will have immediate online access to this information in interChange.
40.14.2.55	Fiscal Agent shall comply with all IRS regulations.	Met by operational processes and procedures. The EDS Financial team has extensive experience with IRS regulations and will maintain compliance through rigorous processes and oversight.
40.14.2.56	Fiscal Agent shall issue corrected 1099s to providers prior to March 31st each year and shall ensure that corrections are incorporated into the IRS file to report earnings for the prior year.	Met by interChange and operational processes and procedures. The paper 1099 print report will provide the required IRS data and report this information electronically to the IRS by the required deadline.
40.14.2.57	Fiscal Agent shall ensure accuracy of tax identification numbers and tax names reported.	Met by interChange and operational processes and procedures.

Cash Control and Bank Accounts Requirements

The following table, EDS Response to Cash Control and Bank Accounts Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Cash Control and Bank Accounts Requirements

RFP No.	RFP Requirement	EDS Response
40.14.2.58	Fiscal Agent shall ensure returned or refund receipts are received at the Fiscal Agent lock box for security and are accessed only by designated Fiscal Agent or bank personnel; receipts received are to be logged each State business day with disposition denoted, date, time, and individual processing the check.	Met by operational processes and procedures. The EDS Financial team will make sure returned or refund receipts are handled with security precautions and only by designated personnel.
40.14.2.59	Fiscal Agent shall deposit program cash receipts into the State-designated State Treasurer's Account on a daily basis; checks received that are missing information are photocopied and deposited into the State's designated account daily regardless of whether they are missing information. Checks received that are missing information result in a system-generated form letter denoting the required corrective action. (Letters are to be maintained in an online report for follow-up actions.)	Met by operational processes and procedures and through COTS integration. Our EDS Financial team will make sure cash receipts are deposited following State-specified guidelines in the State-designated account. The DOC1 letter generator tool will produce a form letter denoting required corrective actions for checks that are missing information.

RFP No.	RFP Requirement	EDS Response
40.14.2.60	Fiscal Agent shall retain copies of checks and all written correspondence from or to the provider for audit purposes throughout the life of the Contract.	Met by operational processes and procedures and through COTS integration. Required documents will be scanned, stored, and indexed to allow them to be retrieved as needed through our COTS Documentum solution.
40.14.2.61	Fiscal Agent shall process other non-provider checks received, such as TPL and Drug Rebate receipts, in accordance with State-approved policies and procedures; deposits these funds daily into the designated State Treasurer's Account.	Met by interChange and operational processes and procedures. Our EDS team will process other non-provider checks received within State-approved policies and procedures and time frames and deposit daily to the State's treasurer account.
40.14.2.62	Fiscal Agent shall contract and maintain State-approved banking services for, remittance lock box operations, and Fiscal Agent Disbursing Accounts.	Met by operational processes and procedures. EDS' Financial team maintains today and will continue to maintain State-approved banking services.
40.14.2.63	Fiscal Agent shall perform daily transfer of funds out of the State's Disbursing Account as appropriate to cover "presentments" on the Fiscal Agent Disbursing Account.	Met by operational processes and procedures and through customization of interChange. The Financial Budget Information panel and process will be customized to calculate a daily draw, and the EDS Financial team will coordinate with the State's Disbursing Account, as needed.
40.14.2.64	Fiscal Agent shall provide the bank with instructions to transfer funds from the State Disbursing Account to the Fiscal Agent Disbursing Account to cover the "presentments."	Met by operational processes and procedures. To cover the "presentments," EDS will provide the bank with funds transfer instructions each State business day to provide adequate funding of check presentments.
40.14.2.65	Fiscal Agent shall accept responsibility for and bear the cost of any overdraft penalties on Fiscal Agent-controlled checking accounts.	Met by operational processes and procedures. EDS accepts responsibility and will bear the cost of any overdraft penalties on fiscal agent—controlled accounts due to EDS' error.
40.14.2.66	Fiscal Agent shall monitor security of checks during matching, stuffing, and mailing process.	Met by operational processes and procedures. Quality assurance checks will be implemented by the EDS Financial team to provide security for checks during the mailing process.
40.14.2.67	Fiscal Agent shall perform monthly account reconciliation and submit State-approved reports within ten (10) business days of each calendar month, unless the Fiscal Agent notifies the State the reports have not been received from the banking institution in a timely manner.	Met by interChange and operational processes and procedures. EDS' experienced and knowledgeable staff has supported this effort of bank reconciliation and reporting and will continue to support the Replacement MMIS operations with the same accurate, timely reporting.

MMIS Program Cash Receiving Requirements

The following table, EDS Response to MMIS Program Cash Receiving Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to MMIS Program Cash Receiving Requirements

RFP No.	RFP Requirement	EDS Response
40.14.2.68	Fiscal Agent shall receive all program receipts in State-approved Fiscal Agent lock boxes established for each payer source, log each deposit item, scan or copy all deposit items and information received with the remittance, deposit all receipts daily, accurately record cash, and correctly apply receipts to the correct accounts in accounts receivable.	Met by interChange and operational processes and procedures. Our EDS Financial team will maintain accurate and documented processing of program receipts through the deposit process. Quality assurance checks in conjunction with automated interChange functionality will be implemented to verify accurate processing and records.
40.14.2.69	Fiscal Agent shall report the daily deposit totals to the NC DHHS Controller by 1:30 P.M. for all program cash receipts, including TPL, Drug Rebates, FADS, audit recoveries, cost settlements, refunds, and any other program receipts in accounts receivable while maintaining complete, accurate and detailed accounting records for all program funds received.	Met by interChange and operational processes and procedures. EDS' Financial team will report the daily deposit totals to the NC DHHS Controller by 1:30 p.m. for all funds EDS handles on behalf of the State. EDS, with interChange panels and reports, will provide complete, accurate, detailed activity records for all program funds.

Production and Distribution of Management Financial Reports Requirements

The following table, EDS Response to Production and Distribution of Management Financial Reports Requirements, describes how we will meet the requirements set forth in the RFP.

EDS Response to Production and Distribution of Management Financial Reports Requirements

RFP No.	RFP Requirement	EDS Response
40.14.2.70	Fiscal Agent shall produce and distribute all financial reports and interface files accurately and in the media, format, basis of accounting, and according to a schedule approved by the State.	Met by interChange and operational processes and procedures. interChange will produce the required reports in the format necessary as established by RFP requirements. interChange also can produce and distribute interface files accurately and on a State-approved schedule.
40.14.2.71	Fiscal Agent shall ensure that all financial reports and files meet State cutoff dates and can be balanced with underlying transactions for the applicable accounting period.	Met by interChange and operational processes and procedures. interChange, combined with our experienced Financial team, will verify that financial reports and files are generated by the State's cutoff dates and provide balancing data for the summary level to the underlying/detail transactions for the applicable accounting period.

40.14.3 Financial Management and Accounting Operational Performance Standards

EDS' commitment to performance excellence requires consistent application of quality principles and tools. We systematically monitor, analyze, and improve our operational practices with the goal of increasing efficiency and customer satisfaction. We also use industry-accepted quality principles and tools to design and implement our processes effectively.

EDS' management team, led by Jamie Herubin, reviews the operational performance reports to assess effectiveness of the entire organization. In accordance with contractual requirements and best practices, managers and supervisors promote their teams' continual awareness of the performance standards that EDS is required to meet by sharing the operational performance reports with their teams, posting targeted performance goals with actual results, and maintaining an environment that fosters continual improvement.

We continually evaluate our performance based on tangible measurements, and we develop corrective action plans to restore quality to optimal threshold levels as soon as we are aware of any drop. If quality has deteriorated, we document alternatives and recommendations for improvement and deliver them to the appropriate manager or supervisor for review and comment. For issues within EDS' control, we will plan and agree on an approach to implement the improvements and report these activities to the State as they occur. For issues beyond EDS' control, we provide the State with documentation of the issues, alternatives, the reported performance results, and our recommendations for improvement.

Response to Financial Management and Accounting Operational Performance Standards

The following table, Financial Management and Accounting Operational Performance Standards and Metrics for Measurement, describes how we will meet the requirements set forth in the RFP. The Metrics for Measurement column identifies EDS' approach for meeting, measuring, and reporting the standard. Metrics data will be captured, reported, and presented to the State online through a performance dashboard, which will be readily available and accessible to the State for ease of information and reference.

Financial Management and Accounting Operational Performance Standards and Metrics for Measurement

RFP No.	RFP Requirement	Metrics for Measurement
40.14.3.1	Fiscal Agent shall provide the State with confirmation and validation of accurate file maintenance request transactions ninety-nine and nine tenths (99.9) percent of the time.	Met by interChange and operational processes and procedures. The interChange Financial Management and Accounting System utilizes internal balance protocols based on GAAP to verify that financial transactions are accurate at or above the level required by the State. File maintenance request status will be communicated to the State quickly, and sufficient quality checks will be incorporated into associated business processes to meet the State's accuracy requirements 99.9 percent of the time.
40.14.3.2	Fiscal Agent shall process accurate capitation and/or management fee adjustments ninety-nine and nine tenths (99.9) percent of the time.	Met by interChange and operational processes and procedures. Automated capitation adjustment processes not only verify that the managed care assignments have capitation payments generated correctly but also that accurate rates are applied at the time they are generated. Quality checks also will be incorporated into the capitation and management fee adjustment processes to meet the State's accuracy requirements 99.9 percent of the time.
40.14.3.3	Fiscal Agent shall provide deposit of returned monies the same State business day of receipt.	Met by interChange and operational processes and procedures. The real-time architecture of the Replacement MMIS will enable returned monies to be deposited with accuracy and on the same State business day of receipt.
40.14.3.4	Fiscal Agent shall provide for processing of accurate capitation payments and management fees in the month-end claims cycle and payment in the first checkwrite of the next month.	Met by interChange and operational processes and procedures. In conjunction with managed care monthly assignments, capitation payments are generated simultaneously and are automatically available for the next financial cycle.
40.14.3.5	Fiscal Agent shall accurately complete processing of all HMO withholds and penalties and primary care provider penalties in the next claim cycle after receipt of withholding and penalty requests ninety-nine and nine tenths (99.9) percent of the time.	Met by interChange and operational processes and procedures. From the interChange Payment Deduction and Managed Care Capitation panels, HMO withholds and penalties can be processed in accordance with State rules and direction. Quality checks will be incorporated into HMO withholds and penalties and PCP penalties business processes to meet the State's accuracy requirements.
40.14.3.6	Fiscal Agent shall publish the planned annual checkwrite schedule sixty (60) days prior to the start of the next calendar year.	Met by interChange and operational processes and procedures. The Replacement MMIS will enable EDS' Financial team to provide notifications and schedules that meet State-approved time lines. The annual checkwrite schedule will be created and delivered to the State 60 days before the start of the next calendar year.
40.14.3.7	Fiscal Agent shall notify the State by 9:30 A.M. Eastern Time on the first State business day following checkwrite	Met by interChange and operational processes and procedures. The Replacement MMIS will enable EDS' Financial team to provide notifications and schedules that

RFP No.	RFP Requirement	Metrics for Measurement
	of funds required.	meet State-approved time lines. This process will be carried out by our experienced finance accountant analysts.
40.14.3.8	Fiscal Agent shall notify the State by close of the business day of notification from the Controller's Office that funds are in place each day following any delays in check mailings and EFTs.	Met by interChange and operational processes and procedures. The Replacement MMIS will enable EDS' Financial team to provide notifications and schedules that meet State-approved time lines. EDS' accountant analysts will be responsible for coordinating check mailings and EFT communications with the State.
40.14.3.9	Fiscal Agent shall notify the State of any delays and reasons in the checkwrite process by 8:00 A.M. Eastern Time the next business day following the checkwrite cycle and estimated timeframe for completion.	Met by operational processes and procedures. EDS will notify the State by 8:00 a.m. Eastern Time the next business day of any checkwrite delays, the reasons for those delays, and an estimated time frame for checkwrite completion.
40.14.3.10	Fiscal Agent shall balance each checkwrite accurately ninety-nine and nine tenths (99.9) percent of the time. Any discrepancies shall be reported to the State immediately via Operations Incident Reporting procedures.	Met by interChange and operational processes and procedures. Systematic balancing will occur during checkwrite processing. Additionally, EDS' Financial team will meet the State's checkwrite balancing accuracy requirements. Discrepancies will be reported immediately through operations incident reporting procedures.
40.14.3.11	Fiscal Agent shall process check voucher information from the State Controller's Office accurately ninety-nine and nine tenths (99.9) percent of the time and within one (1) State business day of receipt.	Met by operational processes and procedures. Financial operations staff will receive and key check vouchers. Quality checks will be incorporated into check voucher processes to meet accuracy requirements. Staff levels and workload will be managed by Jamie Herubin to enable processing within one State business day of receipt.
40.14.3.12	Fiscal Agent shall ensure that weekly budget reporting is accurate and consistent ninety-nine and nine tenths (99.9) percent of the time with the costs allocated during the checkwrite.	Met by interChange. The interChange financial subsystem cycle will enable accurate budget reporting and consistency of data to meet the State's accuracy requirements.
40.14.3.13	Fiscal Agent shall accurately complete processing of all HMO withholds and penalties and primary care provider penalties in the next claim cycle after receipt of withholding and penalty requests.	Met by interChange and operational processes and procedures. The Replacement MMIS will allow EDS' financial staff to process HMO withholds and penalties as well as primary care provider penalties accurately in the next claim cycle after receipt of the request.
40.14.3.14	Fiscal Agent shall perform cost settlement activities accurately and consistently ninety-nine and nine tenths (99.9) percent of the time, as directed by the State.	Met by interChange and operational processes and procedures. The Replacement MMIS will allow our financial staff to perform cost settlement activities accurately and consistently by providing timely and current information to users assisting in cost settlement activities. Sufficient quality checks will be incorporated into cost settlement activities to meet the State's accuracy requirements.
40.14.3.15	Fiscal Agent shall ensure that correct FMAP is applied to receivables and payables accurately and consistently ninety-nine and nine tenths (99.9) percent of the time within the monthly financial processing cycles (certain	Met by interChange and operational processes and procedures. The interChange financial processing cycles are predicated on GAAP and, as such, the FMAP application will be accurate and comply with State defined requirements.

RFP No.	RFP Requirement	Metrics for Measurement
	receivables and payables may be subject to prior period FMAP).	
40.14.3.16	Fiscal Agent shall ensure accurate collection and management of accounts receivable/payable ninety-nine and nine tenths (99.9) percent of the time.	Met by interChange and operational processes and procedures. The real-time processing of accounts receivable information enables interChange to provide EDS' financial staff the information needed to accurately collect and manage accounts receivable. Additionally, operational processes include quality checks for accurate collection, payment, and reporting of accounts receivable/payable in accordance with the State's requirements.
40.14.3.17	Fiscal Agent shall produce and mail out 1099/W9 earnings reports no later than January 31st each year and report to the IRS no later than March 1st.	Met by interChange and operational processes and procedures. Manual work processes and system processing will be created to enable on-time mailing of 1099/W9 earnings reports and on-time transmission of IRS reporting.
40.14.3.18	Fiscal Agent shall maintain the capability to remove accounts receivable on a monthly basis when a provider record has been terminated for one (1) year. Fiscal Agent shall generate a report of remove accounts receivables on a monthly basis.	Met by interChange and operational processes and procedures. The system will flag and remove accounts receivable that meet these criteria and generate appropriate reporting data to the State.
40.14.3.19	Fiscal Agent shall account for and report accurately and consistently ninety-nine and nine tenths (99.9) percent of the time to the State all program funds paid out and recovered in accordance with State-approved guidelines.	Met by interChange. The Replacement MMIS will track and account for program funds paid out and recovered, maintaining accurate and consistent reporting in accordance with the State's requirements. Reports will be provided through the interChange online reporting panels.
40.14.3.20	Fiscal Agent shall summarize each provider's NC DHHS for the previous calendar year no later than January 15th of the succeeding year, providing the summary to the Internal Revenue Service and NC DOR by sending a file using FTP media. Fiscal Agent shall provide this same information on each provider's last RA for the calendar year accurately ninety-nine and nine tenths (99.9) percent of the time.	Met by interChange. interChange's 1099 generation function will handle the summarization and reporting of this information within the State's specified time frame and accuracy level to the IRS, NC DOR, and to the providers through the remittance and status report.
40.14.3.21	Fiscal Agent shall log receipt date of each withholding and penalty request and completion date of withholding or penalty within one (1) State business day of receipt accurately ninety-nine and nine tenths (99.9) percent of the time.	Met by interChange and operational processes and procedures. The online, real-time architecture of the Replacement MMIS will allow fiscal agent staff to track, log, and process withholding and penalty requests in accordance with the State's time frame and accuracy level.
40.14.3.22	Fiscal Agent shall provide the State with confirmation and validation for each completed date of withholding or penalty on the State business day that the transaction is completed.	Met by interChange and operational processes and procedures. The interChange real-time architecture allows users to see the status of and provide validation for transactions, including withholding or penalties, on the day they are received and processed. EDS Financial Management and Accounting staff will notify the State upon successful completion of withholding and penalty entries into the

RFP No.	RFP Requirement	Metrics for Measurement
		system.
40.14.3.23	Fiscal Agent shall comply with all IRS regulations ninety-nine and nine tenths (99.9) percent of the time.	Met by interChange and operational processes and procedures. EDS' understanding of IRS regulations combined with the application of GAAP will enable the Replacement MMIS to comply with all IRS regulations within the State-specified accuracy level.
40.14.3.24	Fiscal Agent shall issue corrected 1099s to providers prior to March 31st each year. Fiscal Agent shall ensure that corrections are incorporated into the IRS file to report earnings for the prior year accurately ninety-nine and nine tenths (99.9) percent of the time.	Met by interChange and operational processes and procedures. Sufficient quality checks will be incorporated into processes for any manually corrected 1099s to meet accuracy requirements and enable issuance to the IRS prior to March 31 of each year. interChange and operational processes will enable accurate incorporation of corrections into the IRS file.
40.14.3.25	Fiscal Agent shall ensure accuracy of tax identification numbers and tax names reported ninety-nine and nine tenths (99.9) percent of the time.	Met by interChange and operational processes and procedures. Sufficient quality checks will be incorporated into tax identification number and tax name entry processes to enable data entries to match the information received from providers to meet the State's accuracy requirements.
40.14.3.26	Fiscal Agent shall ensure that returned or refund checks are received at the Fiscal Agent lock box for security and are accessed only by designated Fiscal Agent personnel. Checks received shall be logged each State business day with disposition denoted, date, time, and individual processing the check accurately ninety-nine and nine tenths (99.9) percent of the time.	Met by operational processes and procedures. Processes will be managed to make sure lock box procedures are followed and that only designated EDS personnel have access to the lock box. interChange and operational processes will be designed to enable accurate recording of lock box receipts and meet the State's accuracy requirements.
40.14.3.27	Fiscal Agent shall deposit all program cash receipts received into the State-designated State Treasurer's Account each State business day by 1:00 P.M. and certify the amount deposited to the NC DHHS Controller by 1:30 P.M.	Met by operational processes and procedures. EDS' Financial team will continue to administer operational protocols that make sure cash receipts are received in the State Treasurer's Account each business day and certify the amount is deposited to the NC DHHS Controller by 1:30 p.m.
40.14.3.28	Fiscal Agent shall process other non-provider checks received, such as TPL and Drug Rebate receipts, in accordance with State-approved policies and procedures. Fiscal Agent shall deposit these funds daily into the State-designated State Treasurer's Account ninety-nine and nine tenths (99.9) percent of the time.	Met by operational processes and procedures. EDS' experienced financial staff will handle recipients, third-party liability (TPL), and drug rebate processes, which will be designed to meet daily deadlines and accuracy requirements.
40.14.3.29	Fiscal Agent shall perform monthly bank account reconciliation and submit State-approved reports within ten (10) State business days of each calendar month unless the Fiscal Agent notifies the State the reports have not been received from the banking institution in a timely manner.	Met by interChange and operational processes and procedures. EDS' experienced and knowledgeable staff has supported this effort of bank reconciliation and reporting and will continue to support the Replacement MMIS operations with the same accurate, timely reporting.
40.14.3.30	Fiscal Agent shall receive NCAS account data weekly to support checkwrite activity accurately and consistently	Met by interChange. NCAS account data will be received through an established interface, and confirmation of

RFP No.	RFP Requirement	Metrics for Measurement
	ninety-nine and nine tenths (99.9) percent of the time.	successful receipt will be delivered to the State in accordance with the State's accuracy requirements.
40.14.3.31**	Fiscal Agent shall apply special "timely filing" edits at the end of the State fiscal year: • AP/LMEs shall file all services rendered prior to May 1st no later than the cutoff for the last payment cycle in June. • May and June services shall be presented to the Fiscal Agent by a date established by the State. Timely filing allows budgeted services to be allocated to the appropriate fiscal year accurately and consistently ninety-nine and nine tenths (99.9) percent of the time.	Met by interChange. The flexible design of the interChange system allows for fiscal agent staff to apply edits and audits at any time, based on State-defined requirements. Timely filing edits will be applied based on rules established by the State.
40.14.3.32	~~Fiscal Agent shall notify the State by close of business of the day of notification from the State Controller's Office that funds are in place for the checkwrite.~~	Cancelled. This requirement was deleted by RFP 30-DHHS-1228-08-R.
40.14.3.33	Fiscal Agent shall summarize checkwrite activity in the Checkwrite Financial Summary, Financial Participation Report, and general expenditure reports on a year-to-date basis and within ten (10) days of the State's fiscal year end on June 30th	Met by interChange and operational processes and procedures. The Replacement MMIS will enable EDS' financial staff to provide notifications and reports such as Checkwrite Financial Summary, Financial Participation Report, and general expenditure reports on a year-to-date basis to the State in time to meet State-approved schedules.
40.14.3.34	Fiscal Agent shall assure that Checkwrite Financial Summary and FPR Reports are completed the day after each checkwrite.	Met by interChange and operational processes and procedures. Processes will verify that system-generated reports are produced the day after each checkwrite.
40.14.3.35	Fiscal Agent shall ensure month-end processing and financial reports are completed, balanced and distributed no later than the fifth business day of the following month.	Met by interChange and operational processes and procedures. The EDS Financial team will work with the State to design and implement procedures to complete the month-end processing and financial reports on time, balanced at summary and detail levels, and distributed in accordance with the State's schedule.
40.14.3.36	Fiscal Agent shall produce and maintain accounts receivable reports.	Met by interChange and operational processes and procedures. The Weekly Accounts Receivable Summary report meets this requirement.
40.14.3.37	Fiscal Agent shall produce and maintain MMIS Medicaid Accounting System Reporting.	Met by interChange and operational processes and procedures. The Replacement MMIS will produce and maintain MMIS Medicaid Accounting System Reporting.
40.14.3.38	Fiscal Agent shall produce and maintain Maximum Allowable Cost (MAC) Transactions and Reporting.	Met by interChange and operational processes and procedures. The Replacement MMIS will produce and maintain MAC Transaction and Reporting.
40.14.3.39	Fiscal Agent shall produce and maintain Medicaid Adjustments Register Reporting.	Met by interChange. The Medicaid Adjustments Register Reporting will be included as part of the system functions.

RFP No.	RFP Requirement	Metrics for Measurement
40.14.3.40	Fiscal Agent shall produce and maintain listing of paid claims for Indians on reservations.	Met through customization of interChange. During DDI, a new report will be developed to meet this requirement.
40.14.3.41	Fiscal Agent shall produce and maintain the listing of buy-in premiums paid for Indians on reservations.	Met through customization of interChange. During DDI a new report will be developed to meet this requirement.
40.14.3.42	Fiscal Agent shall produce and maintain the listing and file containing Indian financial adjustment transactions.	Met through customization of interChange. During DDI a new report will be developed to meet this requirement.
40.14.3.43	Fiscal Agent shall produce and maintain the Medicaid Cost Calculation Reporting.	Met by interChange. The Medicaid Cost Calculation Reporting will be included in the system functionality.
40.14.3.44	Fiscal Agent shall produce and maintain NCAS Program Cost Interface.	Met by interChange. NCAS Program Cost Interface functions will be included and maintained throughout operations.
40.14.3.45	Fiscal Agent shall produce and maintain the Monthly County Bank Draft File.	Met through customization of interChange. During DDI a new report will be developed to meet this requirement.
40.14.3.46	Fiscal Agent shall produce and maintain MMIS Summary of Paid Claims.	Met by interChange. This MMIS Summary of Paid Claims Report will be included in the Replacement MMIS.
40.14.3.47	Fiscal Agent shall provide system logging for all program cash receipts received each State business day in Fiscal Agent/bank-managed lock boxes designated by the State with disposition denoted, date, time, and individual processing the receipt.	Met by interChange and operational processes and procedures. Our EDS Financial team in conjunction with the State, will develop and maintain a system for logging, dispositioning, and processing all program cash receipts received each State business day.
40.14.3.48	Fiscal Agent shall index images of checks and all written correspondence from or to the provider for audit purposes throughout the life of the Contract.	Met through COTS integration. On receipt of checks and provider-written correspondence, EDS will scan, index, and store them in the EDMS.
40.14.3.49	Fiscal Agent shall provide verification of daily deposit total to receipt logs by an employee who is independent of the lock box remittance and bank deposit process.	Met by operational processes and procedures. Processes will be designed to make sure verification procedures are performed by EDS staff members who are independent of the lockbox remittance and bank deposit process.
40.14.3.50	Fiscal Agent shall process and post transactions for all program cash receipts received in Fiscal Agent/bank-managed lock boxes designated by the State.	Met by interChange and operational processes and procedures. EDS' Financial team will continue entering and posting all program cash receipts as directed by the State.
40.14.3.51	Fiscal Agent shall disposition all program cash receipts and adjustments within the month of receipt to the applicable program division, benefit plan, NCAS CAC code and period code, reason code, service, and county code.	Met by interChange and operational processes and procedures. EDS' Financial team and the State have processes to disposition program cash receipts and adjustments within the State-approved time parameters.
40.14.3.52	The Fiscal Agent shall produce an extract of DMH claims data for CDW with each checkwrite.	Met by interChange and operational processes and procedures. The Replacement MMIS will produce an extract of DMH claims data for the CDW with each checkwrite.
40.14.3.53	Fiscal Agent shall successfully complete each checkwrite by the date on the State-approved Checkwrite Schedule.	Met by interChange and operational processes and procedures. Per the State-approved checkwrite schedules, EDS will execute and complete all scheduled checkwrites.

50.2.4.3 Statement of Work

RFP Reference: 50.2.4.3 Statement of Work, Pages 276-277

The following statement of work (SOW) lists the work necessary to deliver the requirements identified in the RFP. The deliverables and/or performance standards are identified for each work item. For easy cross-reference, the SOW number corresponds to the work breakdown structure (WBS) number contained in the project schedule in proposal section 50.2.5.2 Integrated Master Schedule, with the exception of the Operations Section and the Turnover Section, which are not reflected in the DDI project schedule. In order to not repeat information in this SOW, we reference other sections of this proposal containing the details.

STATEMENT OF WORK FORMAT

DDI Section			
SOW Number	**Work Statement Description**	**Performance Standard**	**RFP References**
1.3	**Project Startup Activities.** The start-up phase confirms a mutual understanding of scope, establishes internal procedures, and organizes the team that will complete the planning activities. The start-up phase activities are described in detail in section 50.2.5.1 Integrated Master Plan. The tasks are as follows: • Establish initial project team and internal financial procedures • Review staffing requirements • Set up facilities • Review and debrief final contract • Conduct kickoff meeting • Conduct initial project team orientation • Procure hardware and software • Install interChange hardware and software • Set up iTRACE • Establish initial project environments **Planning.** In this phase, the EDS project management team will develop the project components discussed in section 50.2.5 Section E—Project Management	Performance of these work activities can be measured by State approval of the following deliverables: • Stakeholder analysis • Staffing management plan • Software development and systems engineering methodology • Deployment/rollout plan • EVMS reports • Project schedule • Test and quality management plan • Communication plan • Risk management plan • Change control/configuration management plan • Problem management plan • Security plan • Data accession list • Browser-based project information repository (iTRACE)	50.2.5 Section E—Project Management Plan

	Plan. The planning activities are described in detail in section 50.2.5.1 Integrated Master Plan. The detailed project plan will include the project schedule, quality assurance plan, configuration management plan, communication plan, risk management plan, change control plan, and problem management plan. These plans will be developed in the following activities: • Project deliverables content and format review • Develop stakeholder analysis • Develop staffing management plan • Review cost and budget estimates • Review software development and systems engineering methodology • Develop deployment/rollout plan • Review Earned Value Management System(EVMS) reports • Create project management plan		
1.4	**Ongoing Project Management.** We provide comprehensive project management throughout the life of the project. As described in section 50.2.5 Section E—Project Management Plan the project plan and components are living documents constantly being updated to reflect the current status of the project.	Performance of these work activities can be measured by State approval of updates to the following deliverables: • Project schedule • Test and quality management plan • Communication plan	50.2.5 Section E—Project Management Plan

		• Risk management plan • Change control/configuration management plan • Problem management plan • Security plan • Data accession list This phase also will include State approval of the following deliverables: • Operations management plan • Turnover plan • Business continuity and disaster recovery plan	
1.7.1	**Requirements Verification (RV).** The requirements are validated with the State. Documentation is updated in iTRACE.	Performance of these work activities can be measured by State approval of the following deliverable: • Requirements verification updates in iTRACE	50.2.4 Section D—Proposed Solution Details 50.2.7 Section G—Contract Data Requirements List 50.2.5.3 Master Test Process and Quality Assurance Approach
1.7.8	**Conversion - Analysis, Mapping, Design, Testing and Preliminary Conversion.** EDS will begin data conversion activities early in the project. This will include planning and	EDS will provide the State the following deliverables for approval in this phase: • Data conversion and migration	50.2.4.1.3 Data Conversion and Migration Approach

	requirements gathering. The State will be able to review preliminary data conversion plans.	plans for each subject area • Data conversion requirements analysis and mapping • Preliminary data conversion results	
1.7.5	**Detail System Design Documentation.** The design process will create a technical level design document. In this phase the technical design documentation is created in iTRACE.	Performance of these work activities can be measured by State approval of the following technical design documents: • Recipient management • Provider management • Claims/POS • Third-party liability (TPL) • Prior approval • Automated voice response system (AVRS) • Drug rebate • Managed care • Management and Administrative Report (MAR) • Eligibility Verification System (EVS) • Reference • Benefit administration • Financial • Home health—Early Periodic Screening, Diagnosis, Treatment (EPSDT) • Drug Utilization Review (DUR)	50.2.4 Section D—Proposed Solution Details

		Pro-DUR/Retro-DUR • Computer-based training (CBT) • Desktop publishing • Single sign-on	
1.7.6	**Construction and Unit Testing.** interChange will be modified and enhanced. Application components will be unit tested to verify that a function or set of functions tested meet North Carolina requirements.	This phase contains several EDS checkpoints. There are no North Carolina milestones or deliverables in this phase. Performance can be measured by entry into system testing.	50.2.4 Section D—Proposed Solution Details
1.8	**Testing.** In this phase the following testing activities will occur: • **System Testing—**This testing verifies that the system functions as required based on approved business requirements. • **Inter-System Testing (IST)—**IST verifies that the interfaces between interChange and external systems function according to requirements. This requires coordination between entities for data test cases and scheduling. • **Parallel Testing—**This testing will run converted claims through the new system and compare those processing results to the legacy system to see if the claims priced the same and flagged the same errors.	Performance of these work activities can be measured by State approval of the following deliverables: • System testing results • Inter-system testing (IST) results • Parallel testing results • Regression testing results • Volume/stress testing results • UAT results • User operational readiness test results	50.2.4.1.2 Software Development and Systems Engineering Methodology

	Any discrepancies will be investigated to determine which system was correct. • **Volume/Stress Capacity and Performance Testing—**This testing verifies system performance and capacity scalability under full operations. • **Regression Testing—**Regression testing confirms that changes and upgrades to the software product have not resulted in introduction of new defects. • **User Acceptance Test (UAT)—**UAT tests interChange components, processes, conditions, and cycles, including conversion and interface software for the complete application with system users.		
1.9.2	**DHHS and Provider Training Sessions**. Training plans will be developed for relevant stakeholder groups (target audiences). EDS will develop DHHS and provider training materials. EDS will manage logistics for training delivery. EDS will deliver classroom and CBT training.	Performance of these work activities can be measured by State approval of the following deliverables: • Training plan • Training material and manuals • Completion of training classes	50.2.4.4 Training Approach
1.11.1	**System Implementation.** Implementation will involve delivery and modification of Replacement MMIS code	Performance of these work activities can be measured by State approval of the following	50.2.4.1.4 Deployment/Rollout

	to the State and the final data conversion. Final conversion results will be reviewed with the State.	deliverables: • Status, progress, and variance reports • Final data conversion results • Notification of readiness to assume fiscal agent functions	Approach

Operations Section			
SOW Number	**Work Statement Description**	**Performance Standard**	**RFP References**
2.1	**Mail room.** EDS will prepare and process incoming and outgoing mail. Mail is date-stamped with date of receipt. EDS will print and mail or electronically deliver Replacement MMIS State-approved forms. EDS will prepare RAs for mailing or transmitting, electronic funds transfers (EFTs) for transmitting, and checks for release and mailing.	The performance standard is met when: • Mail date-stamped with actual date of receipt within one business day of receipt • Print and mail Replacement MMIS State-approved forms to providers within two business days of receipt of the provider request (at no cost to the provider).	10.10 Life-Cycle Support Objectives 10.12.1 Operations Management CDRL - Operations Management Plan (OMP) 50.2.4.2 Operations 50.2.6 Section F - Operations Management Approach These references apply to all parts of the

			operations section.
2.2	**Data entry/imaging.** EDS will perform data entry of hard-copy claims. EDS will scan hard-copy claims and accompanying documentation. EDS will pre-screen hard-copy claims before entering claims into the system and return those not meeting certain criteria to providers under the Return to Provider (RTP) letter, indicating missing or incorrect information and log returned claims daily.	The performance standard is met when: • Entry-field accuracy rates are greater than 98 percent. • Every claim and attachment is scanned within one State business day. • Images of checks and written correspondence from or to the provider are indexed for audit purposes throughout the life of the contract.	See SOW Number 2.1 for RFP references for this line.
2.3	**Recipient.** EDS will maintain recipient data and provide access using any combination of recipient ID number or Social Security number (SSN,) name or partial name, date of birth (DOB), gender, Medicare Health Insurance Claim Number (HICN), or county. EDS also will provide capability for name and partial-name search through use of a proven phonetic/mnemonic algorithm, such as Soundex or a State-approved solution. Alternatively, recipients can be classified into multiple concurrent eligibility groups by health benefit program and benefit plan.	The performance standard is met when: • Specified Common Name Data Service (CNDS) data is reconciled with the Replacement MMIS each State business day. • Specified State-entity DMA eligibility data is reconciled with Eligibility Information System (EIS) each State business day. • Specified State-entity DMH eligibility data is reconciled with ASC X12N 834 transactions each State business day. • Online access to State entities'	See SOW Number 2.1 for RFP references for this line.

		eligibility edit/error reports are provided by 7 a.m. Eastern each State business day. • The Replacement MMIS is updated with batch eligibility data from each State entity by 7 a.m. Eastern each State business day. • Each State entity's eligibility data is updated from online processes for State EIS, CNDS, local managing entities (LMEs), and DPH in near real time. • Certificates of Creditable Coverage (COCCs) are generated and the mail date for each COCC mailed is logged. Fiscal agent provides a monthly report with the number of recipients terminated from each health plan and the number of COCC mailed within one month of the termination.	
2.4	**Claims Processing.** EDS will provide online claims resolution, edit override capabilities for each claim type, and online claims adjudication. EDS will provide the capability to sort suspended claims into applicable work queues using	The performance standard is met when: • An internal control number (ICN) is assigned to every claim, attachment, and adjustment within 24 hours of	See SOW Number 2.1 for RFP references for this line.

	K2 workflows.	receipt. • Within 24 hours of processing, a notice of teleprocessed electronic claims files received as either accepted or rejected, along with the number of claims, is sent to the submitter. • Ninety percent of clean claims are adjudicated for payment or denial within 30 calendar days of receipt. • Ninety-nine percent of clean claims are adjudicated for payment or denial within 90 calendar days of receipt. • Nonclean claims are adjudicated within 30 calendar days of the date of correction of the condition that caused the claim to be unclean. • Correct claims are provided disposition and posted to the appropriate account or, when appropriate, additional information is requested within one State business day of receipt. • Hard-copy claims missing State-specified required data are returned within two State business days of receipt.	

		• The State is notified of any delays in the checkwrite process by 8 a.m. Eastern the next State business day following the checkwrite cycle. • The State is notified immediately upon discovery of any erroneous payments, irrespective of cause, and before initiating appropriate recovery action. • Financial month-end reporting to the State is provided within three days from the last checkwrite of each month. • Specified quarterly extract files are provided to the DUR vendor within five State business days of the start of the month following the quarter's end. • Payment claims are adjudicated with the date of service in previous fiscal year July through April claims by the last checkwrite in May for payment, and claims for May and June are adjudicated by the last checkwrite in October of the current fiscal year August for payment because of State	

		fiscal year processing of the State monies.	
2.5	**Pharmacy Point of Sale.** EDS will provide an interactive system that accepts NCPCP-compliant pharmacy claims and processes these claims according to policy including the notification to the provider of potential Pro-DUR alerts. EDS will price pharmacy claims incorporating State-approved pricing methodologies, including using the lesser of logic among the available rate types. EDS will then return the appropriate NCPDP response.	The performance standard is met when: • A response is provided in five seconds or less 98 percent of the time, 24 hours a day, 7 days a week, 365 days a year. • POS is available 99.9 percent of the time, 24 hours a day, 7 days a week, 365 days a year, except for scheduled downtimes. • Applicable documentation and successful test data are provided for State approval within 10 State business days before value-added network (VAN) Replacement MMIS implementation.	See SOW Number 2.1 for RFP references for this line.
2.6	**Adjustments.** EDS will receive, scan, and perform optical character recognition (OCR) adjustments and then process them through the system for adjudication. EDS will direct workload through the K2 workflow engine process.	The performance standard is met when: • Provider-initiated adjustments are processed within 45 calendar days of receipt.	See SOW Number 2.1 for RFP references for this line.
2.7	**Retrospective Drug Utilization Review.** EDS will provide a file of paid drug claims to the Retro-DUR vendor. EDS also will	The performance standard is met when:	See SOW Number 2.1 for RFP references for

	provide a file of recipient, physician, clinic, hospital, and pharmacy provider data to the Retrospective DUR vendor.	• Specified quarterly extract files are provided to the DUR vendor within five State business days of the start of the month following the quarter's end.	this line.
2.8	**Drug Rebate.** EDS will handle required drug rebate activities, such as issuance of invoices, receipts, entry, handling of disputes and update data on manufacturers with whom rebate agreements exist.	The performance standard is met when: • An outstanding rebate balance percentage (that is, more than 45 days) of less than 10 percent of total rebates due for each quarter is maintained, excluding the outstanding balance of Manufacturers' Disputes Accounts Receivable. • Total Medicaid expenditure is provided for multiple source drugs (annually), as well as other drugs (every three years) accurately and consistently 99.9 percent of the time. • Labeler checks received by labeler, check number, amount, date received, date entered into DRS Accounts Receivable file, and date of deposit are logged. The fiscal agent forwards the logs to the State within five business days from the end of	See SOW Number 2.1 for RFP references for this line.

		the previous month. • The drug rebate accounts receivable is updated within two State business days of receipt. • Labeler checks are deposited within one State business day of receipt. • Interest calculation is performed on outstanding drug rebate balances and results are applied to drug rebate accounts receivable 99.9 percent of the time, as directed by the State. • End-of-month drug rebate balancing processes are performed and forwarded to the State for review within five State business days of the end of the previous month. • Drug rebate history data is extracted monthly and moved to the quarterly file within two State business days from the end of the previous month. • Labeler disputes are logged on the date of receipt and forwarded to the State within five business days from the end of the previous month. • Labeler disputes are processed	

		within 10 State business days from the date of receipt. • A Recapitulation Report, which is a revised invoice, is produced for the labeler one State business day after the completion of the dispute resolution. • The Recapitulation Report is sent to State auditor(s) for review and approval by close of business the same day the Recapitulation Report is produced. • The Recapitulation Report is sent to the labeler with a copy of the current summary balance the same day the State auditor's approval is received. • Quarterly invoices for each labeler that has a rebate agreement signed with CMS or the State, as division appropriate, are created and forwarded within five State business days from receipt of CMS tape. Fiscal agent electronically transfers required data to CMS and the State as applicable to the drug rebate requirements within five State	

		business days from invoicing. • Online access to five years of historical drug rebate invoices is provided based on criteria provided by the State accurately and consistently 99.9 percent of the time. • The fiscal agent attends CMS-sponsored Drug Rebate Labeler Dispute meetings, as directed by the State.	
2.9	**Eligibility Verification System.** EDS will provide the capability to receive and process eligibility inquiry and response transactions in real-time and batch transactions.	The performance standard is met when: • A response from the EVS is provided in three seconds or less 98 percent of the time, 24 hours a day, 7 days a week, 365 days a year. • EVS is available 99.9 percent of the time, 24 hours a day, 7 days a week, 365 days a year, except for scheduled downtimes. • Applicable documentation and successful test data are provided to the State for approval within 10 State business days before VAN Replacement MMIS implementation.	See SOW Number 2.1 for RFP references for this line.

2.10	**Automated Voice Response System.** EDS will provide toll-free telephone access for providers and Medicaid recipients to access relevant claims, payment, recipient eligibility, and prior approval information from the Replacement MMIS.	The performance standard is met when: • The daily systems check is performed to verify that the AVRS electronic interface is working properly and the findings are reported monthly. • Transaction analysis occurs by hour of the day, indicating the number of transactions processed, and reports are created monthly. • A response from the AVRS is provided within three seconds or less 98 percent of the time, 24 hours a day, 7 days a week, 365 days a year, except for State-approved scheduled system maintenance. • System checks to the AVRS are executed daily, and the findings are logged. • Monthly AVRS logs are provided within five State business days from the end of the previous month. • A Web site for providers and recipients, nurse aides, potential employers of nurse aides, and so on is operated	See SOW Number 2.1 for RFP references for this line.

		and maintained 24 hours a day, 7 days a week, 365 days a year, except for State-approved scheduled maintenance.	
2.11	**Provider Enrollment.** EDS will enroll eligible providers in a multi-payer environment using a single enrollment strategy. EDS will conduct provider credentialing and source verification of provider participation criteria and requirements and notify providers as needed electronically or by mailing. EDS will provide secure log-on that allows providers to retrieve and update incomplete application or check status of a submitted application. Any paper copies of provider enrollment or required paper copies for retained forms will be scanned and retained in our EDMS solution for easy retrieval and reference.	The performance standard is met when: • Hard-copy provider applications are logged and imaged within one State business day of receipt. • Credentialing and source verification are completed to make sure participation guidelines are met on completed applications within three business days. • Providers who have no negative responses to credentialing requirements are approved within two State business days of receipt of data necessary. • Approval letters and other State-required information are sent within one State business day of provider participation approval. • Denial letters and other State-required information are sent within one State business day	See SOW Number 2.1 for RFP references for this line.

		of provider participation denial. • Urgent reviews are initiated within one State business day of receipt of any adverse provider information. • Receipt of provider appeal requests is acknowledged within one State business day of receipt. • Appeals are adjudicated within 30 calendar days of receipt unless permission for delay is received from the State. • The State is provided with an extract of the MMIS provider tables each business night. • Online real-time access is provided between EIS, Mental Health Eligibility Inquiry, Medicaid Quality Control, Online Verification, Automated Collection and Tracking System (ACTS), and Health Information System (HIS) and the Replacement MMIS from 7 a.m. until 7 p.m. Eastern, Monday through Friday, including non-State business days when EIS is available for online processing, and from 10 a.m. to 5 p.m. Eastern on	

		weekends when EIS is available for batch processing. • Batch access to provider data is provided between EIS and the Replacement MMIS from 5:30 p.m. Eastern Monday through Friday until batch processing is completed. • Initial and ongoing updated e-mail listservs are provided based on initial and ongoing provider enrollments, disenrollments, and change requests on the same day the transaction occurs 99.9 percent of the time. • Monthly system check logs are provided.	
2.12	**Call center.** EDS will operate a Customer Service Call Center. Services will include an automatic telephone attendant that provides a hierarchical, menu-driven capability for directing calls to appropriate Replacement MMIS EDS call center staff. A toll-free telephone number shall be provided for receipt of calls.	The performance standard is met when: • The help desk staff is available from 8 a.m. to 5 p.m. Eastern Time on State business days • At least 90 percent of telephone calls are not on hold for more than 60 seconds before a staff person, not an automated answering device, answers. • Less than 1 percent of	See SOW Number 2.1 for RFP references for this line.

		telephone calls are abandoned, dropped, or receive a busy signal. • Initial and ongoing capability is provided for recording and tracking communications with providers and recipients during State business days between the hours of 7 a.m. to 11 p.m. Eastern Monday through Friday and from 7 a.m. to 6 p.m. Saturday and Sunday 99.9 percent of the time.	
2.13	**Reference.** EDS will provide online access to authorized users for reference and pricing data. We will initiate reference updates and complete as required and process mass adjustments as required. Correspondence will be scanned, indexed and retained for reference.	The performance standard is met when: • Online updates occur within two State business days of receipt. • Mass adjustments are completed within two claims cycles. • Before and after images are returned to the originator of the State Memo the same day the change is made. • Weekly reports for the Contract Monitoring Unit are produced by 7 a.m. Eastern each State business Monday. • The accuracy of file	See SOW Number 2.1 for RFP references for this line.

		maintenance activities is verified and weekly reports are produced for the Contract Monitoring Unit by 7 a.m. Eastern each Monday following the update activity.	
2.14	**Prior Approvals.** EDS will provide capability to receive and adjudicate prior approval requests and adjustments. The Prior Approval Customer Service Center will support inquiries regarding prior approval, referrals and overrides from physicians, pharmacists, recipients, and other healthcare professionals.	The performance standard is met when: • The prior approval business area is updated with prior approval results received from other entities within 24 hours of receipt from each entity, except Fridays, when the updates will be available by 7 a.m. Eastern on the following Monday. • A decision for non-pharmacy prior approval is rendered within one State business day of the receipt of the required information or research for non-emergency prior approval requests. • Prior approval decisions are generated and mailed to appropriate designees within two State business days of rendering a decision. • The State Prior Approval Policy is applied with a 99.9 percent	See SOW Number 2.1 for RFP references for this line.

		accuracy rate based on the information available when rendering a prior approval decision. • Online inquiry and data entry to the Prior Approval data to providers, Fiscal Agent staff, and State-designated staff is available from 6 a.m. until 11 p.m. Eastern Monday through Friday and 7 a.m. to 7 p.m. on Saturday and Sunday 99.9 percent of the time. • For Non-Medicaid only, online inquiry and data entry to the Prior Approval data to AP/LME staff and State-designated staff is available from 7 a.m. until 7 p.m. Eastern Monday through Friday 99.9 percent of the time. • The Pharmacy Prior Approval Customer Service Center is available from 7 a.m. until 11 p.m. Eastern on State business days Monday through Friday, and from 7 a.m. until 6 p.m. Eastern Saturday and Sunday. • System-generated letters to recipients and providers of the status of prior approval requests are produced within	

		24 hours of receipt. • Weekly Pharmacy Alerts are produced. • Each complete pharmacy prior approval request is adjudicated within one State business day of receipt. • A response is sent to a requesting provider within one hour for a telephone request for an emergency override. • A quarterly report of the number of prior approval requests received is created. • A weekly batch processing report is created. • A monthly meeting is held with DUR, the State, and Retro-DUR vendors and Community Care Program and minutes from the meeting are included in the biweekly Project Status Report.	
2.15	**Managed Care.** EDS will provide online access to recipient, provider, claims, and reference data related to Managed Care. EDS will provide a call center for call-in inquiries. We will maintain and process Managed Care capitation rates overrides and withholds as required.	The performance standard is met when: • Requests for changes to capitation payments and management fees are completed within two State business days from date of	See SOW Number 2.1 for RFP references for this line.

		request. • Written override approval requests are entered into the system within two State business days from receipt of the request and a decision is provided to the requesting providers within five State business days from receipt of request. • A requesting provider is sent a response within one hour for a telephone request for an emergency override. • The Data Submission Manual for encounter information processing is compiled, updated, and distributed to providers within five State business days from State date of approval of change. • Toll-free access and a point of contact for Managed Care providers is available between 8 a.m. and 5 p.m. Eastern each State business day. • Managed Care provider telephone messages are responded to within one State business day of receipt of the message.	

		• The Withhold and Penalty Log is provided within five State business days of the end of the previous month. • The file maintenance log for Managed Care-related transactions is provided within five State business days of the end of the previous month. • Managed Care provider enrollment reports are created and available to providers no later than the first day of each month. • Weekly searches are conducted for "exempt" numbers that are linked to the mandatory program category for a system-generated letter advising the eligible of the potential of primary care provider selection from five providers within a 30-mile range. • The Health Choice file is sent to the North Carolina State Health Plan by the third business day of each month.	
2.16	**Health Check.** EDS will maintain the Health Check periodicity schedule. EDS will maintain each Health Check-eligible	The performance standard is met when:	See SOW Number 2.1 for RFP references for

	recipient, the current and historical screening results, referral, diagnosis and treatment, and immunizations, including the provider numbers and dates. EDS will provide this data to the counties as needed and provide support and training as required.	• The Denied Claims Report for Health Check denials is reviewed and providers are contacted by telephone to educate and schedule provider visits if denial rate is greater than 10 percent. • The Health Check County Option File Master Report is reviewed monthly to make certain that participating counties received Automated Information Notification System (AINS) (or Fiscal Agent equivalent) data and Health Check reports. • The Health Check Management Fee Option File Master Report is reviewed monthly to verify that Health Check management fee claims were generated correctly. • The monthly FTE Report is submitted to the State. • The Health Check Billing Guide is updated. • Telephone and on-site technical support and training for Health Check Coordinators are provided. • Annual regional Health Check	this line.

		workshops are conducted for participating providers in six separate sites throughout the State.	
2.17	**Third-Party Liability.** EDS will make certain that claims are cost avoided based on available TPL data supplied through eligibility data. This TPL cost avoidance process will not be applied to preventive pediatric services and prenatal care for pregnant women regardless of other available coverage. Necessary drug invoices for Medicaid, and claims data will be provided to DMA vendors. We will handle DPH and ORRCC TPL recovery processes as required in RFP.	The performance standard is met when: • System-generated letters to providers, recipients, and county offices are produced. • Paid Claims History for State-specified TPL recoveries and provider/recipient collections are adjusted within five State business days from end of the previous month. • Recoveries or collections are dispositioned accurately and consistently 99.8 percent of the time. • Drug invoices for insurance carriers are produced and billed within five State business days of TPL entry. • Accident inquiry letters are mailed to the identified recipients within five State business days from end of the previous month. • Within two State business days of report notification of death,	See SOW Number 2.1 for RFP references for this line.

		three copies of an invoice are generated and sent to the ERE representative at the county Department of Social Services, local health departments, Developmental Evaluation Centers/Children's Developmental Services Agencies (DECs/CDSAs), Purchase of Medical Care Services (POMCS), or other local entities. • TPL edit/error report(s) for ACTS (Automated Collection and Tracking System) are provided for State staff access each State business day. • Daily (next business day) transmission logs are created, showing successful transmission of TPL data to Client Services Data Warehouse (CSDW) and to and from ACTS available for State staff access each State business day. • Recipient TPL data transmitted by ACTS is extracted, processed, and transmitted from the electronic Division of Information Resource	

		Management (DIRM) File Cabinet by 7 a.m. • A daily extract of TPL carrier and recipient resource data is produced and sent to DIRM for ACTS, CSDW, and EIS. • A daily extract of updates to TPL recipient resource data is produced and sent to DIRM for ACTS for Medicaid recipients referred to Child Support.	
2.18	**Financial Management and Accounting.** EDS will maintain a full range of financial management and accounting functions and provided the required financial support for the required financial activities/tasks, such as receipt and disposition of cash refunds and timely deposit of funds received through lockbox mechanisms.	The performance standard is met when: • The State is provided with confirmation and validation of accurate file maintenance request transactions 99.9 percent of the time. • Capitation and management fee adjustments are produced 99.9 percent of the time. • Returned monies are deposited the same State business day of receipt. • Capitation payments and management fees are processed accurately in the month-end claims cycle and payment in the first checkwrite of the next month.	See SOW Number 2.1 for RFP references for this line.

		• HMO withholds and penalties and primary care provider penalties are processed accurately in the next claim cycle after receipt of withholding and penalty requests 99.9 percent of the time. • The planned annual checkwrite schedule is published 60 days before the start of the next calendar year. • The State is notified by 9:30 a.m. Eastern Time on the first State business day following checkwrite of funds required. • The State is notified by close of the State business day of notification from the Controller's Office that funds are in place each day following any delays in check mailings and EFTs. • The State is notified of any delays and reasons in the checkwrite process by 8 a.m. Eastern Time the next State business day following the checkwrite cycle and estimated time frame for completion. • Each checkwrite is balanced accurately 99.9 percent of the	

		time, and any discrepancies are reported to the State immediately. • Check voucher information from the State Controller's Office is accurately processed 99.9 percent of the time and within one State business day of receipt. • Weekly budget reporting is accurate and consistent 99.9 percent of the time. • HMO withholds and penalties and primary care provider penalties are accurately processed in the next claim cycle after receipt of withholding and penalty requests. • Cost settlement activities are performed accurately and consistently 99.9 percent of the time, as directed by the State. • Correct Federal Medical Assistance Percentage (FMAP) is applied to receivables and payables accurately and consistently 99.9 percent of the time within the monthly financial processing cycles. Certain receivables and	

		payables may be subject to prior period FMAP. • Collection and management of accounts receivable/payable occur accurately 99.9 percent of the time. • 1099/W9 earnings reports are produced and mailed no later than January 31 each year and reported to the IRS no later than March 1. • Accounts receivable are removed monthly when a provider record has been terminated for one year. The fiscal agent generates a monthly report of removed accounts receivables. • Program funds paid out and recovered in accordance with State-approved guidelines are accounted for and reported accurately and consistently to the State 99.9 percent of the time. • Each provider's receipts are summarized accurately 99.9 percent of the time for the previous calendar year no later than January 15 of the succeeding year. The summary	

		is provided to the Internal Revenue Service and North Carolina Department of Revenue (NC DOR) by sending a file using file transfer protocol (FTP). • The receipt date of each withholding and penalty request and completion date of withholding or penalty is logged accurately within one State business day of receipt 99.9 percent of the time. • The State is provided a confirmation and validation for each completed date of withholding or penalty on the State business day that the transaction is completed. • IRS regulations are complied with 99.9 percent of the time. • 1099 corrections are issued to providers before March 31 each year. The fiscal agent verifies that corrections are incorporated into the IRS file to report earnings for the prior year accurately 99.9 percent of the time. • Tax identification numbers and tax names are reported	

		accurately 99.9 percent of the time. • Checks received are logged each State business day with disposition denoted, date, time, and individual processing the check accurately 99.9 percent of the time. • Program cash receipts received are deposited into the State-designated State Treasurer's Account each State business day by 1 p.m. and the amount deposited to the NC DHHS Controller is certified by 1:30 p.m. • Other nonprovider checks are processed in accordance with State-approved policies and procedures—such as TPL and drug rebate receipts. The fiscal agent deposits these funds daily into the State-designated State Treasurer's Account 99.9 percent of the time. • Monthly bank account reconciliation is performed and reports are submitted for State approval within 10 State business days of each calendar month.	

		• North Carolina Accounting System (NCAS) account data is received weekly to support checkwrite activity accurately and consistently 99.9 percent of the time. • For Non-Medicaid only, special "timely filing" edits are applied at the end of the State fiscal year for services rendered before May 1 no later than the cutoff for the last payment cycle in June consistently 99.9 percent of the time. • Checkwrite Financial Summary and FPR Reports are completed the day after each checkwrite. • Month-end processing and financial reports are completed, balanced and distributed no later than the fifth business day of the following month. • The system and business reports are produced and maintained as required by the RFP. • Program cash receipts received are logged each State business day in Fiscal Agent/bank-managed lockboxes designated	

		by the State with disposition denoted, date, time, and individual who processed the receipt. • Verification of daily deposit total to receipt logs by an employee who is independent of the lockbox remittance and bank deposit process are provided. • Transactions for program cash receipts received in Fiscal Agent or bank-managed lock boxes designated by the State are processed and posted. • Program cash receipts and adjustments are dispositioned within the month of receipt to the applicable program division, benefit plan, NCAS CAC code and period code, reason code, service, and county code. • An extract of DMH claims data for CDW is produced with each checkwrite.	
2.19	**System Availability.** EDS will provide a system to be consistently and persistently accessible to authorized users.	The performance standard is met when: • The system is available for 99.9 percent of the time annually during production hours of operation, excluding planned	See SOW Number 2.1 for RFP references for this line.

		system downtime. • 90 percent of transactions occur in four seconds or less. • 95 percent of transactions occur in five seconds or less. • 97 percent of transactions occur in six seconds or less. • 99 percent of transactions occur in seven seconds or less.	

Turnover Section			
SOW Number	**Work Statement Description**	**Performance Standard**	**RFP References**
3.1	**Turnover Plan.** The turnover planning process is described in detail in section 50.2.9 Section I - Turnover Approach.	Performance of these work activities can be measured by State approval of the following deliverable: • Turnover Plan	10.12.2 Deployment/Rollout and Turnover CDRL Turnover Plan p. 254 50.2.9 Section I— Turnover Approach
3.2	**Turnover Roles and Responsibilities.** The Turnover Plan will clearly identify roles and responsibilities for turnover activities. The plan will delineate roles and responsibilities for the turnover account manager, turnover technical	Performance of these work activities can be measured by State approval of the following deliverable: • Roles and Responsibilities Section of the Turnover Plan	10.12.2 Deployment/Rollout and Turnover CDRL Turnover Plan p. 254

	director, State, and the new fiscal agent. EDS also provides for a post-turnover support liaison to address issues that might arise and to minimize potential service disruptions.		50.2.9 Section I—Turnover Approach
3.3	**Turnover of Materials.** The turnover of the Replacement MMIS production data, libraries, and documentation will be included as tasks in the Turnover Plan.	Performance of these work activities can be measured by State approval of the following deliverables: • Inventory of Replacement MMIS System Documentation • Turnover of Materials	10.12.2 Deployment/Rollout and Turnover CDRL Turnover Plan p. 254 50.2.9 Section I—Turnover Approach

Early Implementation Section			
SOW Number	**Work Statement Description**	**Performance Standard**	**RFP References**
1.5.4	**Requirements Verification (RV).** The early implementation enhancements to be developed are: • Provider Enrollment • Performance Dashboard • Electronic Document Management System (EDMS) • Cost Containment Unit The requirements are analyzed and	Performance of these work activities can be measured by State approval of the following deliverable: • Requirements Verification Document in iTRACE	10.7 Early Implementation Objectives

	requirements documentation is created and reviewed with the State.		
1.5.6	**Detail System Design Documentation (TDD).** The design process will create a technical-level design document. In this phase the technical design document is created.	Performance of these work activities can be measured by State approval of the following technical design documents: • Provider Enrollment Technical Requirement Technical Design • Performance Dashboard Technical Requirement Technical Design • EDMS Technical Requirement Technical Design	10.7 Early Implementation Objectives
1.5.8	**Construction and Unit Testing.** We will configure the performance dashboard and EDMS to meet the needs of North Carolina. For the EDMS, we will lay the foundation for full features that will be deployed as part of DDI.	This phase contains several EDS checkpoints. There are no North Carolina milestones or deliverables in this phase. Performance can be measured by entry into system testing.	10.7 Early Implementation Objectives
1.5.11	**System Testing.** EDS will system test the processes established by these early implementation items.	Performance of these work activities can be measured by State approval of the following deliverable: • Testing Results	10.7 Early Implementation Objectives
1.5.10	**Document Conversion.** EDS will identify Document Files to Convert. The conversion steps will be defined.	Performance of these work activities can be measured by State approval of the following	10.7 Early Implementation Objectives

	Programs will be developed and tested.	deliverable: • Successful Document Conversion	
1.5.13	**Implementation.** EDS will develop an implementation checklist.	Performance of these work activities can be measured by State approval of the following deliverables: • Successful operation of Provider Enrollment • Successful operation of the Performance Dashboard • Successful operation of the EDMS	10.7 Early Implementation Objectives

50.2.4.4 Training Approach

RFP Reference: 50.2.4.4 Training Approach, Page 277; 10.10 Life-Cycle Support Objectives, Paragraph 3, Pages 11-12

EDS will develop and deliver high-quality, learner-centric training programs that address the needs of the State's users and stakeholders. Our approach to training and our experience in North Carolina give us the foundation for a low-risk transition and continued operational rollouts.

State of North Carolina

We know the success of an organization depends on the success of its employees and program stakeholders, and we understand the State places a high priority on training. Our training approach will offer on-time training that will save valuable work time and deliver productive results.

EDS has implemented interChange in five states, giving us extensive experience in providing a broad spectrum of comprehensive training programs and training delivery. Our experience with other Medicaid state implementations and with North Carolina Medicaid makes us a highly knowledgeable and responsive ally for the State.

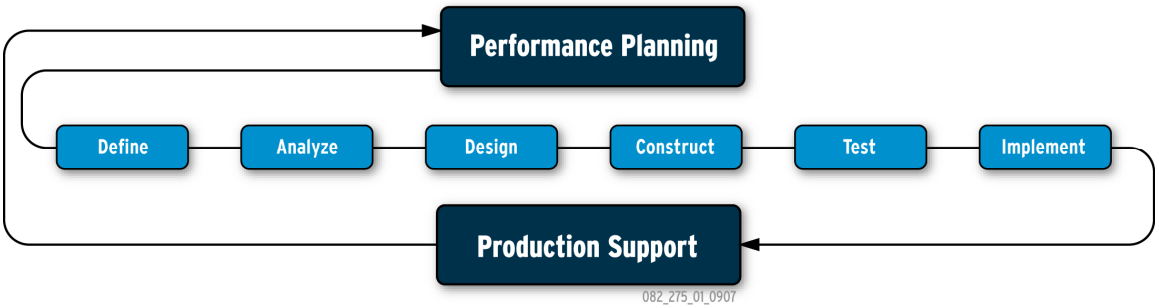
We will work with the State's four divisions and the provider community to fulfill that priority. EDS will develop and deliver high-quality, learner-centric training programs that address the needs of the State's users and stakeholders. Our approach to training and experience with North Carolina Medicaid gives us the foundation for a low-risk transition and continued rollouts.

The approach described in this section is reflective of the training plan, which will be submitted during the DDI Phase. The proposed first submission date for the training plan is November 16, 2009.

Approach to Training

We will use a time-tested methodology, Instructional Systems Life Cycle (ISLC), which is recognized by the International Society for Performance Improvement as the standard for professional training. ISLC will provide the blueprint for EDS to develop performance-based training and focus on people and their roles within the healthcare community in the context of wider business demands. The ISLC methodology includes eight phases, and each phase fulfills specific tasks needed to develop and implement training plans and define the workshop cycle, as depicted in the following exhibit, Instructional Systems Life Cycle.

Instructional Systems Life Cycle



From performance planning to production support, EDS' training ISLC methodology covers the various stages of performance-based training.

The following table, Major Phases of ISLC Methodology, describes how we approach the eight ISLC phases.

Major Phases of ISLC Methodology

Phase	Description
Performance Planning	Define business objectives, determine performance outcomes, and link processes to roles
Define	Identify and analyze the scope, impact, and gap of the resulting role or job performance needs, determine the training strategy to meet those needs, select the delivery media, and develop the training plan
Analyze	Identify the job tasks and audiences affected by the role or job performance needs and document the required behaviors, conditions, and consequences for each job task to determine the course objectives
Design	Indicate which topics and information to include in the training solution, write instructional objectives for each topic, and identify existing training content and business process documentation available
Construct	Create the training solution materials designed in the previous phase, prepare the delivery infrastructure, review pilot, and prepare training materials
Test	Test training solutions to verify that they cover the necessary information clearly and concisely and fulfill stated instructional objectives
Implement	Develop schedules, enroll participants, deliver training and learning, perform post-training follow-up, and measure quality of delivery
Production Support	Measure the effectiveness of the training against the business goals and participants' needs, identify changes and recommend alternatives to meet the changing business goals and participants' needs, and channel new requirements back into the ISLC

A critical part of ISLC is choosing the right media for the training delivery. EDS is well versed in recommending and providing flexible training delivery using alternate media, such as computer-based training (CBT), Web-based training (WBT), and the traditional instructor-led approach. For example, in Pennsylvania we provided 2,636 multimedia training sessions to Commonwealth users.

Additionally, more than 28,000 provider-based WBT courses and Internet demonstrations were accessed in 2006.

In Pennsylvania we provided 2,636 multimedia training sessions to Commonwealth users. Additionally, more than 28,000 provider-based WBT courses and Internet demonstrations were accessed in 2006.

By identifying and understanding the various training delivery options, we can select the most effective media choices and methods for our training courses to the four divisions that will be delivered through the Learning Management System (LMS). Use of the LMS provides the tools for the creation of WBTs and enrolling State staff in CBT and standard reporting on test results, course progress, and verification on completion.

We understand that a significant concern in any training curriculum is the appropriateness of the content and that the delivery media is predicated and dependent on that content. Our training opportunities use various learning modalities—including auditory, visual, and kinesthetic (hands-on)—to promote learner success and skill set integration.

EDS' options for delivery of training include the following:

- **Instructor-led—**The pace of the training can be adapted to the class. Immediate feedback is possible. Instructor-led classes can be combined with hands-on training using the computer.
- **CBT—**This self-paced training is presented through the personal computer (PC) workstation, either online or by CD-ROM.
- **WBT—**Training reaches the widest possible audience through the Web. EDS uses standardized materials that include the most current versions available. This delivery approach also allows material to be used for cross-training.

As appropriate, EDS uses these various approaches in training. For the Replacement MMIS implementation, these three approaches will be applied and supported. Having implemented interChange for other state Medicaid programs and through our years of service to the healthcare industry, we have developed an extensive inventory of training materials. Courses will be developed in the format that best fits the content and audience. EDS will assist the State with the evaluation of learner needs as a part of the planning process.

Training Classroom

For the State's staff and business ally users, EDS will provide a designated classroom to conduct monthly or quarterly training for as many as 50 attendees. EDS will provide a training room equipped with PCs and training-related equipment that will facilitate the most conducive setting for user training.

It is important to have an environment that is conducive to optimal learning and allows the participant to concentrate on the training goals and objectives. EDS will work with the State to determine the geographical areas and specific facilities across the State to conduct training.

EDS will create an ongoing list of training venues that offer an optimal training environment at a reasonable cost.

Training Materials

Our talented and dedicated training staff members know how to develop, deliver, and validate training modules and seek out technical and business experts to validate accuracy and completeness of the training modules. EDS will work with the State to identify the specialized training materials that must be addressed for targeting specific entities. Because EDS has significant experience in the Medicaid industry, we understand there may be a need to integrate training materials to address specific entities. For example, a program integrity unit may need slightly different training materials to understand how their job function relates to the overall Medicaid process.

Each session will provide the opportunity for attendees' review, feedback, comment, and approval. Each of these steps will be developed from a detailed training plan to make sure we meet the deliverables associated with the training time lines, content, delivery, review, and approval process.

Our training staff is well versed in verifying the course content, making sure the level of detail is appropriate and accurate, confirming the course structure fits user job functions, and validating that hands-on exercises are realistic to the job performed in production. EDS has been providing Medicaid training for more than 40 years, and we will use our experience to make continuous program and curriculum improvements.

After a training module is developed and approved by the State but before training delivery, we will use training walkthroughs to evaluate the effectiveness of the course. Training walkthroughs prepare the instructor to deliver the session and make sure the training is of professional quality with appropriate content and flow. A training walkthrough gives the trainer an opportunity to organize the presentation and practice delivering the materials in a safe environment.

Walkthroughs are performed internally and externally. External walkthroughs are classified as "formal" and the appropriate staff will be invited to the session to see the training content and materials. The purpose of the formal walkthrough is to provide the trainer with additional practice and allow stakeholders to see the entire presentation of the session. The intent of the walkthrough is to provide constructive feedback to the trainer regarding the training materials before an actual session and incorporate feedback as appropriate.

Training and Learning Evaluation

Training and learning outcomes will be evaluated in the following ways:

- **Quality of training delivery—**The trainers will use evaluation tools to enhance their training delivery from information gained through the evaluation process.
- **Training coverage—**EDS will work with the State's four divisions to evaluate participation and access to training compared with training objectives and targeted profiles.

State Staff Training

We will train the State's staff members and other stakeholders in the interChange system, the use of its components, and the associated business processes.

EDS trainers will work with the State to assess, recommend, develop, and provide a cohesive training plan that addresses the requirements of the training process. We will establish a training schedule that meets the training needs of State users and provides ample opportunity for participants to learn through an appropriate training delivery format—CBT, WBT, or facilitated training.

We understand training initiatives are most successful in a collaborative environment. To support this collaboration we will work with the State to identify the courses that meet the needs of the four divisions using interChange.

Provider Training

Using our experience in state Medicaid MMIS implementations and our ongoing experience in North Carolina, we will develop and deliver training for the State's provider community. We will work with the State to develop the provider training plan and materials.

Completing overview and fundamentals courses will allow users to develop a baseline level in their understanding of the interChange system. Classroom inquiry and update training courses will be developed that will meet user needs based on their security levels and job responsibilities.

Course Presentation and Publication

Throughout planning, development, and delivery of training, we will use the presentation tools and interactive training that most appropriately augment and support the course content. Because Microsoft PowerPoint is a powerful tool for producing training materials and the materials can easily be converted into a self-paced learning environment, we frequently integrate PowerPoint into our training materials and courses. For example, our PowerPoint information may include key concept descriptions, diagrams, and flowcharts that offer an

overview; interChange page and panel shots that help the learner see what is used in production; and page and Web panel shots that describe specific system features.

We will maintain version control of training materials for consistency throughout the courses, regardless of the trainer assigned to teach the course.

Maintenance of Training Materials

Solid, user-friendly training materials are important for a training session to provide the highest value to participants. The materials must accurately reflect the latest version of interChange that users will see when returning to their workstations.

As EDS worked with the five states operating interChange, we captured the information for training materials reflecting changes as updates and improvements were made to interChange. We also have developed a culture of strong relationships between the interChange technical and training staff members that will support the success of our training plan, programs, and curriculum. We will be vigilant in our maintenance of training materials that reflect version changes to interChange and update the training materials with significant program and system changes.

The EDS instructional design specialist (IDS) will be responsible for updating the training materials inventory. The IDS will work with appropriate EDS technical staff members and EDS training specialists to update information into the materials. The IDS will maintain version control for training courses so that materials are consistent and reliable.

Each training session will include a participant evaluation that gathers data regarding the training materials. The trainer will share those results with the IDS, thereby verifying that the materials reflect the latest version of interChange.

Appropriate Hardware, Software, and Telecommunications

EDS will furnish and maintain the appropriate hardware, software, and telecommunications to support the development, maintenance, and presentation of training programs, as discussed in the following subsections.

Development and Maintenance

Our 40 years of service to the Medicaid industry give us the unique ability to finely tune the most appropriate ways to create and present learner-centric courses using various types of media that concentrate on effective and efficient use of interChange. In Pennsylvania alone, tens of thousands of providers and users have taken our online training courses and continue to use them every day.

EDS will use various software for training development, including Microsoft Word and PowerPoint. Additional software may be used for development and maintenance of CBT and WBT courses. This software will be furnished and maintained for use by the training staff.

We will use an LMS product for the creation and presentation of online training courses. The LMS also functions to track enrollment of individuals in WBT classes, offer standard reporting on user or provider proficiency results, give course progress, and offer course completion information. The LMS will offer a flexible platform that streamlines administration of training, regardless of the delivery method. It will support a smooth facilitation between online and classroom-based learning opportunities and comprises physical classroom and resource management, course catalog management supporting bulk and self-enrollment, curriculum and completion certification support, wait lists and notifications using e-mail, standard out-of-the-box reports, maintenance of content and delivery of content to users, and tracking of student progress.

EDS will create CBT events and proficiency tests and import third-party courseware content as needed. After the CBT course has been finalized for publishing, the EDS training staff can quickly and easily post CBT courses to the interChange portal and iTRACE.

Presentation

Our training staff will use several training tools including PowerPoint software during classroom training sessions. The software that is needed to access the training environment is Internet Explorer version 6.0 or higher for access directly through the interChange Web portal for providers and through iTRACE for State users.

The training environment can support concurrent application training classes. The environment will be an integrated part of the interChange solution and allow for independent training data refreshes as controlled by the trainers and training schedules with State approval.

Detailed Training Plan and Curriculum

We will work with the State to develop and establish an educationally sound training plan that meets the learning needs of Replacement MMIS users and providers. We are a proven provider of innovative and flexible solutions that support current and future healthcare reform initiatives.

EDS will train stakeholders and business partners in the use of the Replacement MMIS components and the associated business processes—such as overall system functions, operability, technology, processes, and operations—that will be addressed in the appropriate training activities. We will create a Training team to plan, develop, facilitate, schedule, and deliver MMIS training to the user

staff. This team will work with the State to assess, recommend, develop, and provide a cohesive training plan that addresses the requirements of the training process. A training schedule will be established that meets the training needs of State users and provides ample opportunity for participants to learn through an appropriate training delivery format (CBT, WBT, or facilitated training).

Our training goal is to make sure users understand and can successfully navigate through the system to perform their job responsibilities.

Because we understand that training initiatives are most successful in a collaborative environment, we will work with the State to identify the courses that meet the needs of users and facilitate an optimal learning outcome. Our training is designed to verify that personnel participating in specific training activities retain knowledge of the new functions and procedures, and that they have the tools needed before being expected to begin their operations activities. The courses are developed to correlate the course goals, objectives, and measurable outcomes with proficiency testing to help users understand the main concepts of the course. This approach significantly reduces any risk associated with implementing a new system and increases the users' comfort in their ability to master new work patterns.

CMS certified EDS' interChange MMIS in Pennsylvania back to the first day of operations with no adverse findings. This milestone was achieved, in part, because of the rollout implementation training effort in the classroom and through CBT/WBT courses. More than 1,527 Pennsylvania Medical Assistance program staff and EDS staff received classroom training, and an additional 1,109 users used the CBT/WBT courses interChange Overview and interChange Fundamentals.

The EDS and Pennsylvania training staff saw users with two security level needs, including users with inquiry-only needs and users with system update and maintenance needs. EDS understood that users could not successfully take and acquire new skills in the classroom inquiry and update courses without having an overview and basic understanding of the interChange system.

Because of this understanding and to meet the individualized needs of users supporting the interChange MMIS, an Overview and a Fundamentals course became prerequisites for users. The Overview course was developed as a WBT, thereby allowing users to access the course from a secure environment any time the learner needed it. The Fundamentals course was developed and delivered in a WBT and facilitated face-to-face format. Users could access the WBT version of the Fundamentals course from a secure environment 24 hours a day, 7 days a week.

Use of the Overview and Fundamentals courses allowed users to come up to a baseline level in their understanding of the MMIS. EDS training staff members also integrated content on the MMIS help features, such as iTRACE and online point-and-click definitions. Classroom inquiry and updated training courses

were developed and delivered to meet the needs of users based on their security levels and job responsibilities.

The following table, User Implementation Training for Pennsylvania interChange, demonstrates the courses, delivery media type, and attendance information for user training during MMIS implementation for the Pennsylvania Medical Assistance program. EDS training staff members met the individual needs of users by offering a robust course schedule and WBT courses. Some of the courses in this table are for a non–fiscal agent contract. As the Replacement MMIS implementation is for a fiscal agent services, there will be differences in the courses.

User Implementation Training for Pennsylvania interChange

Course	Delivery Media Type	Attendance/ Accessed
Overview and Fundamentals CBT/WBT	WBT/CBT	1,109
Overview	Classroom	479
Fundamentals	Classroom	509
Financial Inquiry	Classroom	20
Adjustment/Financial Update	Classroom	41
Claims and Encounters Inquiry	Classroom	31
Claims and Encounters Update	Classroom	30
Intranet	Classroom	87
Managed Care Inquiry	Classroom	8
Managed Care Update	Classroom	14
Prior Authorization Inquiry	Classroom	91
Prior Authorization Update	Classroom	70
Provider Inquiry	Classroom	87
Provider Update	Classroom	17
Reference Update	Classroom	23
TPL Inquiry/Update	Classroom	20
Total		**2,636**

Training is the most consistently reliable approach that empowers user staff with the knowledge to successfully and confidently use the Replacement MMIS. The information throughout the subsections of this response will further elaborate on how we will fulfill the requirements for individualized training.

Detailed Training Plan

Our approach to developing a training plan recognizes that learning is part of the overall management of change within an organization. We are prepared to provide a quality training experience for interChange stakeholders.

We will analyze the State user survey to assess and finalize the training plan. We will structure the finalized training plan, agendas, and materials to meet the needs of the State's user and provider communities. Key areas to our finalized training plan will include the following topics:

- Identifying the framework and methodology EDS uses to develop training
- Defining EDS and State roles and responsibilities
- Defining the strategic approach used to develop the training work pattern and use of the survey results
- Identifying the number of users to be trained by type of training
- Listing the standard training courses and course duration
- Describing the training delivery methods and the strategy for delivery, including the format and content of training materials
- Defining the evaluation of the training development process
- Establishing the training schedule
- Defining the quality assurance process and the integration of training session evaluations into future training

To execute the finalized training plan, we will develop a detailed work plan that includes the milestones and deliverables presented in a State-approved format using EDS' project management methodology. We will integrate this work plan into the overall MMIS implementation program plan to verify that interrelated and dependent tasks remain linked and that training is delivered as intended.

The State and EDS will use the detailed work plan to manage and evaluate progress on the Replacement MMIS training activity and monitor progress based on milestones and key dates. The detailed training work plan will include key dates, deliverable dates, and the related tasks and subtasks to complete a detailed plan.

Training schedules for State staff members will be posted on iTRACE. We envision that schedules will be published monthly and that State staff members will receive notice of courses for which they have been registered and are expected to attend.

Curriculum

Our training plan will include curriculum and learning objectives designed at three levels of detail for trainer-led classroom training:

- **Overview—**This level of training will be provided to users and providers who need to have a high-level overview of the system and its capabilities. This session is intended to familiarize participants with system features and navigation tools. In previous implementations, EDS has integrated a CBT/WBT overview course and a required fundamentals CBT/WBT or facilitated course for users. Similarly we have integrated a Medicaid overview for providers. Our training plan will include these overview courses for interChange learners.
- **Detailed—**The detailed level of training will include the following:
  - **User training—**This level of training will be provided to appropriate State staff and include hands-on instruction about the system, including a detailed review of the topic-specific subsystem, such as Recipient or Reference. This training will be designed to enable State system users to become familiar with the functional area pages and Web panels associated with the topic-specific subsystem. Participants will experience hands-on activities with the subsystem in the context of the business process they need to perform. At the end of the training, participants can relate the topics discussed and practiced in the session to the real-life situations experienced in production.
  - **Provider training—**The EDS field representatives also will conduct 70 provider training session per year for the four divisions as defined by the yearly plan. Other training includes workshops based on the denial report, on-site classes as requested by providers, newly enrolled training classes, training for annual meetings or billing groups, health check providers, and claim encounter workshops for providers.
- **Specialized—**Realizing that some individuals will require a deeper, more concentrated focus in a particular area of interChange, EDS will work with the State to evaluate the need for specialized training.

EDS has started with a core curriculum and learning objectives in the training plans that have been successful in numerous interChange implementations. The State and EDS will work to analyze the core curriculum and any need for changes. Collectively, the user courses may cover Replacement MMIS functions in the following areas as reflected in the following table, Sample User Training Curriculum.

Sample User Training Curriculum

Course Title	General Description	Primary Topics
Replacement MMIS Overview (CBT/WBT)	Designed for State user staff to provide an overview of the system	• Introduction to interChange and its subsystems • High-level review of changes for providers
Replacement MMIS Fundamentals (CBT/WBT and classroom)	Designed for State user staff to access the various functional areas within the system	• Basic navigation • Orientation to selected interChange functional areas • Help-related tools
Claims and Encounters Inquiry	Designed for State user staff who need to access claim inquiry pages and panels	• Claim inquiry–related panels • The information available and accessed through the claim inquiry panels • Looking up claim information on paid, suspended, and denied claims and encounters • Distinguishing between the various claim inquiry panels
Financial	Designed for State user staff to understand how to access financial-related information in interChange	• Financial functional area–related panels • Accounts receivables • Liens and payment withholds • RA banner messages • SAP and fund codes
Recipient	Designed for State user staff to understand how to access recipient-related information	• Recipient-related pages and panels • Lock-in • Eligibility • TPL resources • Plan of care • Eligibility verification system (EVS) information
Prior Approval	Designed for State user staff to understand how to access PA information	• PA-related panels • The information available and accessed through the PA inquiry panels
Provider	Designed for State user staff to understand how to access provider-related information in interChange	• Provider-related panels • Address • Service locations • Provider eligibility • Tax • Certifications and licenses • Rates

Course Title	General Description	Primary Topics
Reference	Designed for State user staff to understand how to access the reference pages and panels in interChange	• Reference-related panels • Diagnosis-related information • Health Care Financing Administration (HCFA) Common Procedure Coding System (HCPCS) information • Drug-related information • Edits and audits
Third-Party Liability	Designed for State user staff to understand how to access the TPL-related pages and panels	• TPL-related pages and panels • Health Insurance Premium Payment (HIPP) maintenance and processes • Postpay billing • Case tracking • TPL Reports

EDS understands that a primary goal the State has for the implementation of its Replacement MMIS is that the provider and recipient communities make a smooth transition from the old to the new. EDS shares this goal and wants to make sure the provider and recipient communities are fully prepared for the MMIS transition.

The provider and recipient courses will include those listed in the following table, Sample Provider and Recipient Training Curriculum.

Sample Provider and Recipient Training Curriculum

Course Title	General Description	Primary Topics
Medicaid Overview (CBT/WBT)	Designed to give providers and recipients an overview of the Web portal	• Introduction to the Web portal and claims overview • Claim and PA forms and different resources for completion of claims and PAs • Points of contact
Provider Web Portal (CBT/WBT)	Designed to give providers an overview of the MMIS	• Basic navigation and overview • Submission of claims and encounters, PAs, and referrals using the Web portal • Help-related tools
Provider Workshops	Designed for multiple providers to learn about general information	• Claims and encounters processing • PAs and referrals • Provider billing • State business rules

Course Title	General Description	Primary Topics
		• Web portal and AVRS • Other specialized targeted areas identified by the State and EDS
Provider Workshops (Targeted)	Designed for providers to learn about a program each month, with information specific to each program and identified by policy changes or changing business model	• Web portal and AVRS • Submission of claims and encounters—paper and electronic • Claim adjustments • The use of RAs • Requesting PAs and referrals • Verifying recipient eligibility and benefits

Training walkthroughs will be done to make sure the training materials used in a course are appropriate. The walkthrough also prepares the trainer to deliver the session and be sure the session delivery is of a professional quality. EDS prefers to give trainers an opportunity to organize their presentations and practice delivering their materials in a safe environment.

In the user and provider training courses, the general content of the training materials will be established with the State. EDS' training staff will verify that the training materials reflect the current version. Reviewers will evaluate the technical accuracy and completeness of the concepts and practices in the training material to verify that the course objectives are met. We will conduct training walkthroughs to make sure the training materials used in the courses are appropriate.

Ongoing and New Staff Training

EDS defines ongoing training as training that occurs after implementation. We understand that State and EDS staff members may need ongoing training. We also understand that newly hired State staff members will need an opportunity to participate in appropriate training.

Because interChange is not a static system, some change is to be expected. When there is a need for significant changes to the system, EDS will provide training to the agreed-on State staff members and providers before the implementation of a modification change.

Ongoing training support will be available for users and providers when there are significant updates that affect business processes made to interChange. Training will vary based on the extent of the update and the number of users affected. A simple change—for example, a field name change—may be more appropriately relayed through a banner message or Web portal alert to providers and an e-mail to the State and EDS users affected by the change. Use of an

existing State staff e-mail distribution list may be ideal as the tool used to communicate with State users. A more complex change, such as a new interface, may require changes to the curriculum and a training session.

Before the implementation of a modification, the State and EDS will work to determine the most appropriate training tool and venue for update training. Modifications to the training schedule will be made and placed in iTRACE. EDS and the State will work together to create a communication strategy for State users without Web portal access. We want stakeholders affected by any significant changes to receive the needed training.

Training Staff

EDS has a holistic approach to training because we know working in an integrated manner is the best way to achieve training success. EDS will recruit a User Training team and Provider Relations Training team that will create a quality training program to include development, delivery, assessment, and built-in quality improvement strategies. The Training team will play an equally important role in setting the training strategy so that a quality program is implemented. Responsibilities of the Training team will include working with the State to confirm requirements, defining, generating, and producing training requirements, reviewing and evaluating the post-session user evaluations, and working with key stakeholders with daily operational issues.

We will provide professional trainers who understand interChange functions and Medicaid business processes and procedures. The interChange training teams will comprise IDSs, training specialists, and provider field representatives

IDSs

The IDS will play a critical role in the training activities for EDS and the State. The two EDS IDS staff members will be responsible for the following:

- Developing and deploying training solutions that are aligned with EDS and State training needs, including training material solutions
- Determining the optimum mix of training media, including trainer-led, CBT, and WBT
- Developing the project management approach to training solutions for the enterprise and setting the framework for future training activities, including scheduling training sessions
- Facilitating training to the State, EDS, and the provider community
- Preparing the annual training plan and training reports

Training Specialists

Training specialists will play a key role in preparing the State and the EDS account in the transition to interChange. The training specialists will be responsible for the design, development, delivery, and evaluation of training and support personnel based on direction set by the State and the IDS. The training specialist will be responsible for the following:

- Reviewing appropriate training and provider information to learn training session content
- Delivering effective training to State and EDS users, as well as the provider community when needed
- Verifying that training products are technically accurate and matched appropriately to the audience
- Testing and implementing training products, such as materials and CBTs
- Possibly providing tutoring and supplemental training to the State, EDS, and provider community participants based on need and request

Provider Field Representatives

Provider field representatives will be ambassadors for the State, conducting on-site provider training, presenting workshops and training sessions, and attending various provider conferences and advisory meetings. Provider field representatives also will handle the more complicated provider inquiry issues. The provider field representatives will support the following responsibilities:

- Scheduling and holding on-site visits with providers and researching provider claims in preparation for each visit
- Documenting the topics discussed during visits, following up on any open issues, and monitoring provider claims and encounters to provide resolution to issues discussed
- Providing software and billing training and periodic training seminars for mass training
- Serving as liaison between the State and the provider community
- Developing and maintaining relationships with key association groups to facilitate open communication through various methods

This EDS Training team and EDS Provider Services team will work directly with the organizational training function within the State. We will use our experience with Medicaid and our familiarity with North Carolina Medicaid to develop and deliver consistent training initiatives for the user and provider communities.

CBT and WBT Applications

EDS has significant experience in using various CBT and WBT applications for interChange training. Our CBT and WBT solutions function as a training application, tutorial, or as reinforcement training. Because of our experience in Medicaid implementations, we already have developed several CBT and WBT courses for users.

An excellent example of how EDS developed and implemented a successful WBT application is in Pennsylvania's interChange MMIS implementation. After initial implementation training, several provider WBT courses were developed and implemented—including Provider Awareness, CMS 1500, UB-92 LTC, CMS 1500 Waivers, and UB 92-Outpatient. Additionally, WBT and CBT courses were developed for users, including interChange Overview.

Another good example of our WBT application is found in the Provider Awareness course we built for Wisconsin. The following exhibit, Sample WBT Provider Awareness Course Web Page, shows the successful WBT application that was part of Wisconsin's MMIS implementation.

Sample WBT Provider Awareness Course Web Page

Users employ simulations as training tools.

EDS develops CBT and WBT solutions that allow participants to see and use interChange by allowing them to interact with actual replicated pages and panels in the system. For example, if the interChange panel requires users to enter data in a field or click on a button, this activity is simulated as the user enters data in a field or clicks on a button.

Training materials developed in Microsoft PowerPoint for a lecture-style course can be transferred into a WBT and CBT module for individual use. Therefore, this solution can demonstrate a task as an interactive session in which the learner can practice a task, or as an interactive session with training prompts to function as a tutorial or reinforcement training for the learner.

The user WBT courses developed in Pennsylvania, for example, reside on the EDS Web site, from which users are launched to the client's Web site. The provider WBT courses reside on the EDS Web site. The State and EDS will work to evaluate the best way to launch into a WBT course for the Replacement MMIS.

Incorporation of Training Cases

Adults learn best through using the three learning modalities—visual, auditory, and kinesthetic (hands-on) experiences. We can better apply new knowledge and skill sets into existing paradigms when we participate in learning activities that most closely parallel those in our daily environment. Realizing that our ultimate training goal is appropriate use of new information, EDS integrates hands-on training cases into our facilitated, CBT, and WBT courses.

For example, in the interChange Fundamentals facilitated course and in the CBT and WBT courses, we take users through actual interChange pages and panels when we are explaining key concepts. Users will log on to a secure training area that is a scrubbed replica of the interChange production environment during a "live" training session. When in the system, users navigate through the areas the trainer is talking about. Similarly, our CBT and WBT courses capture and input scrubbed replica pages and panels as users navigate through the key concepts covered in the course.

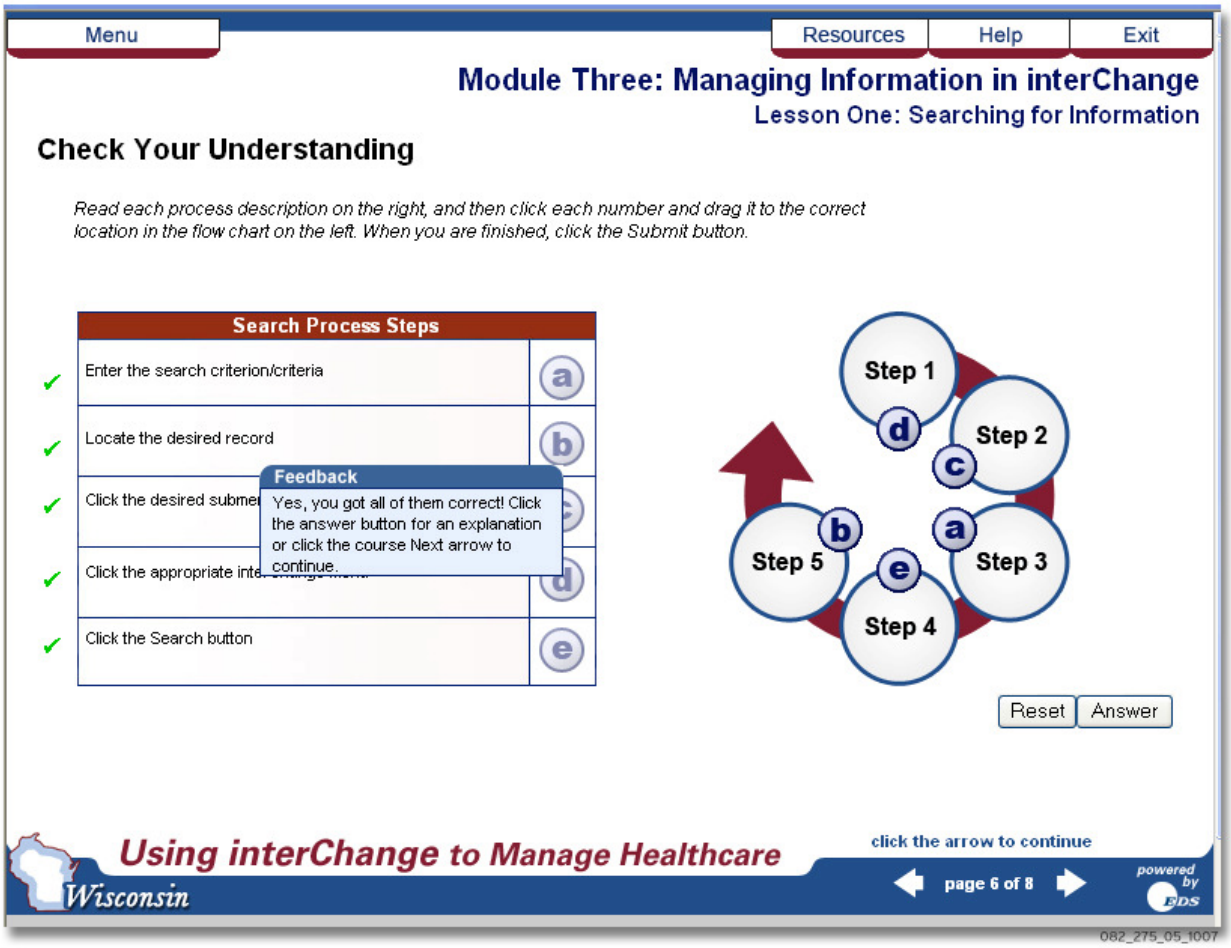
We can capitalize on our knowledge gained during numerous interChange implementations and by developing and delivering courses that use known best practices in adult education and training.

Proficiency Testing for CBT and WBT

EDS provides training that gives participants tools and knowledge that can be applied easily to their job responsibilities. We develop our CBT and WBT solutions with an integrated electronic proficiency test that requires each user to answer the questions correctly before recording a "course complete" status. After the course has been successfully completed, the LMS is updated with current information, and the student is given credit for completing the course.

The following exhibit, Sample Electronic Proficiency Test Feedback, demonstrates how we integrate proficiency testing into the Wisconsin MMIS Provider Awareness course.

Sample Electronic Proficiency Test Feedback



An integrated electronic proficiency test requires each user to answer questions correctly before recording a course complete status.

It is important to offer participants the opportunity to learn the key concepts within each course. Our goal is to make sure learning has occurred. Therefore, for incorrect answers in the proficiency test, we provide the correct answer with the appropriate narrative that explains the key concept and any further information that can provide additional reinforcement. EDS wants users to walk away from training opportunities feeling confident in their ability to perform job responsibilities and know where to find additional information about the Replacement MMIS.

State Review and Approval

EDS wants to make sure time lines are met for the State's requirements. It is in everyone's best interest to plan and prepare for training systematically. Organization and opportunities for open communication with concerned State and EDS stakeholders better enable successful training initiatives with optimal learning outcomes. Therefore, we will put into the detailed work plan key dates, deliverables, review, feedback, and comment time lines; review and comment integration; and dates for approved training plans and materials.

As with other interChange implementations, EDS will use Microsoft Project as a project management tool to develop the detailed work plan. The State and EDS will use the detailed work plan to manage and evaluate progress on Replacement MMIS training activities. The work plan will include milestones for training plans and training materials to go through State review, feedback, comments, and approval at least one month before delivery of a training session.

Training Creates a Strong Foundation

interChange will revolutionize the work processes for everyone who touches the system—State personnel in the four divisions, providers across the State, and EDS' fiscal agent staff members. These individuals have become accustomed to and comfortable with the Legacy MMIS+ established processes. EDS' training strategy, approach, and plan will help us make a successful transition from the current environment to the new Replacement MMIS environment.

This strategy will combine tools already proven to work for interChange implementations in other states with the established relations with North Carolina providers that have been in place for many years. A training plan that incorporates the differing needs of the four divisions and providers across the State with highly effective tools and strategies will provide a strong foundation for success.

To demonstrate our successful approach to training, we provide the Kentucky MMIS Commonwealth Training Plan following this page. As stated in RFP section 50.2 Technical Proposal Requirements, this sample does not count toward any page limit.

New KY MMIS Commonwealth Training Plan

Kentucky MMIS Project

Cabinet for Health and Family Services
Kentucky Medicaid Office

March 07, 2006

SAMPLE

Cabinet for Health and Family Services Kentucky Medicaid Office		
Role:	Name:	
Author	Clare Wefelmeyer	
Reviewer	Bernice Shelton	
EDS Management	Mark Noble	
Client	Commissioner Shannon Turner, J.D. Deputy Commissioner Jan Howell, J.D. Sandeep Kapoor	
DELIVERABLE TITLE: New KY MMIS Commonwealth Training Plan	DATE SUBMITTED: 03/07/2006	
LOCATION and FILE NAME: KY_MMIS_Commonwealth_Training_Plan.doc		AUTHORING TOOL: MSWord2003

Table of Contents

Document Change Log

Version	Changed Date	Changed By	Reason
1.0	8/19/05	Clare Wefelmeyer Angela Maternowski	Create initial Commonwealth training plan draft
2.0	9/06/05	Clare Wefelmeyer Brad Thurmond	Updated per Commonwealth feedback
3.0	10/21/05	Josh Pawlak	Updated to include additional Commonwealth End Users. Verified all updates from 9/6/05 review were applied. Changed from draft of plan to template
4.0	01/25/06	Clare Wefelmeyer	Updated plan with revised approach
5.0	01/30/06	Derek Simons	Updated based on PMO Quality Review

1 Executive Summary

The New KY MMIS Commonwealth of Kentucky Training Plan, herein after referred to as the Commonwealth Training Plan, describes how EDS plans to train Commonwealth staff and/or its designees, as mutually agreed upon by EDS and the Commonwealth, at all levels, in the proper use of the New KY MMIS procedures and processes. The training shall focus on processes, how the end user performs his or her job function utilizing the various panels, forms, letters and reports associated with each subsystem.

1.1 Commonwealth Training Scope

The Commonwealth Training Plan provides an approach based upon the currently known scope of the New KY MMIS project. The plan evolves over the course of the Design phase and through the completion of the Implementation phase. The intent of this document is to establish the direction for subsequent training planning, development, and delivery activities. The Commonwealth Training Plan draft shall be considered final after the Commonwealth and EDS agree upon the following key elements highlighted in this plan:

- Targeted End Users;
- Training Courses and Methods;
- Training Schedule;
- Remedial and Ongoing Training; and,
- Training Support Staff.

This plan follows the training approach as outlined in the Training Plan Approach Template for the KY MMIS Project.

1.2 Commonwealth Training Plan Objectives and Assumptions

1.2.1 Objectives

The Commonwealth Training Plan educates Commonwealth staff and/or its designees, such as Contractors, to:

- Understand changes in how they perform their roles (where applicable), and the business drivers for changing responsibilities;
- Obtain the knowledge of the New KY MMIS necessary to perform their job function successfully;
- Have a general understanding of changes to processes related to their job function; and,
- Have a detailed and/or specialized understanding of how to follow processes specific to their job functions.

1.2.2 Assumptions

The Commonwealth Training Plan has the following assumption.

- Commonwealth training participants should have experience with PCs, use of the Internet, and using the Windows environment prior to this training.

2 Targeted End Users

Targeted end users, as referred to throughout the Commonwealth Training Plan, include 1) those end users who may require process and/or job function training for the New KY MMIS and 2) those end users outside of the New KY MMIS effort, who currently use New KY MMIS systems and whose functionality is replaced by the New KY MMIS. The level of training for end users varies based on their skill level and job function.

2.1 Commonwealth End Users

Targeted end users include the personnel within the Commonwealth agencies listed below.

- Cabinet for Health and Family Services
  - Department for Medicaid Services (DMS)
  - Department for Mental Health & Mental Retardation (DMHMR)
  - Department for Community Based Services (DCBS)
  - Office of Information Technology (OIT)
  - Office of Inspector General (OIG)
  - Office of the Ombudsman
  - Department for Public Health
- Office of the Attorney General
- Kentucky Transportation Cabinet

Targeted end users also include contactors within the organizations listed below.

- KMAA (First Health)
- Passport (Managed Care)
- Myers and Stauffer
- Public Consulting Group (PCG)
- EDS

The following sections discuss the specific organizational areas targeted for training. Please note: The number of staff listed in Section 2 is based on Transition training registration information and organization charts as of December, 2005. These numbers shall be validated over the course of training development and delivery.

2.1.1 Cabinet for Health and Family Services

The majority of targeted end users for training are in the Cabinet for Health and Family Services.

2.1.1.1 Department for Medicaid Services

Division	Branch	Overall Responsibilities	# of Staff	Staff Location
Division of Administration and Financial Management	Administrative Services	• Develop and maintain the Title XIX (Medicaid) State Plan, which defines what benefits are available, to whom (all members or a subset of members), from what source (providers), and how reimbursed (detailed methodology). The State Plan is continually updated with what are called State Plan Amendments (SPA's) which amend the provisions of the plan. The State Plan itself and any amendments to it must be submitted to and approved by the Centers for Medicare and Medicaid Services (CMS). Most changes in the Medicaid Program require that a SPA be written and approved by the Centers for Medicare & Medicaid Services (CMS) before any implementation may take place. The approval process can be a very lengthy one entailing a continual dialogue with and numerous follow-up submittals to CMS • Develop and maintain Kentucky Administrative Regulations (KAR's) specific to the Medicaid program. Typically when the Department for Medicaid Services changes a policy is must amend the corresponding administrative regulation or regulations. Additionally, administrative regulations are amended in response to changes in state and federal legislation as well as federal regulations. This is a continual process that involves public as well as legislative input/review • Process all open records requests, acts as Department liaison for legislative requests, researches and reviews appropriate information sources and media to identify federal or state policy changes and program actions, refers certain issues to appropriate program divisions for subject matter expertise or follow-up • Operate and oversee Medicaid's managed care organization (MCO) waiver program. DMS contracts with Passport Health Plan, an MCO that serves individuals in a 17-county region. The program is subject to federal scrutiny and must comply with federal requirements. The branch continually monitors PHP to ensure it complies with all requirements and submits detailed reports and other information to CMS to ensure compliance • Oversee the non-emergency transportation waiver program. This program is subject to federal scrutiny and must comply with federal requirements. DMS contracts with the Transportation Cabinet to operate the program. DMS establishes the policy and actively monitors the program as well as renders continual decisions regarding prior authorization requests and related	6	Frankfort

Division	Branch	Overall Responsibilities	# of Staff	Staff Location
		• Coordinate all Medicaid appeals; serving as liaison to recipients, providers and appellate officials • Coordinate all Medicaid contracts • Serve as a communications clearinghouse for DMS and additionally is involved in monitoring pharmacy program policy and developments		
	Eligibility Policy	• Is responsible for eligibility policy monitoring systems • Coordinate and maintain policy analysis, program research, program development regarding eligibility, and establishes Medicaid third party liability policy as related to eligibility processes • Ensure that internet resources related to eligibility are updated as needed	3	Frankfort
	Financial Management	• Oversee the Department's administrative and benefit budgets, as well as all financial transactions of the Department • Coordinate contract development and negotiations • Prepare and submit all Federal budget and statistical reports • Ensure in conjunction with the Division of Claims Management, that the Department's automated systems are appropriately updated to provide accurate and timely finance-related information • Is primarily responsible for audit coordination, rate coordination/IGT coordination, and expenditure analysis and forecasting • Perform long and short term revenue and expenditure forecasting for the Department, performs financial impact analysis for newly proposed programs, proposed legislation, service or eligibility revisions for expansion, and conducts or sponsors actuarial studies of Medicaid of MCE service and demographic experience • Evaluate Managed Care Entities' rate proposals in light of actuarial information, and maintains expertise necessary to provide technical assistance to program staff in support of their rate modeling and development responsibilities • Develop contract compliance programs that continuously monitor the PHP, MHS and the Office of Transportation Delivery's compliance with contract terms.	11	Frankfort
Commissioner's Office	NA	• Provide direction and guidance to the Department in all areas including financial, policy, projects, etc. • Provide input into Cabinet level decisions in all areas pertinent to Medicaid	3	Frankfort

Division	Branch	Overall Responsibilities	# of Staff	Staff Location
Division of Hospitals and Provider Operations	Physicians and Specialty Services	• Is primarily responsible for services in Inpatient Hospitals, Outpatient Hospitals, Acute Care Monitoring, Renal Dialysis Centers, Ambulatory Surgical Centers, Rehab Hospitals/Facilities, Comprehensive Outpatient Rehab Facilities, Critical Access Hospitals, Psychiatric Hospitals, Psychiatric Residential Treatment Centers, DSH Policy, and Transplants. Additional areas of provider responsibility include: Physician/Osteopath, Rural Health, Primary Care, Advanced Registered Nurse Practitioner, Physician Assistant, Birthing Centers, Dentists, Vision Services, Hearing Services, Podiatrists, Chiropractors, Family Planning, Durable Medical Equipment (DME), Emergency Transportation and Ambulance Service, Independent Lab, Other Lab, X-Ray, Optometrists • Assure that participating (Medicaid) providers and managed care entities are monitored for compliance with state and federal laws and regulations, contract requirements, and their achievement of service access and quality targets and goals • Develop and monitor necessary contracts with assigned providers, managed care entities and department agent contracts • Provide necessary program assistance and training to departmental staff and participating providers • Ensure that automated provider payment and reporting systems are appropriately updated and revised to enforce and support program policies	12	Frankfort
	Hospitals and Provider Operations		7	Frankfort
Division of Long	Long Term Care	• Promote quality care and enhanced delivery of services for Medicaid members	7	Frankfort

Division	Branch	Overall Responsibilities	# of Staff	Staff Location
	Community Alternatives		13	Frankfort

Division	Branch	Overall Responsibilities	# of Staff	Staff Location
Division of Children's Health Insurance (KCHIP)	NA	• Promote responsible partnerships between families and community agencies to establish and maintain access to health insurance for Kentucky's children • Is responsible for the program development and reimbursement functions of the Title XXI Kentucky Children's Health Insurance Program (KCHIP) • Serve as the liaison between the public, professionals, and Department staff on relevant issues • Is responsible for policy recommendations, program development, and provider communications for the SCHIP program T • Is responsible for monitoring member enrollment and service expenditures to ensure the program stays within budget • Is responsible for monitoring participating providers for compliance with state and federal regulations and their achievement of service access and quality targets and goals, and providing necessary program technical assistance and training to participating providers • Hold quarterly meetings with the KCHIP Advisory Council to obtain input that assists the Division with decisions pertaining to future program development	5	Frankfort
Division of Medical Management and Quality Assurance	Quality Assurance	• Promote efforts to optimize the quality and value of care delivered in all health settings and to be accountable for continuous quality improvement and healthcare	4	Frankfort

Division	Branch	Overall Responsibilities	# of Staff	Staff Location
	Medical Management		6	

Division	Branch	Overall Responsibilities	# of Staff	Staff Location
Division of Claims Management	Member Claims Assistance	• Maintain a general Medicaid information help desk to field inquiries from the public and assist Medicaid recipients • Assist recipients with complaints and inquiries, resolves recipient eligibility concerns, and does research when necessary • Develop policy regarding eligibility • Is Responsible for Utilization Review and program integrity issues • Follow-up on requests sent by the Medicaid Ombudsman Office, LRC, Cabinet Secretary's Office, Governor's office and individual legislators related to Medicaid recipient issues • Respond to recipient correspondence related to HIPAA • Review Medicaid recipient materials for readability • Review and approve Passport recipient materials • Maintain the Medicaid Member Guide • Provide administrative support to the Consumer TAC • Other duties related to Medicaid recipients	17	Frankfort
	Claims Assistance	• Develop, coordinate the procurement, maintain and monitor the MMIS contract • Serves as the Department liaison and monitors the performance of all external "feeder" Information Systems (KAMES, SDX, PA62, etc.) • Prepare and verify accuracy and completeness of all routine and special management information reports • Serves as the department liaison to outside information management agencies • Provide technical assistance to the Department in all areas of Information System development and management • Assist program staff in the interpretation of data	13	Frankfort

2.1.1.2 Department for Mental Health and Mental Retardation Services

Division	Branch	Function Description	# of Staff	Staff Location

Division of Mental Health and Substance Abuse Services	Program Support	• Provide support, monitoring, and oversight of a variety of functions within the Division of Mental Retardation (DMR)
		• Provide staff support, technical assistance, and monitoring of 14 Regional Community Mental Health/Mental Retardation Centers (CMHCs)
		  • Adult Targeted Case Management
		  • Children's System of Care
			3	Frankfort
				
				14 Regional CMHCs

	Brain Injury Services	• Administer the Acquired Brain Injury Medicaid Waiver program, overseeing the administration of the Traumatic Brain Injury Trust Fund program • Provide support to the Board of Directors of the Traumatic Brain Injury Trust Fund • Refine and develop services for people with brain injuries throughout the Commonwealth		Frankfort
	Provider Services	• Administer Kentucky IMPACT program		Frankfort
	Program Development	• Provide leadership for creating and planning program infrastructure based on assessment of need, best practices, and stakeholder participation • Administer IMPACT program (e.g. targeted case management for children)		Frankfort
Division of Mental Retardation	SCL Waiver	• Provide staff support and oversight of the Supports for Community Living waiver program	30	Frankfort
	Systems Support	• Provide support, monitoring, and oversight of a variety of functions within the Division of Mental Retardation (DMR) • Provide staff support, technical assistance and monitor of 14 Regional Community Mental Health/Mental Retardation Centers (CMHCs)		Frankfort 14 Regional CMHCs

2.1.1.3 Department for Community Based Services

Division	Branch	Function Description	# of Staff	Staff Location

Division of Family Support	Medical Support and Benefits	• MSBB Medicaid Policy Section
		  • Develop procedural instructions for the Medicaid Program
		  • Review state and federal regulations regarding Medicaid
		  • Serve as a clearinghouse for policy clarifications to DCBS field staff
		  • Provide technical assistance as requested by DCBS field staff
		• MSBB Case Processing Section
		  • Maintain working caseload of adult guardianship cases
		  • Determine retro medical assistance for SSI members
		  • Issue emergency medical cards for SSI members
		  • Distribute material and correspondence to DCBS field staff
		• MSBB Technical Section
		  • Issue replacement medical cards
		  • Issue letters confirming Medicaid eligibility
		  • Make KenPAC provider reassignments
			10	Frankfort

2.1.1.4 Office of Information Technology

Division	Branch	Function Description	# of Staff	Staff Location
Division for Health Services Systems Management	Medicaid Systems Management	• Ensure that Cabinet for Health and Family Services' (CHFS) business units use technology to efficiently and effectively deliver comprehensive health and family services to Kentuckians • Develop easy to use data mining and business intelligence tools for CHFS departments • Provide input/support during implementation of projects involving systems technology and other technical support as requested	10	Frankfort

2.1.1.5 Office of Inspector General

Division	Branch	Function Description	# of Staff	Staff Location
Division of Fraud, Waste, and Abuse/Identification and Prevention	NA	• License all health care facilities, day cares, long-term facilities, and child adoption/child placement agencies • Direct the prevention, detection, and investigation of fraud, waste, mismanagement, and misconduct by the cabinet's clients, employees, medical providers, vendors, contractors, and subcontractors	17	Frankfort
Division of Audits & Detection	NA		23	
Division of Special Investigations	NA		22	

2.1.1.6 Other CHFS Organizational Areas

Organizational Area	Function Description	# of Staff	Staff Location
Office of the Ombudsman	• Provide independent avenue for resolution of citizen complaints and requests for information • Answer questions about CHFS programs, investigates client complaints, and works with CHFS Management to resolve them	2	Frankfort
Department for Public Health	• Develop and operate all public health programs and activities for the citizens of Kentucky. These activities include health service programs for the prevention, detection, care, and treatment of physical disability, illness and disease.	6	Frankfort

2.1.2 Office of Attorney General

Division	Branch	Function Description	# of Staff	Staff Location
Medicaid Fraud and Abuse Division	NA	• Investigate, and when appropriate, prosecute Instances of abuse • Ensure the financial integrity of the Kentucky Medical Assistance Program through the investigation and prosecution of healthcare providers who fraudulently bill or abuse the Medicaid system	19	Frankfort
Kentucky Bureau of Investigation	Medicaid Fraud and Abuse Unit			Frankfort

2.1.3 Kentucky Transportation Cabinet

Department	Branch	Function Description	# of Staff	Staff Location
Department of Human Services	NA	• Coordinate non-emergency, non-ambulance medical transportation services to eligible Medicaid, Vocational, Rehabilitation, and Department of the Blind recipients.	6	Frankfort

2.2 Contractors

Contractor	# of Staff	Staff Location	Training Approach Comments
First Health (KMAA)	TBD	Frankfort, KY Louisville, KY	Train-the-trainer approach (e.g., EDS trains KMAA training staff, KMAA trains their end users)
Passport	133	Louisville, KY and Philadelphia PA	Train-the-trainer approach
Myers and Stauffer	5	TBD	
PCG	10	TBD	
EDS	126	Frankfort, KY	Training organized by operational area (e.g., Call Center, Mailroom, etc.)
University of Kentucky	1	Lexington, KY	Only 1 user – Jeff Talbert

2.3 End User Level of Training

The level of training depends on the end user's job function and how the person utilizes the system to perform his or her job. Training focuses on the process, how the end user utilizes the system to perform key tasks and activities.

1. Overview - An overview course provides a high level description of the KY MMIS subsystems, functions, and its capabilities. This training level is provided to all staff members to familiarize them with system features and navigation tools.

2. Detailed - A detailed level course focuses on how the end users utilize the subsystems and associated applications to perform their job functions. The goal is for staff members to understand how to use the system features and navigation tools in context how they perform their jobs. This includes using panels to gather information, running and printing reports, and the ability to interpret data from the system.

3. Specialized - This training level is provided to staff members who work on the system or process on a daily basis and need to have the ability to troubleshoot and fix the system. This level requires a deep, concentrated focus and knowledge in a particular area, including knowledge of all system inputs, outputs, and interactions.

3 Training Courses and Methods

The KY MMIS training focuses on the subsystems and functions that end users utilize in their daily work. Since application training is not stand-alone, the New KY MMIS functionality is addressed within the context of each job. Training focuses on process, how the user utilizes the system to perform his or her job. To achieve that end, EDS shall develop and provide instructor-led training by organizational area.

EDS shall provide training in three formats:

- Computer Based Training (CBT) – self-paced instruction delivered via diskettes or the web;
- Instructor Led Sessions – classroom sessions conducted by the EDS Trainer at the EDS training facility; and,
- Self-Study Materials – self-paced instruction delivered via presentations, job aids, and other related training materials

EDS shall provide instructor-led training customized for each organizational area as shown below.

Area	Cabinet/ Office	Department	Division	Branch	# By Area	# By Department
Commonwealth	**CHFS**	**Department for Medicaid Services**	Administration and Financial Management	Administrative Services	6	24
				Eligibility	3	
				Financial Management	11	
				Other	4	
			Claims Management	Member Claims Assistance	17	35
				Claims Assistance	13	
				Other	5	
			Commissioner's Office	N/A	3	3
			Hospitals and Providers	Physicians and Specialty Services	12	21
				Hospitals and Provider Operations	7	
				Other	1	
			KCHIP	KCHIP	5	5
			Long Term Care and Community Alternatives	Long Term Care	7	24
				Community Alternatives	13	
				Other	4	
			Medical Management and Quality Assurance	Quality Assurance	4	17
				Medical Management	6	
				Other	7	
			Other Medicaid Staff	N/A	8	8
		Office of Information Technology	N/A	N/A	10	10
		Department for Community Based Service	Medical Support and Benefits Branch	N/A	10	10
		Department for Mental Health/Mental Retardation	Division of Mental Health and Substance Abuse	N/A	3	36
			Division of Mental Retardation		30	
			Other		3	
		Public Health	N/A	N/A	6	6
		Ombudsman	N/A	N/A	2	2
		Office of Inspector General	Division of Fraud, Waste and Abuse/Identification and Prevention	N/A	17	63
			Division of Audits & Detection			
			Division of Special Investigations		23	

			Other		22 1	
		Secretary's Office	N/A	N/A	2	2
	Office of Attorney General	**N/A**	Medicaid Fraud & Abuse Division Kentucky Bureau of Investigation	N/A	19	19
	Office of Transportation	**Department of Human Services**	N/A	N/A	6	6
Contractor	**KMAA**	**N/A**	N/A	N/A		TBD
	EDS	**N/A**	N/A	N/A	126	126
	Passport	**N/A**	N/A	N/A	133	133
	PCG	**N/A**	N/A	N/A	10	10
	Myers & Stauffer	**N/A**	N/A	N/A	5	5
Totals					565	565

*# of end users based on Transition training statistics and organizational charts as of December, 2005; these numbers will be validated and updated during training design and development.

A general course shall provide an overview of the KY MMIS subsystems and functions, explain how providers will utilize and benefit from the new KY MMIS, and include information on how to navigate through the system. This course will be offered via computer based, instructor led, and self-study training.

The training materials shall include the subject areas focusing on the following content:

- System Changes - Providing targeted end users with information on how to use the New KY MMIS to perform their current job function;
- Process Changes - Providing targeted end users with an understanding of changes to their current job; and,
- Job Changes - Providing appropriate end users with an understanding of their new or changing job responsibilities.

3.1 Content Development Approach

To determine the training needs for each organization area, the EDS team plans to follow a three-step process:

1. Assess how staff currently utilizes the Legacy KY MMIS subsystems and functions. The EDS team is creating an analysis of what subsystems and functions are being utilized across organizational areas based on current KY Legacy MMIS usage (samples found in Appendix A)
2. Meet with the organizational leads (e.g., Directors, Branch Managers, etc.) to conduct an "as-is" assessment on how the staff currently utilize the Legacy KY MMIS to perform their job.
3. Work with EDS technical staff to develop the "to-be" assessment, how staff will utilize the New KY MMIS to perform their job processes.

3.2 New KY MMIS Content Areas

The following table lists the following information:

- Content Areas
- Content Objective(s)

- Training Methods detailing the anticipated level of training required.
  - O – Overview
  - D – Detailed
  - S – Specialized

The courses, course objectives, and level of training shall be customized by organizational area and developed during the "as-is" and "to-be" assessment.

Level of Training Key **O – Overview** **D – Detailed** **S – Specialized**		**Methods**		
Content Areas	**Objectives**	Self-Study Presentation	Self-Study CBT	Instructor Led
New KY MMIS Introduction	• Know the key subsystems of the New KY MMIS • Learn the major processes supported by the key subsystems • Understand the overall structure New KY MMIS, know how to access data, navigate through the various interChange windows, and update data and help screens • Understand how the MMIS interacts with the KMAA		O	O, D
New KY MMIS User Manual Orientation	• Understand the organization and structure of the interChange user manual • Know where to find information • Know how to search, download, and print information	O	O	O, D
Medicaid 101 – What is Medicaid?	• Familiarize EDS and Commonwealth staff with the origins of government-funded health care • Foster a better understanding of the differences between Medicaid and Medicare • Clarify the federal government involvement Medicaid.	O	O	O
Medicaid 102 – Medicaid from the Member's Perspective	• Familiarize new EDS and Commonwealth staff with policies and procedures encountered by members upon applying for benefits and receiving services from providers.	O	O	O
Medicaid 201 – Medicaid Billing from the Provider's Perspective	• Familiarize new EDS and Commonwealth staff with provider billing forms and the overall billing process	O	O	O
Medicaid 202 – The Lifecycle of a Claim	• Familiarize EDS and Commonwealth staff on claims processing, from submission to adjudication	O	O	O
Medicaid 301 – Claims Research (GUI)	• Learn how to research denied claims using the following subsystems: Claims Inquiry, Recipient, Provider, Exception Control, Procedure, and Drug and Diagnosis	D		D

Level of Training Key **O – Overview** **D – Detailed** **S – Specialized**		**Methods**		
Content Areas	**Objectives**	Self-Study Presentation	Self-Study CBT	Instructor Led
Medicaid 302 – Financial Research	• Learn how to research Accounts/Receivable transactions, checks sent by providers, claim credits and adjustments	D		D
Medicaid 303 – Third Party Liability	• Learn how to access information regarding a member's other coverage and to research post-payment recovery information.	D		D
Member Management	• Learn the Member Management function and support contained within the system • Learn Member Management processes • Learn how to use the KY New MMIS to support the Member Management processes • Learn how Lock-in works in Member Management • Understand Medicare Buy-in program and how it works with Kentucky Medicaid • Learn how to use system panels, forms, letters, and reports • Learn how KMAA interacts with the MMIS	O		O, D
Benefits Administration	• Understand the Kentucky Medicaid benefit plan and coverage • Learn the Benefit Administration process • Learn how the MMIS supports the Benefit Administration process	O		O, D
Provider Management	• Learn the major process flows for the Provider functions of the MMIS • Learn how to use system panels, forms, letters, and reports • Learn how KMAA interacts with the MMIS	O		O, D
Reference Data	• Learn the Reference Data functions • Understand the logical data groupings • Learn the external system interfaces • Understand how to maintain reference data • Learn how to use system panels, forms, letters, and reports • Learn how KMAA interacts with the MMIS	O		O, D
Claims Operations Claim Types	• Learn the different types of claims and how each type processes through the system ○ Encounter ○ EPSDT ○ Institutional ○ Professional ○ Dental ○ Long Term Care			

Level of Training Key **O – Overview** **D – Detailed** **S – Specialized**		**Methods**		
Content Areas	**Objectives**	Self-Study Presentation	Self-Study CBT	Instructor Led
Cash and Financial Third Party Liability (TPL) Pricing & Reimbursement Methodology Claims Transactions Adjustments	• Understand how to work the claims cash and financial process • Learn how the claims involving TPL are processed through the MMIS system • Understand the reimbursement methodology that drives pricing • Know how all claim types price in the system • Understand the claims submission process from submission to payment • Understand the types of claim transactions • Learn the processes for mass adjustments	O,D	O,D	O, D
Claims Resolution Mailroom Remittance Advice (RA)	• Understand how claims adjudicate • Learn the difference between an edit and an audit • Learn how to resolve audits and edits • Learn how to use the enhanced claims editing function • Learn how to research claims • Learn the flow of the mailroom and all aspects of the processes • Understand the process to generate and send RAs to the providers • Learn how to read RAs			

New KY MMIS Reporting	• Understand the reports produced by the two subsystems
	  ○ Management and Administrative Reporting (MAR)
	  ○ Surveillance and Utilization Reporting (SUR)
	• Understand how to utilize these systems to access and generate reports
		O		O, D

Managed Care	• Understand how the managed care program works under Kentucky Medicaid • Understand how the MMIS supports Managed Care • Be knowledgeable about the Kentucky Medicaid Managed Care provider, Passport (e.g., how many members it covers, areas of Kentucky they reside in, etc.)	O	O	O, D
DSS Training	• Learn how to develop and run queries using Business Objects • Understand where to find and access canned reports • Learn how to produce ad hoc reports using Business Objects • Know the data marts available to query	O		O, D S

Level of Training Key **O – Overview** **D – Detailed** **S – Specialized**		**Methods**		
Content Areas	**Objectives**	Self-Study Presentation	Self-Study CBT	Instructor Led
Provider Functionality Overview	• Learn about the systems utilized by providers: the Automated Voice Response System (AVRS), External Data Interface (EDI), and KY Health Net • Learn about the eligibility and claims processing Internet functionality utilized by the providers • Understand how to utilize this functionality to support provider inquiries • Learn how electronic claims are transmitted and how they flow through the claims processing system	O	O	O
Third Party Liability	• Post payment recovery			D,S
OnBase*	• Learn how to run and print reports	O	O	
Encounter Processing	• Learn how encounter records are transmitted, received and processed	O		O, D
Quality Assurance and Audits	• Learn how to administer QA and audit functions and the Data Warehouse toolset			D
EPSDT	• Learn how to utilize the EPSDT application	O		
Case Management	• Learn how to perform the KY MMIS Case Management functions	O		

*OnBase reports training occurs in the first quarter of 2006.

3.3 Content Areas Targeted for Commonwealth Organizations

The following content areas targeted for the following Commonwealth areas based on their organizational function. Below is a draft assessment of the content areas to cover for each organizational area. This assessment shall be validated during the training assessment.

	Department for Medicaid Services											**CHFS Office of Information Technology - Medicaid Branch**	**Office of Inspector General**	**Other CHFS (e.g. Office of the Ombudsman, Public Health, etc.)**	**Department for Mental Health and Mental Retardation Services**						**Department for Community Based Services**	**Attorney General**	**Passport**	**KMAA**
	Division of Administration and Financial Management			Division of Hospitals an Provider Operations		Division of Long Term Care and Community Alternatives		Division of KCHIP	Division of Medical Management & QA	Division of Claims Management					Division of Mental Health and Substance Abuse Services			Division of Mental Retardation						
Content Areas	Administrative Services	Eligibility Policy	Financial Management	Physician & Specialty Services	Hospital and Provider Operations	Long Term Care	Community Alternatives			Member Claims Assistance	Claims Assistance				Program Support	Brain Injury Services	Provider Services	Program Development	SCL Waiver	System Support	Div of Family Support – Medical Support & Benefits			
Reference Data			X	X	X	X	X		X	X	X	X												
Claims Operations			X	X	X	X	X		X	X	X	X												
New KY MMIS Reporting	X	X	X	X	X	X	X		X	X	X	X			X			X		X		X		
Managed Care		X	X						X	X	X	X												
DSS Training	X	X	X	X	X	X	X	X	X	X	X				X			X		X		X		

Content Area	Department for Medicaid Services											CHFS Office of Information Technology - Medicaid Branch	Office of Inspector General	Other CHFS (e.g. Office of the Ombudsman, Public Health, etc.)	Department for Mental Health and Mental Retardation Services						Department for Community Based Services	Attorney General	Passport	KMAA
	Administrative Services	Division of Administration and Financial Management		Division of Hospitals an Provider Operations		Division of Long Term Care and Community Alternatives		KCHIP	Division of Medical Management & QA	Division of Claims Management					Division of Mental Health and Substance Abuse Services			Division of Mental Retardation			Div of Family Support – Medical Support & Benefits			
		Eligibility Policy	Financial Management	Physician & Specialty Services	Hospital and Provider Operations	Long Term Care	Community Alternatives			Member Claims Assistance	Claims Assistance				Program Support	Brain Injury Services	Provider Services	Program Development	SCL Waiver	System Support				
New KY MMIS Overview	X	X	X	X	X	X	X	X	X	X	X		X	X	X	X	X	X	X	X	X	X		
New KY MMIS User Manual Orientation	X	X	X	X	X	X	X	X	X	X	X		X		X	X	X	X	X	X	X	X		
Medicaid 101 – What is Medicaid? NEW staff only	X	X	X	X	X	X	X	X	X	X	X		X		X	X	X	X	X	X	X	X		
Medicaid 102 – Medicaid from the Member's Perspective NEW staff only	X	X	X	X	X	X	X	X	X	X	X		X		X	X	X	X	X	X	X	X		

Content Area	Department for Medicaid Services											CHFS Office of Information Technology - Medicaid Branch	Office of Inspector General	Other CHFS (e.g. Office of the Ombudsman, Public Health, etc.)	Department for Mental Health and Mental Retardation Services						Department for Community Based Services	Attorney General	Passport	KMAA
	Administrative Services	Division of Administration and Financial Management		Division of Hospitals an Provider Operations		Division of Long Term Care and Community Alternatives		KCHIP	Division of Medical Management & QA	Division of Claims Management					Division of Mental Health and Substance Abuse Services			Division of Mental Retardation			Div of Family Support – Medical Support & Benefits			
		Eligibility Policy	Financial Management	Physician & Specialty Services	Hospital and Provider Operations	Long Term Care	Community Alternatives			Member Claims Assistance	Claims Assistance				Program Support	Brain Injury Services	Provider Services	Program Development	SCL Waiver	System Support				
Medicaid 201 – Medicaid Billing from the Provider's Perspective	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X		
Medicaid 202 – The Lifecycle of a Claim	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X		
Medicaid 301 – Claims Research (GUI)	X	X	X	X	X	X	X	X	X	X	X	X	X		X	X	X	X	X	X	X	X		
Medicaid 302 – Financial Research	X	X	X	X	X	X	X	X	X	X	X	X	X		X	X	X	X	X	X	X	X		
Medicaid 303 – Third Party Liability	X	X	X	X	X	X	X	X	X	X	X	X	X		X	X	X	X	X	X	X	X		
Member	X	X	X	X	X	X	X	X	X	X	X				X	X	X	X	X	X	X	X		

Management																									
Benefits Administration	X	X	X	X	X	X	X	X	X	X	X				X	X	X	X	X	X	X	X			
Provider Management	X	X		X	X	X	X	X	X	X	X				X	X	X	X	X	X	X	X			
EDI (Electronic Data Interchange)				X	X	X	X			X	X														
	Department for Medicaid Services											**CHFS Office of Information Technology - Medicaid Branch**	**Office of Inspector General**	**Office of the Ombudsman**	**Department for Mental Health and Mental Retardation Services**						**Department for Community Based Services**	**Attorney General**	**Passport**	**KMAA**
Content Area	Administrative Services	Eligibility Policy	Division of Administration and Financial Management Financial Management	Physician & Specialty Services	Division of Hospitals an Provider Operations Hospital and Provider Operations	Long Term Care	Division of Long Term Care and Community Alternatives Community Alternatives	KCHIP	Division of Medical Management & QA	Member Claims Assistance	Division of Claims Management Claims Assistance				Program Support	Division of Mental Health and Substance Abuse Services Brain Injury Services	Provider Services	Program Development	Division of Mental Retardation SCL Waiver	System Support	Div of Family Support – Medical Support & Benefits			
Provider Internet Functionality				X	X	X	X			X	X					X		X	X						
Encounter Processing			X	X	X	X	X			X	X	X													
Quality Assurance and Audit			X	X	X	X	X		X	X	X	X													
EPSDT			X	X	X	X	X			X	X	X													

Case Management			X	X	X	X	X		X	X	X	X											

4 Training Schedule

The Commonwealth training schedule is based on a "just in time" approach. "Go-Live" training for the New KY MMIS begins two to three months prior to system go-live in November 2006. Prior to "go-live", training materials are drafted for and tested during the UAT which occurs in late May/early June. Materials are updated and finalized based on feedback from the UAT.

In general, end users start with the New KY MMIS Overview/Introduction CBT scheduled to be available around June. This allows users to become familiar with the KY MMIS before they attend their organizational area training, scheduled to begin in September. The "just in time" approach for training ensures that training is relevant and retention of material is maximized.

Factors that influence the schedule are the availability of staff, the number of trainees, the number of sessions, and the length of the sessions. Locations, specific sessions, dates and times shall be determined during subsequent training design and development activities and finalized by August 2006.

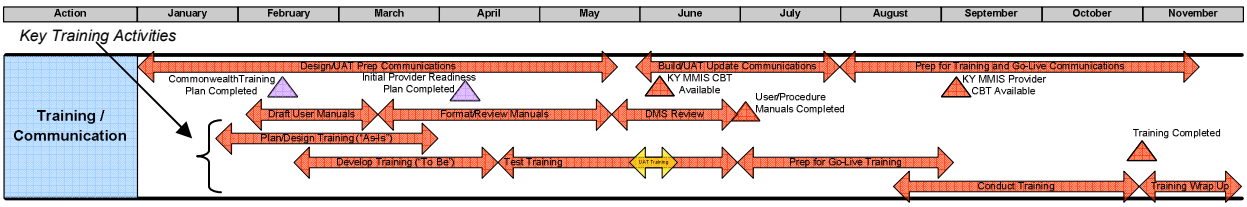
After the "go-live" training is complete, ongoing training shall incorporate any New KY MMIS system changes resulting from use during implementation.

4.1 Training Locations

The majority of training occurs at the 656 Chamberlin location. Some training may occur in the Commonwealth regional offices. Training locations shall be confirmed during subsequent training design and development activities and finalized by August 2006.

4.2 Training Timeline

The timeline below highlights the key Training and Communication activities for 2006



Plan/Design Training – End of January through March 2006

- Develop Legacy KY MMIS user analysis
- Meet with Commonwealth leads to create "as-is" assessment
- Draft initial go-live training schedule
- Plan, design and develop OnBase Reports training

Develop Training – Mid-February through Mid April

- Develop "to be" analysis
- Develop course outlines that specify the objectives of the course and the key topic areas
- Draft materials for UAT
- Prepare for UAT Training (e.g. environment, classrooms, etc.)

Test Training – End of April through June

- Register UAT participants
- Conduct UAT training
- Test training materials during UAT
- Evaluate UAT training (e.g., summarize evaluations, user proficiency, feedback on materials)
- Create UAT training binder with summary of UAT Training along with all key documentation

Prepare for Go-Live Training – July through August

- Revise training materials
- Confirm training schedule and sessions
- Register participants

Conduct Go-Live Training – mid August through October

- Conduct sessions
- Manage registration and training schedule

Wrap Up Training – November

- Evaluate course evaluations and user proficiency tests
- Evaluate training materials and feedback
- Create UAT training binder with summary of UAT Training along with all key documentation
- Develop ongoing training plan

5 Refresher and Ongoing Training

Refresher and ongoing training shall be scheduled as mutually agreed upon by EDS and the Commonwealth. There will be a training refresh in November 2006.

The tailoring of training materials by organizational area shall facilitate refresher and ongoing training efforts. Each organizational area shall have training materials customized to their operations. For example, if a new staff member is hired, he or she can access KY MMIS training materials that specifically address how he or she utilizes the system to perform his or her job.

End users access ongoing and remedial training throughout the New KY MMIS project through:

- Tailored training material (e.g., job aid, training presentation, etc.) placed on a common area, such as Project Workbook (PWB);
- CBT; and,
- Online New KY MMIS user manuals.

6 Training Support Staff

EDS training staff work with selected Commonwealth staff to plan, design, develop, deliver, and manage Commonwealth training.

6.1 EDS Staff

The table below lists the EDS staff involved with planning, designing, developing, and delivering KY MMIS training during and post-implementation. Other staff, such as Business Analysts, may also provide assistance with training development and delivery

Staff Name	Title	Training Responsibilities
Ricky Pope	Account Manager	• Provide oversight and guidance
Mark Noble	New KY MMIS Operations Project Manager	• Provide oversight and guidance
Bernice Shelton	Systems Liaison Manager	• Oversee all training activities • Help plan and manage training assessment, planning, design, validation, and development • Guide assessment, design and development of training courses • Identify and manage EDS training resources
Clare Wefelmeyer	Communications and Training Manager	• Plan and manage overall training effort – assessment, planning, design, validation, and development • Develop templates and processes
Patricia George	KY MMIS Trainer	• Manage training development and delivery • Develop content • Deliver training
Paula Conway	Training Coordinator	• Coordinate training logistics • Track and report on courses evaluations and user proficiency results

6.2 Commonwealth Staff

The Commonwealth review and approve the Commonwealth Training activities and deliverables. Below is a list of the Commonwealth staff that works with the EDS team to plan, design, develop, and deliver training.

Staff Name	Title	Training Responsibilities
Jan Howell	Deputy Commissioner	• Provide input and guidance as requested or needed • Approve final training plan
Jan Thornton **Judy Bullock** **Randy Kitchen**		• Work with EDS staff to plan, design, and delivery of training • Work with Commonwealth leads to help develop and provide feedback on content

Staff Name	Title	Training Responsibilities
Karen Sayles **John Hoffman**	Resource Management Analyst or Medicaid Specialist	• Help validate course content, material, and lengths • Provide input into training courses, and assist with content development • Work with Commonwealth leads to help develop and provide feedback on content
Commonwealth/ Contractor Leads	Directors, Assistant Directors, Branch Managers	• Meet and work with EDS training team to develop “as-is” and “to be” training assessment • Review training course outlines and content for their specific organizational area • Work with EDS training team to schedule training for staff

Appendix A - Sample User Analysis Reports

The following provides examples of the Legacy KY MMIS user analysis reports (see sample reports at https://pwb.kyxix.eds-mscs.com/KYXIXDDI/ProjMgmt/TrainingMgmt/DDI/DDI_Training_User_Analysis/)

Overall Summary Analysis, By Subsystem

Below is a sample snapshot

Subsystem	ACCOUNTS RECEIVABLE SUBSYSTEM	BUYIN MENU	BUYIN SUBSYSTEM	DRG RATES/DATA	DRUG REBATE MENU	DRUG REBATE REPORT MENU	EPSDT /KCHIP MENU	KHI MEN	PROVIDER MENU	RECIPIENT MENU	RECIPIENT MERGE INFO	RECIPIENT SUSPENSE MENU	SECURITY MENU	THIRD PARTY LIABILITY	TRACKING MENU
Total Distinct Users Who Access Subsystem	179	170	34	28	88	1	88	37	117	222	64	82	1	151	116
Other CHFS	5	3	1	2	3	0	3	2		7	3	4	0	4	3
Commissioner's Office	1	0	0	0	0	0	0	0	1	1	0	0	0	1	0
Administrative and Financial Management	3	3	0	0	2	0	2		3	3	1	2	0	3	2
Administration and Financial Management - Administrative Services	2	1	0	0	0	0	0		3	3	1	2	0	1	0
Administration and Financial Management - Eligibility	1	3	1	0	0	0	0		1	3	0	0	0	0	3
Administration and Financial Management - Financial Management	10	8	3	0	5	0	3		10	8	2	3	0	9	5
Claims Management	3	3	0	1	3	0	3		3	3	2	3	0	3	3

Sample Subsystem Analysis

	CAPITATION PAYMENT DETAIL				CAPITATION PAYMENT SUMMARY				CAPITATION PAYMENT DETAIL				CAPITATION WITHHOLD MAINTENANCE				PROVIDER A/R CASH RECOUPMENT				PROVIDER A/R PAYOUTS				PROVIDER A/R REL CLAIM TCNS				PROVIDER A/R SUMMARY SELECTION				OTHER FUNCTIONS			
	Add	Chg	Inq	Del	Add	Chg	Inq	Del	Add	Chg	Inq	Del	Add	Chg	Inq	Del	Add	Chg	Inq	Del	Add	Chg	Inq	Del	Add	Chg	Inq	Del	Add	Chg	Inq	Del	Add	Chg	Inq	Del
Administration and Financial Management-Administative Services	0	0	2	0	0	0	2	0	0	0	2	0	0	0	2	0	0	0	2	0	0	0	2	0	0	0	2	0	0	0	2	0	0	0	2	0
Administration and Financial Management-Eligibility	0	0	1	0	0	0	1	0	0	0	1	0	0	0	1	0	0	0	1	0	0	0	1	0	0	0	1	0	0	0	1	0	0	0	1	0
Administration and Financial Management-Management	0	0	10	0	0	0	10	0	0	0	10	0	0	0	10	0	0	0	10	0	0	0	10	0	0	0	10	0	0	0	10	0	0	0	10	0
Administration and Financial Management Sub-totals	0	0	13	0	0	0	13	0	0	0	13	0	0	0	13	0	0	0	13	0	0	0	13	0	0	0	13	0	0	0	13	0	0	0	13	0
Claims Assistance Branch	0	0	9	0	0	0	9	0	0	1	9	0	1	1	9																					
Office of Transportation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transportation Sub-total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Accounts Recievable Subsytem Sub-totals	0	0	51	0	0	0	53	0	0	2	53	0	2	2	53	1	2	2	53	1	2	2	54	1	2	2	54	1	0	0	54	0	2	2	53	1

50.2.5 Section E—Project Management Plan

RFP Reference: 50.2.5 Section E—Project Management Plan, Pages 277-279; 10.8 DDI Project Management Objectives, Pages 7-9; Project Management Plan CDRL, Page 265

In response to RFP section 50.2.5 Section E—Project Management Plan, this section contains the following:

- Project Management Plan
- 50.2.5.1 Integrated Master Plan
- 50.2.5.2 Integrated Master Schedule
- 50.2.5.3 Master Test Process and Quality Assurance Approach
- 50.2.5.4 Staffing Approach
  - 50.2.5.4.1 Staffing Approach—DDI
  - 50.2.5.4.2 Staffing Approach—Operations
- 50.2.5.5 Communications Approach
- 50.2.5.6 Risk and Issue Management Plan
- 50.2.5.7 Initial Risk Assessment (Risk Profile)
- 50.2.5.8 Change Management Approach

The following table, EDS Compliance With RFP Page Limitations, demonstrates that we have complied with the required page limitations of this section:

EDS Compliance With RFP Page Limitations

Proposal Section	Page Range	Number of Pages	RFP Page Limit	EDS Complies
Project Management Plan	E-3 to E-42	40	50	Yes
50.2.5.1 Integrated Master Plan	E-43 to E-76	34	No limit	Yes
50.2.5.2 Integrated Master Schedule	N/A	N/A	No limit	Yes
50.2.5.3 Master Test Process and Quality Assurance Approach	E-79 to E-98	20	20	Yes
50.2.5.4 Staffing Approach Resumes Organizational charts	E-99 to E-184 N/A N/A	86 3 per resume 2 per chart	No limit* 3 per resume 2 per chart	Yes Yes Yes
50.2.5.5 Communications Approach	E-185 to E-198	14	15	Yes
50.2.5.6 Risk and Issue Management Plan	E-199 to E-224	26	30	Yes
50.2.5.7 Initial Risk Assessment (Risk Profile)	E-225 to E-250	1 per risk	1 per risk	Yes
50.2.5.8 Change Management Approach	E-251 to E-270	20	20	Yes

*Per the State's response to Question 8 of RFP Addendum Number 2, this section does not count toward any page limit.

Project Management Plan

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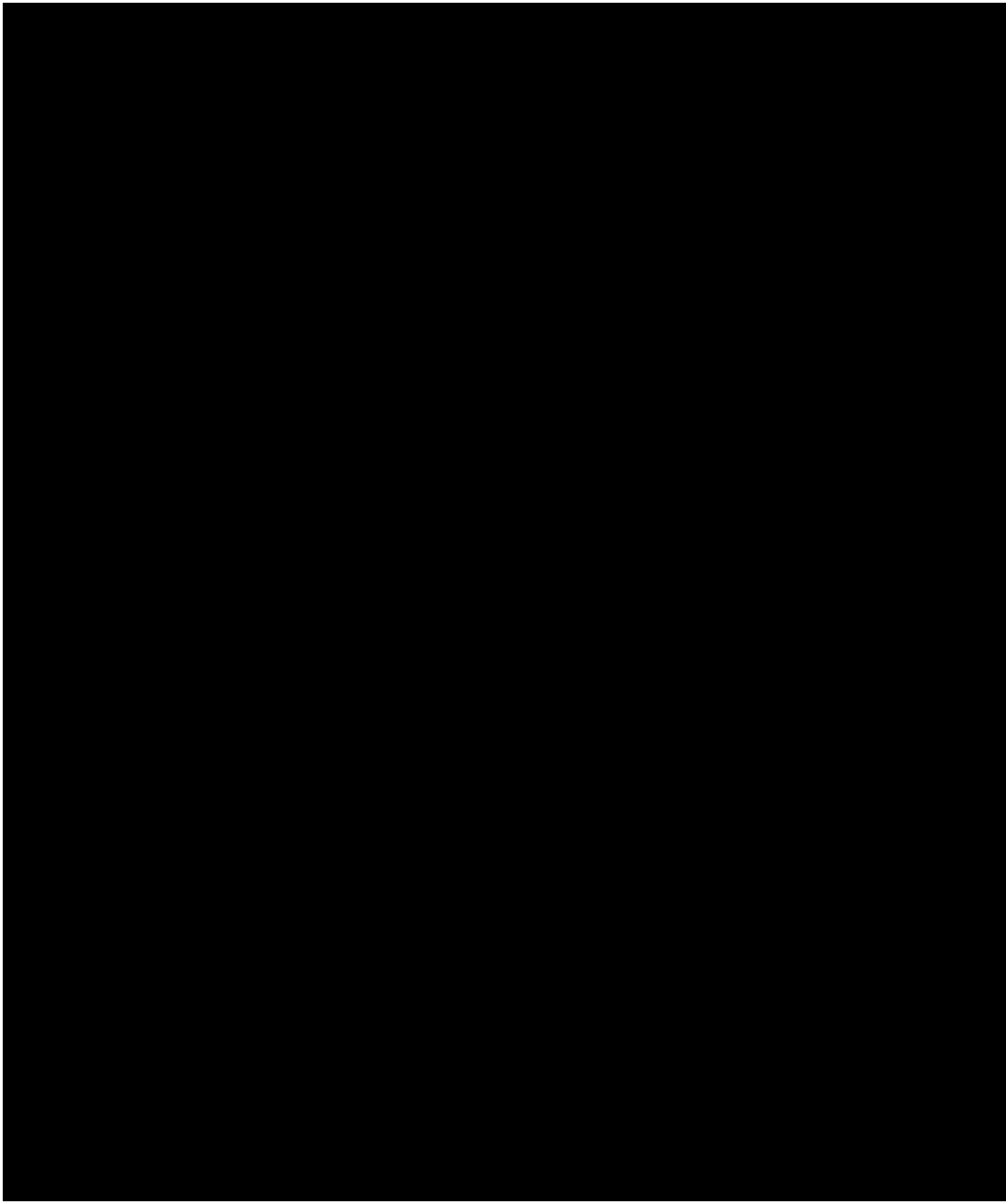

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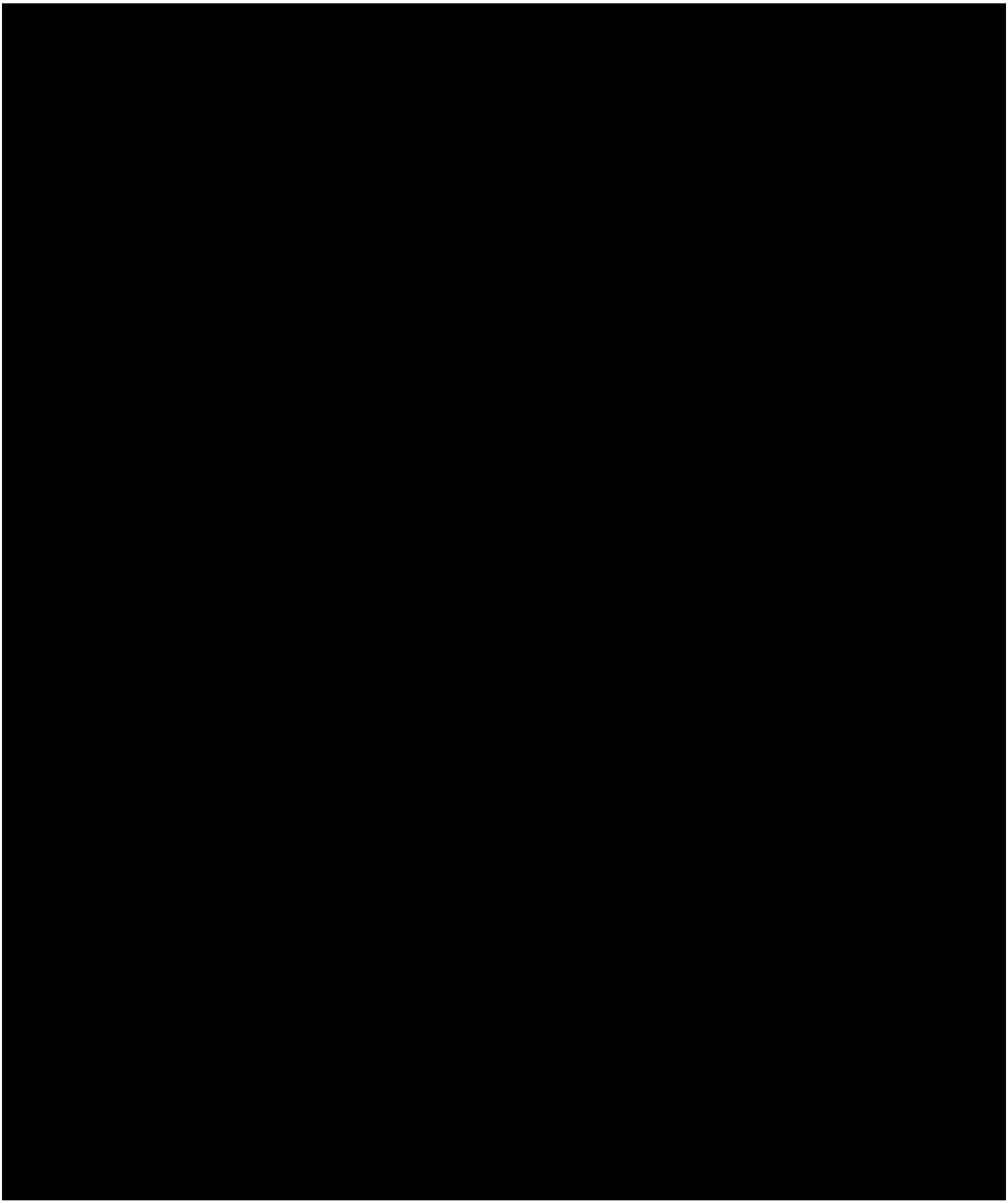

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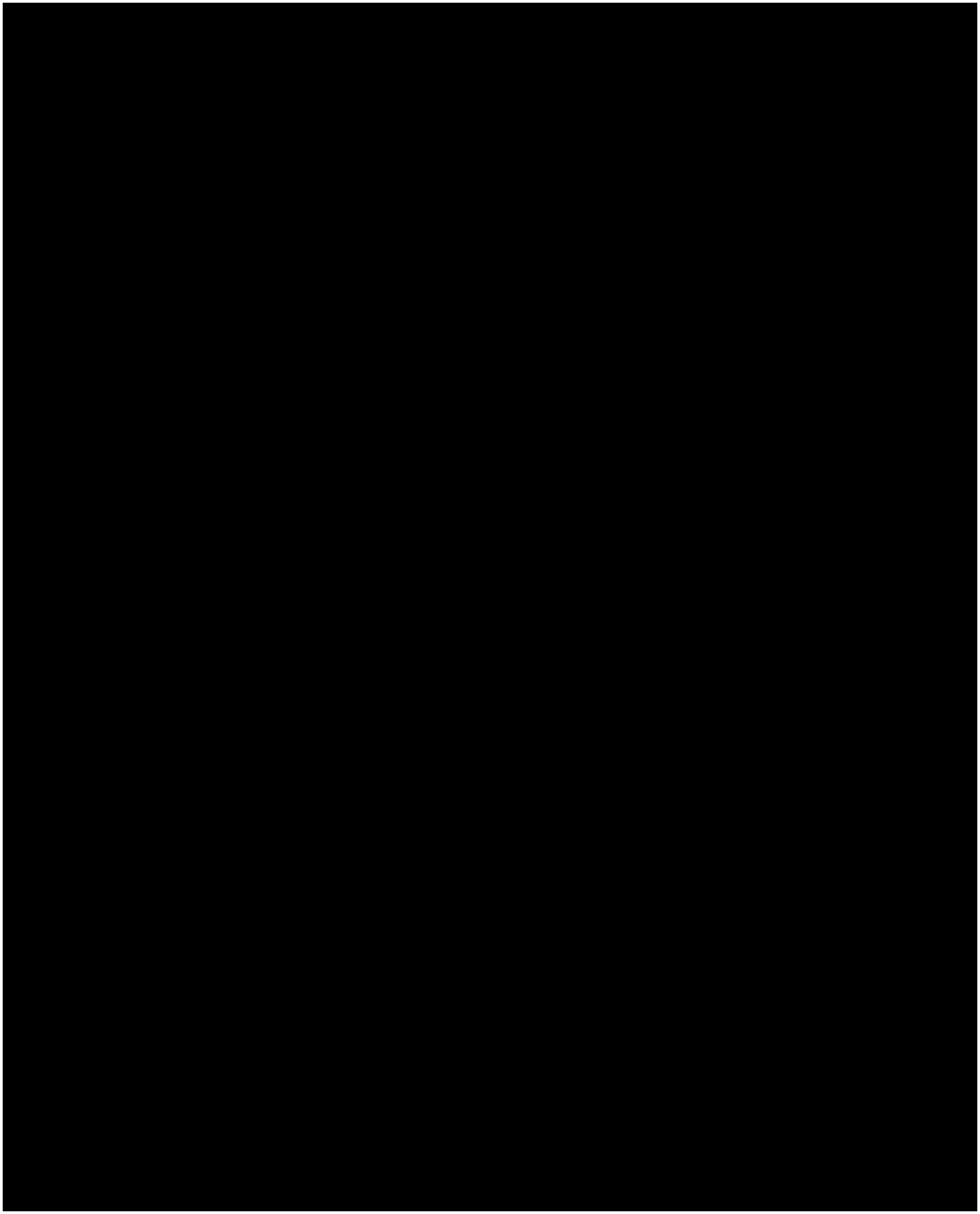

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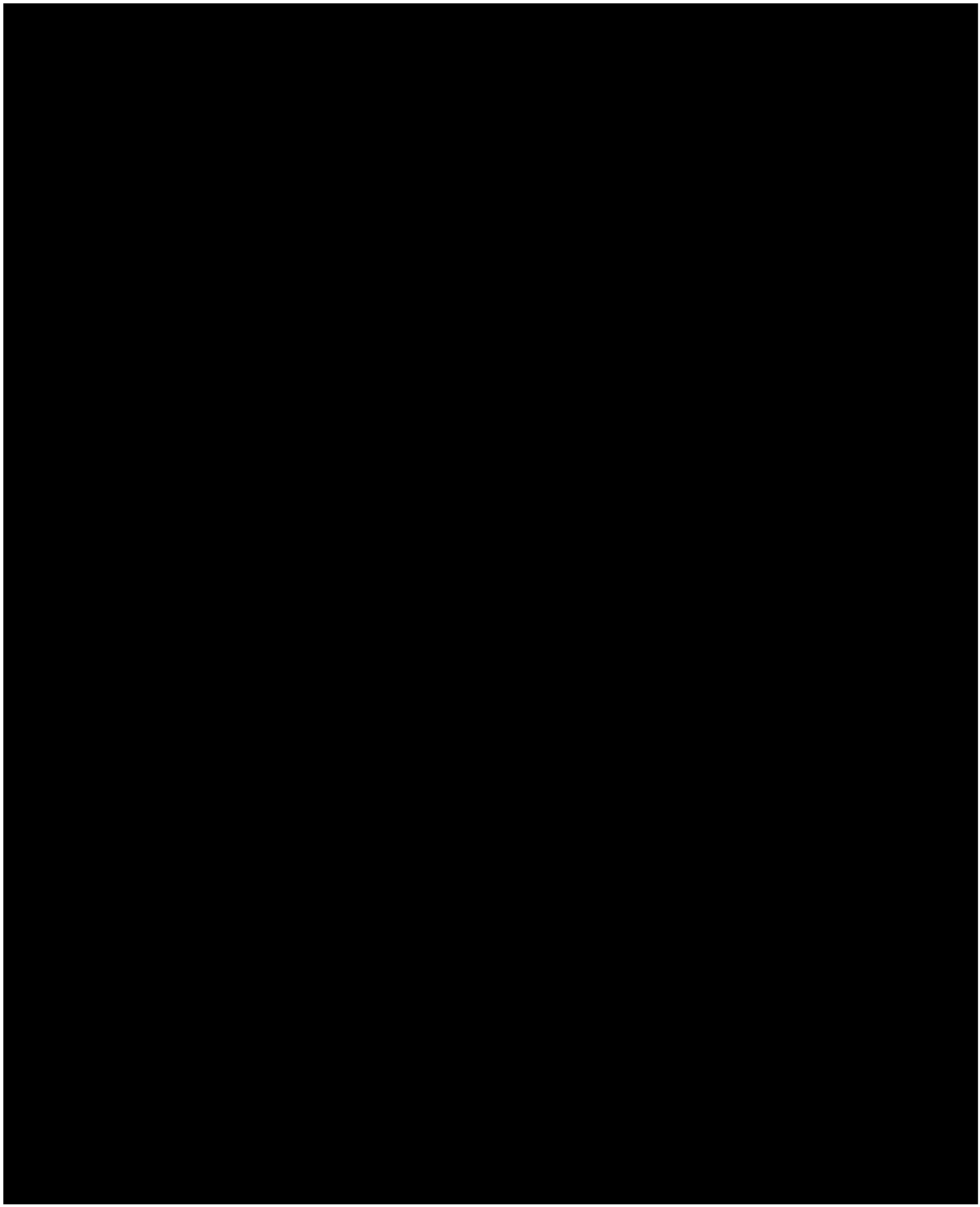

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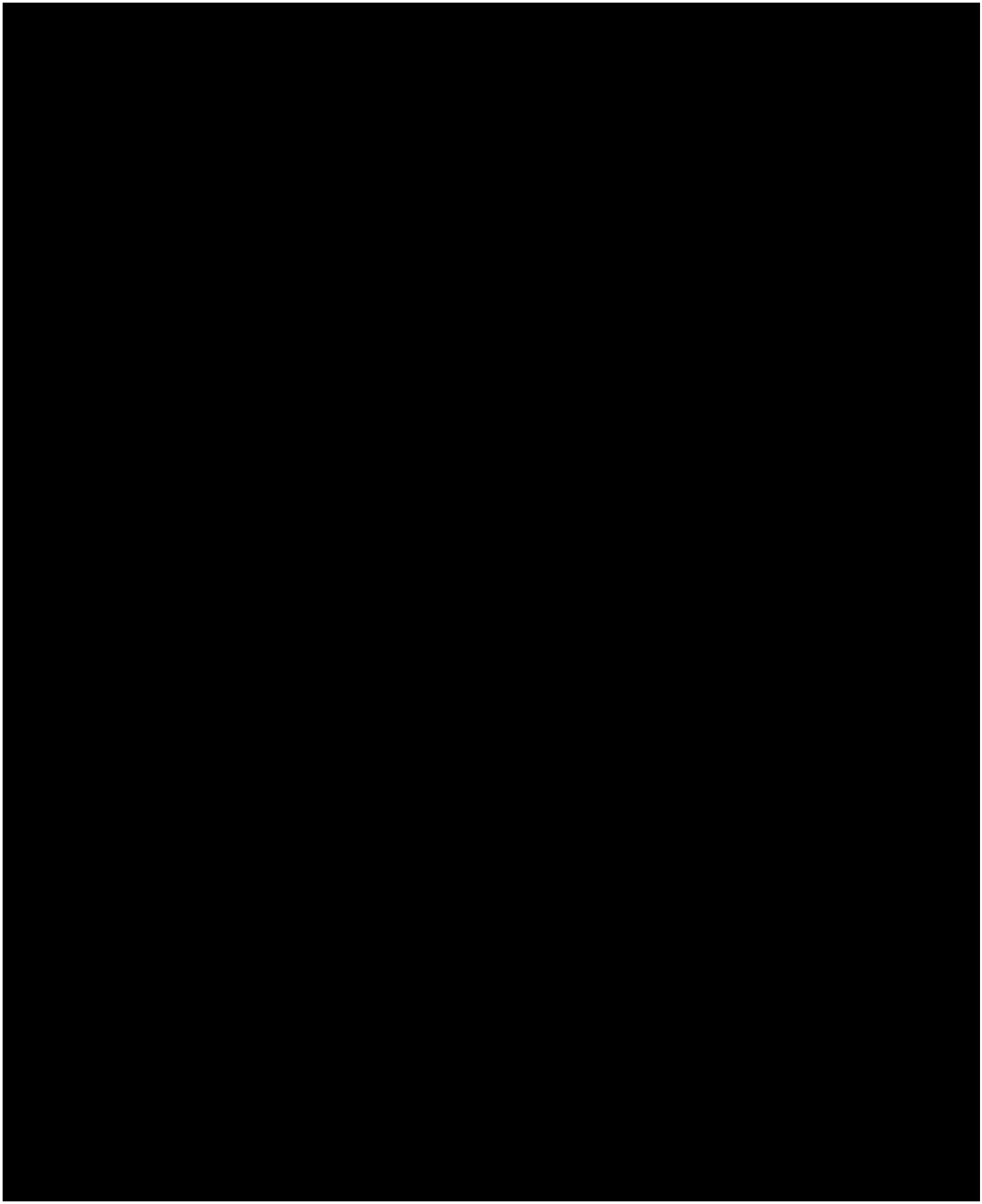

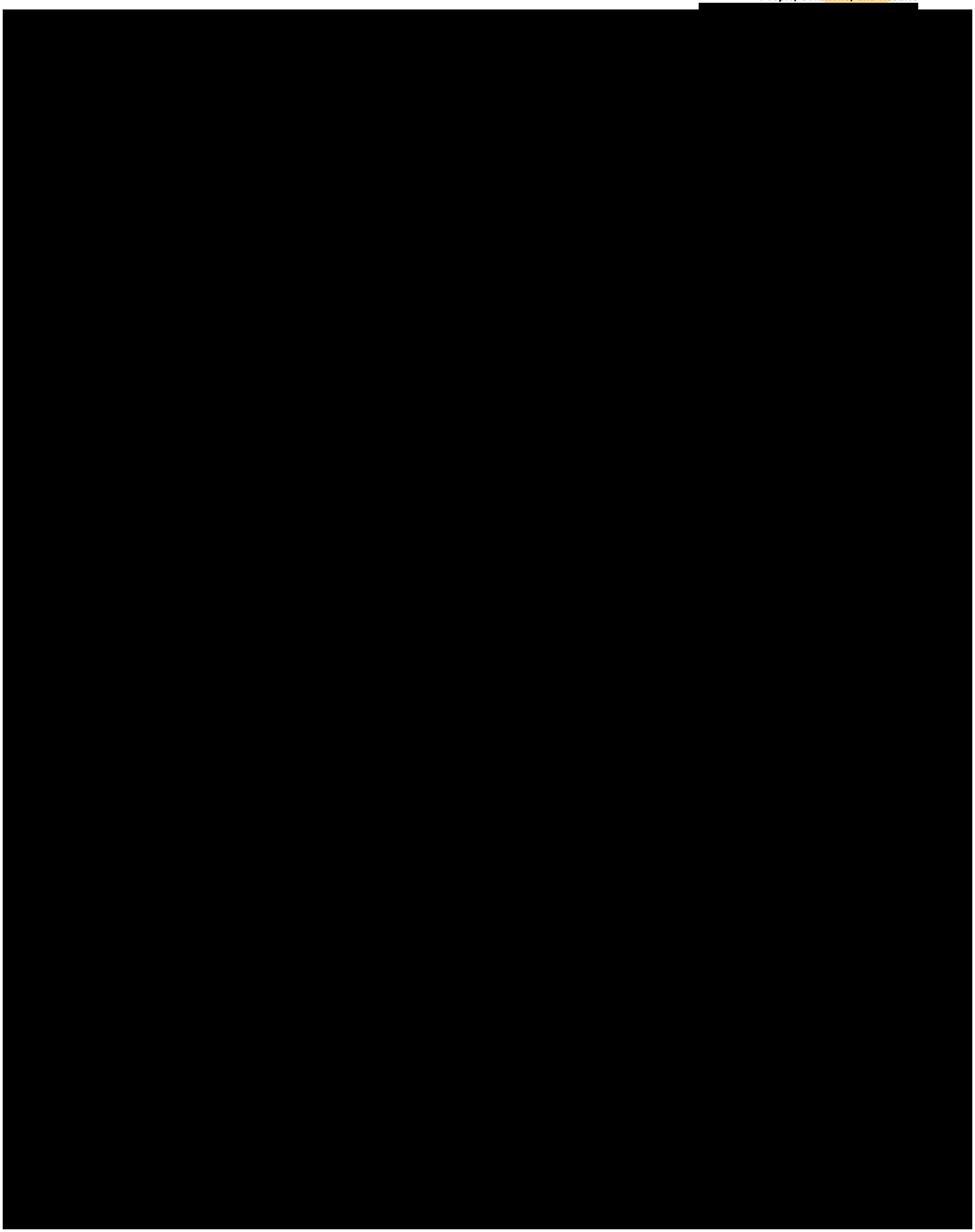

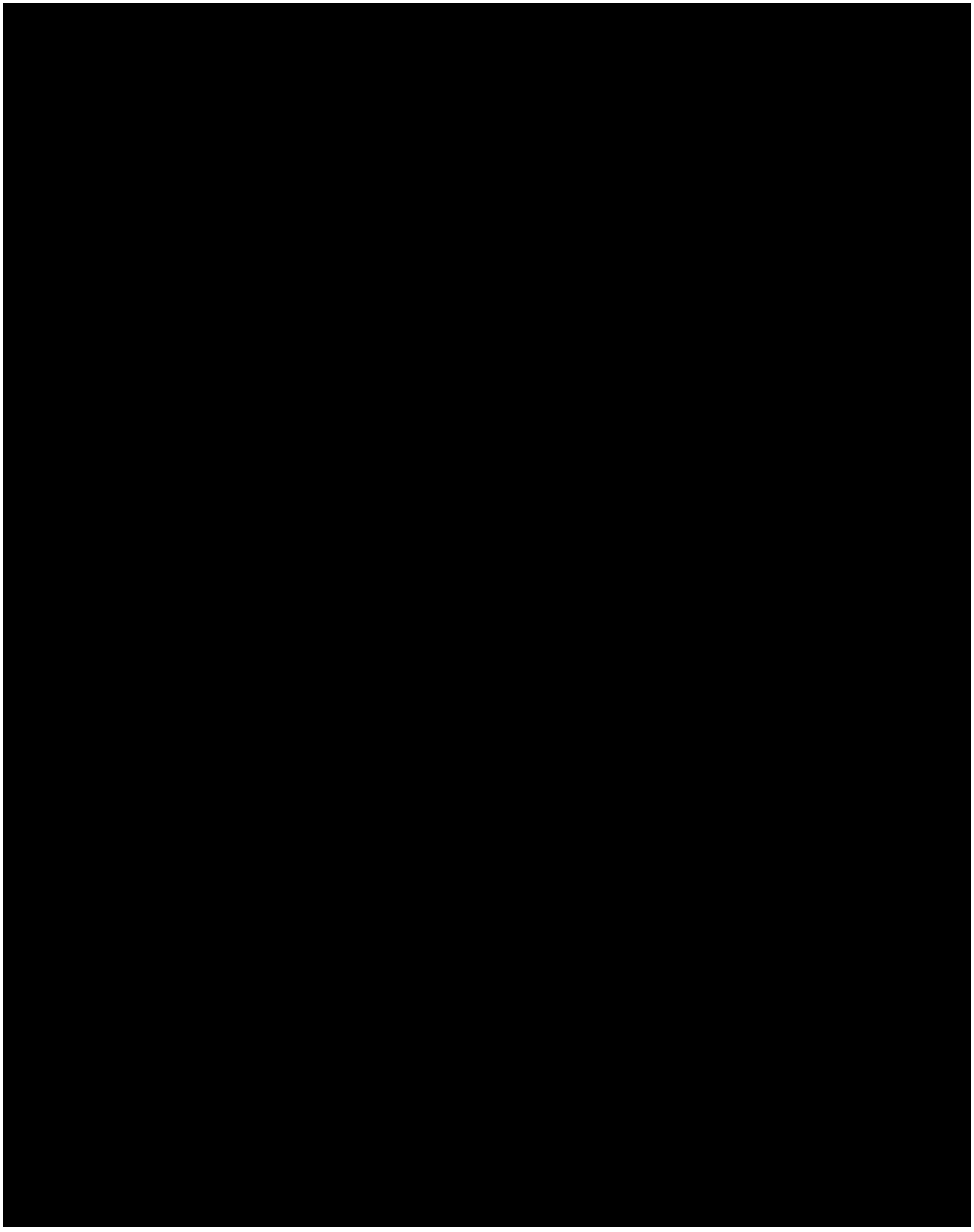

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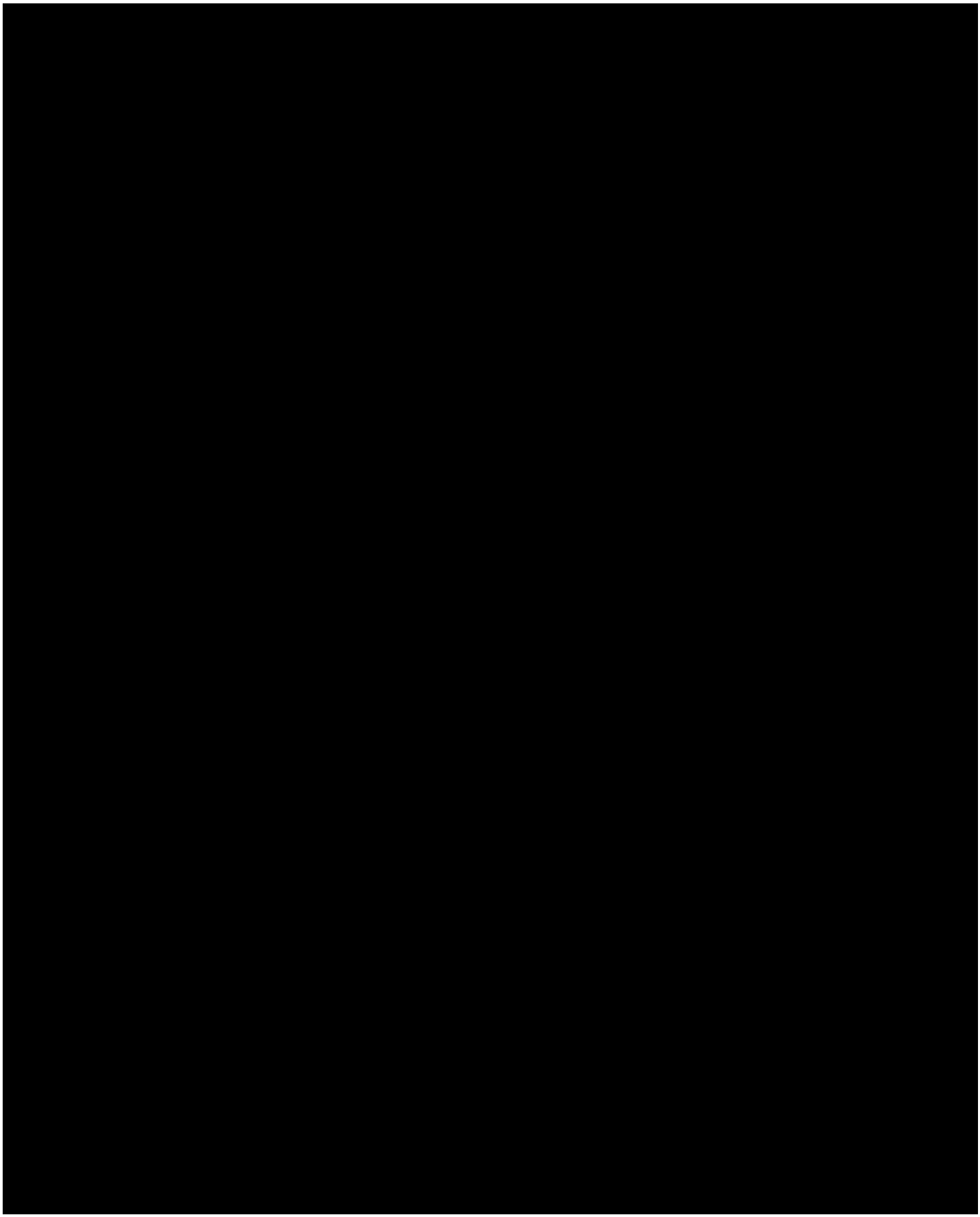

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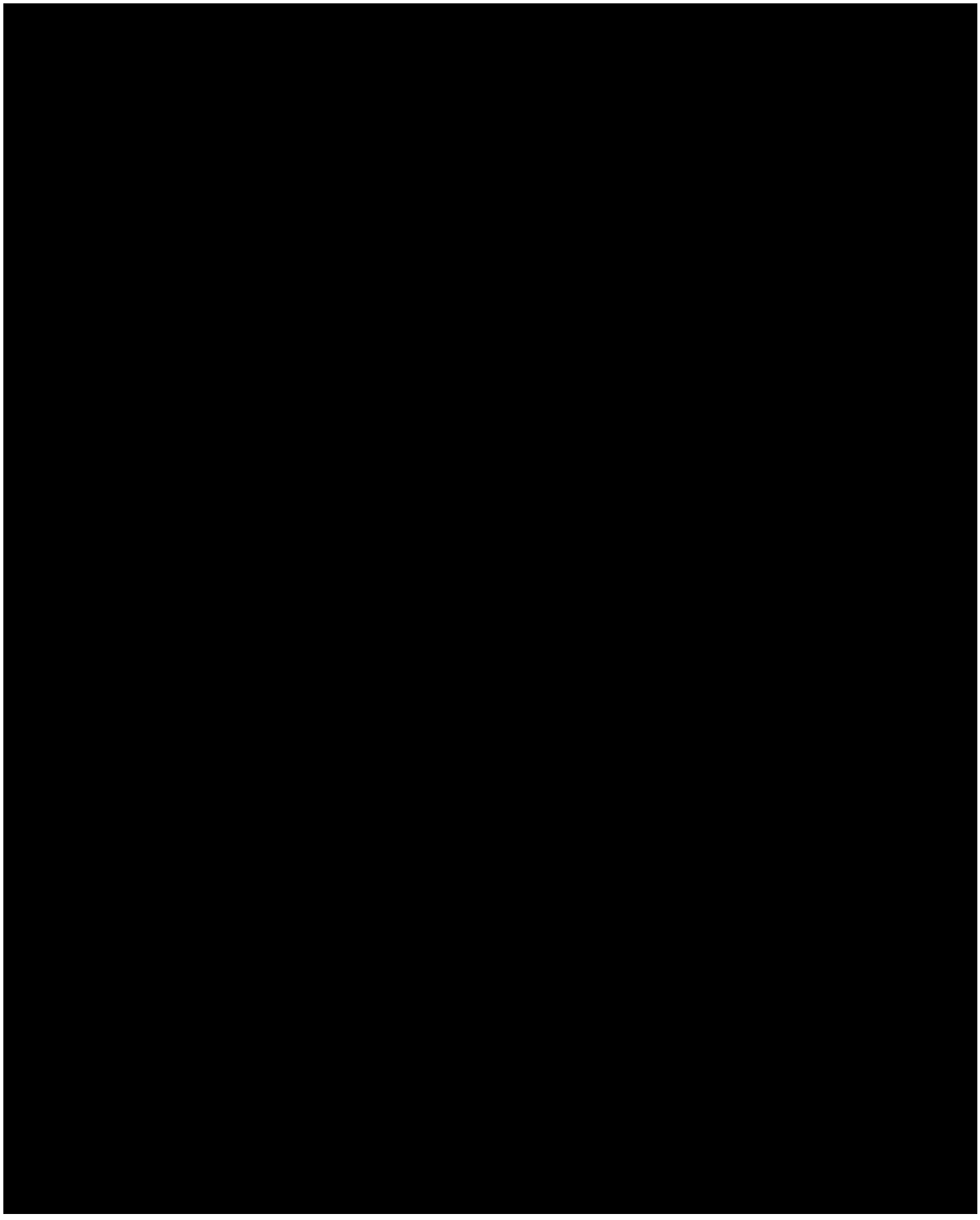

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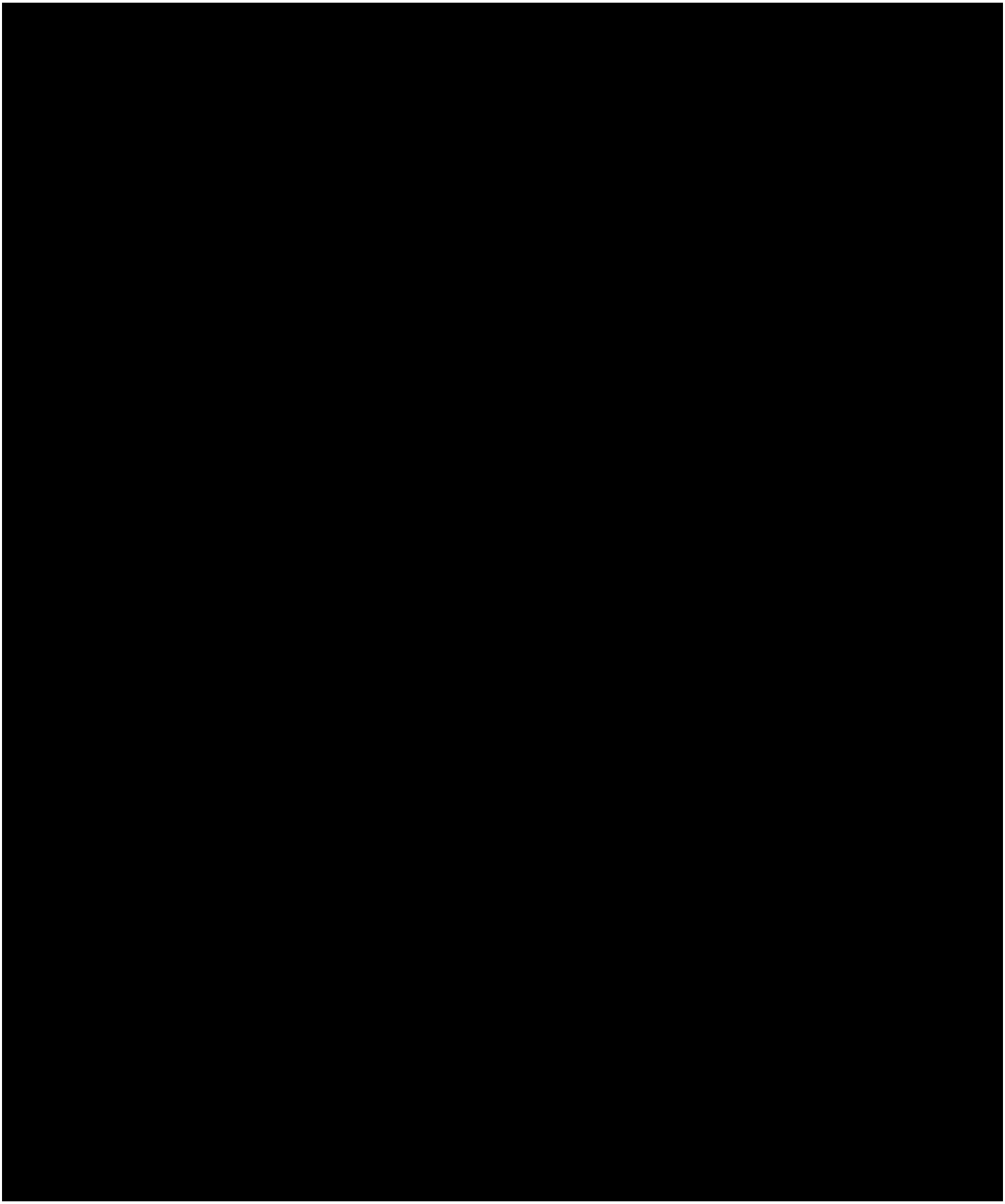

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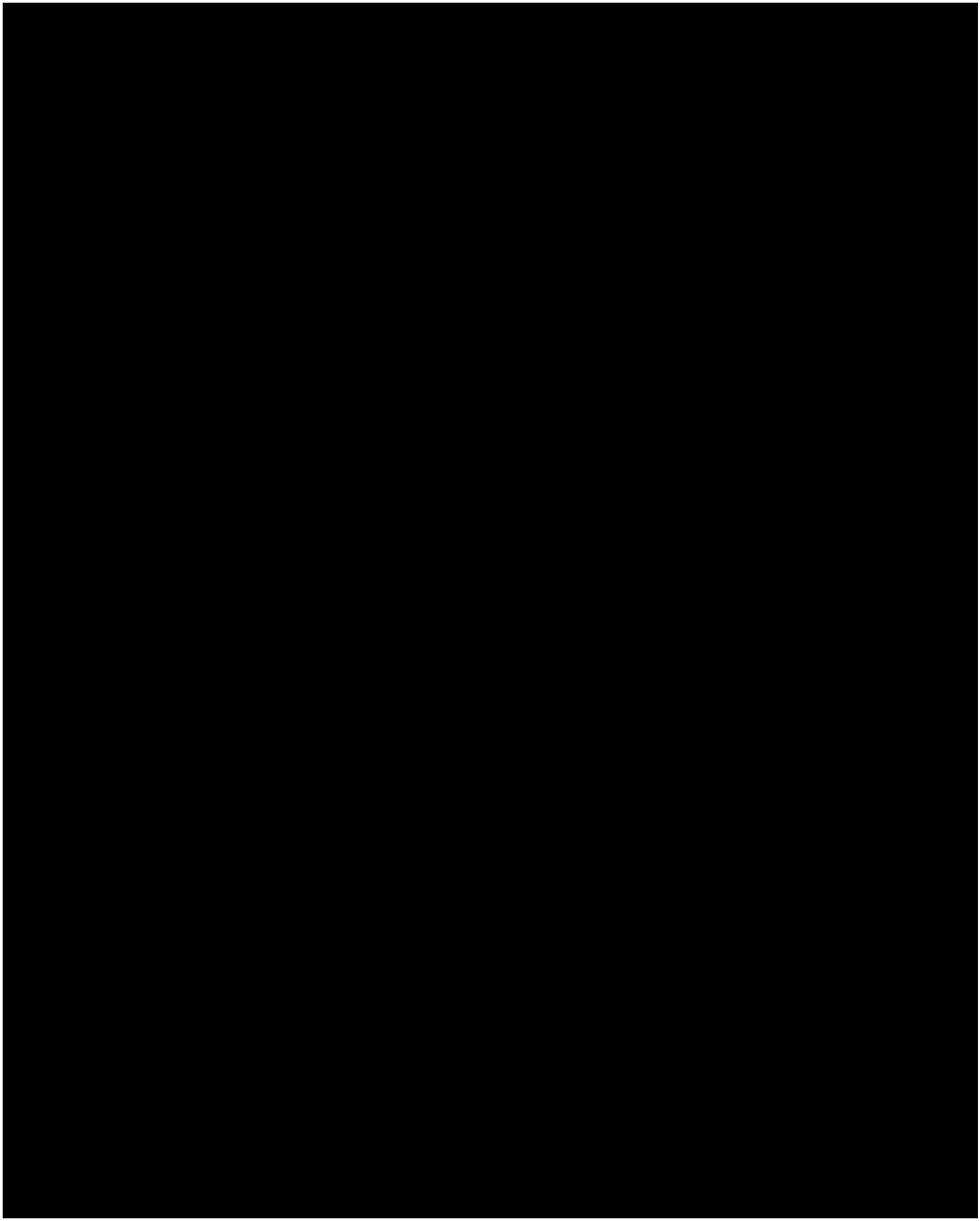

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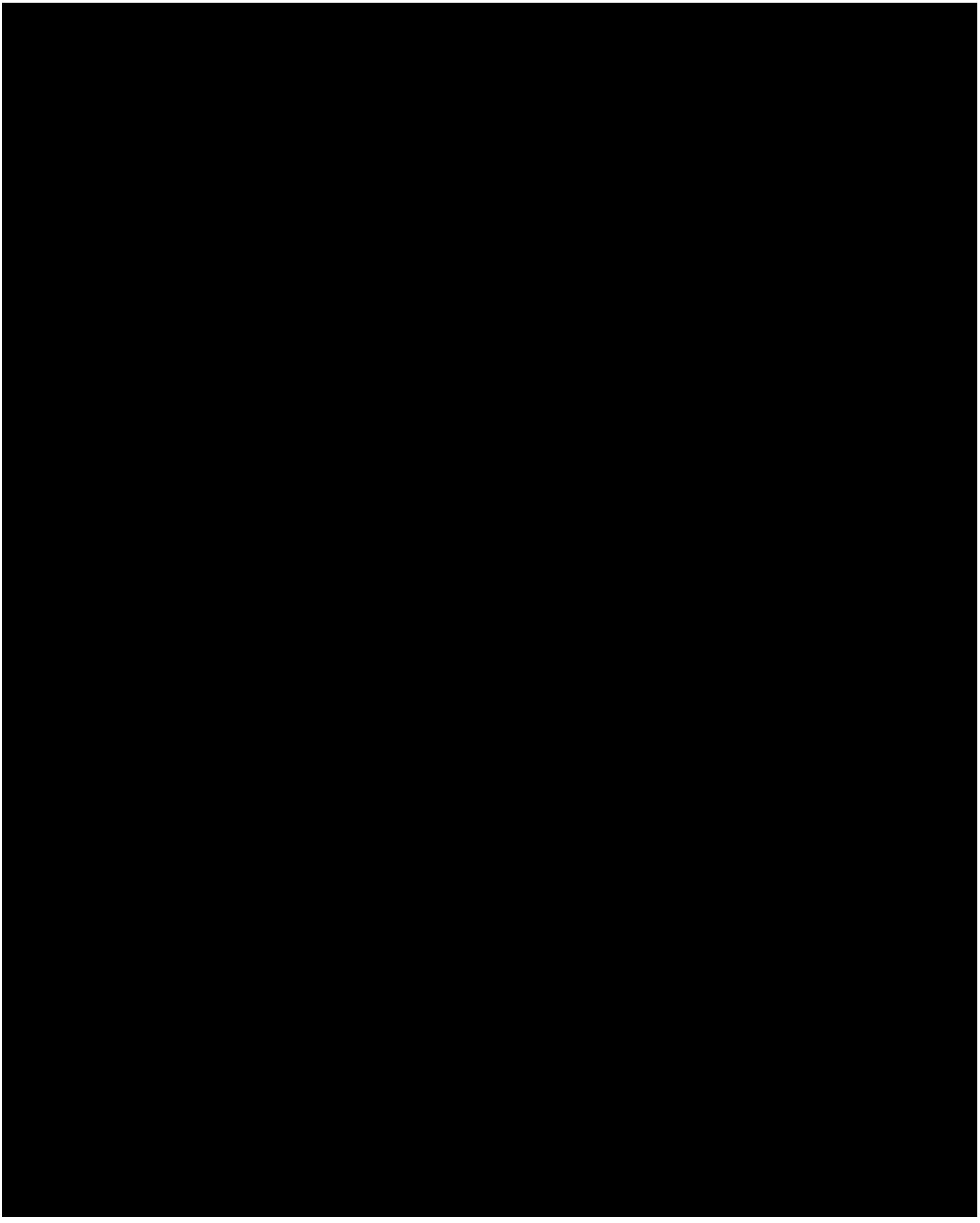

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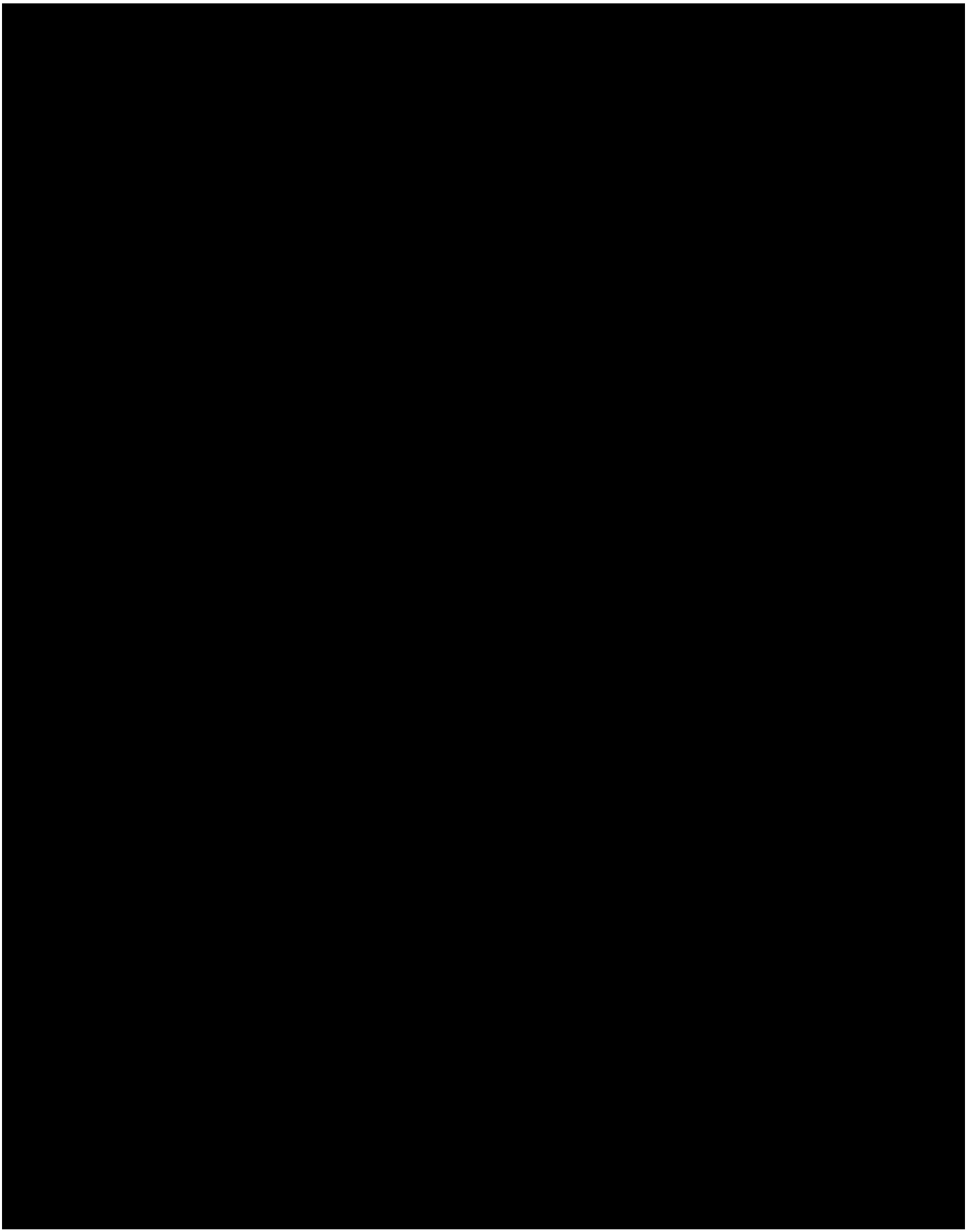

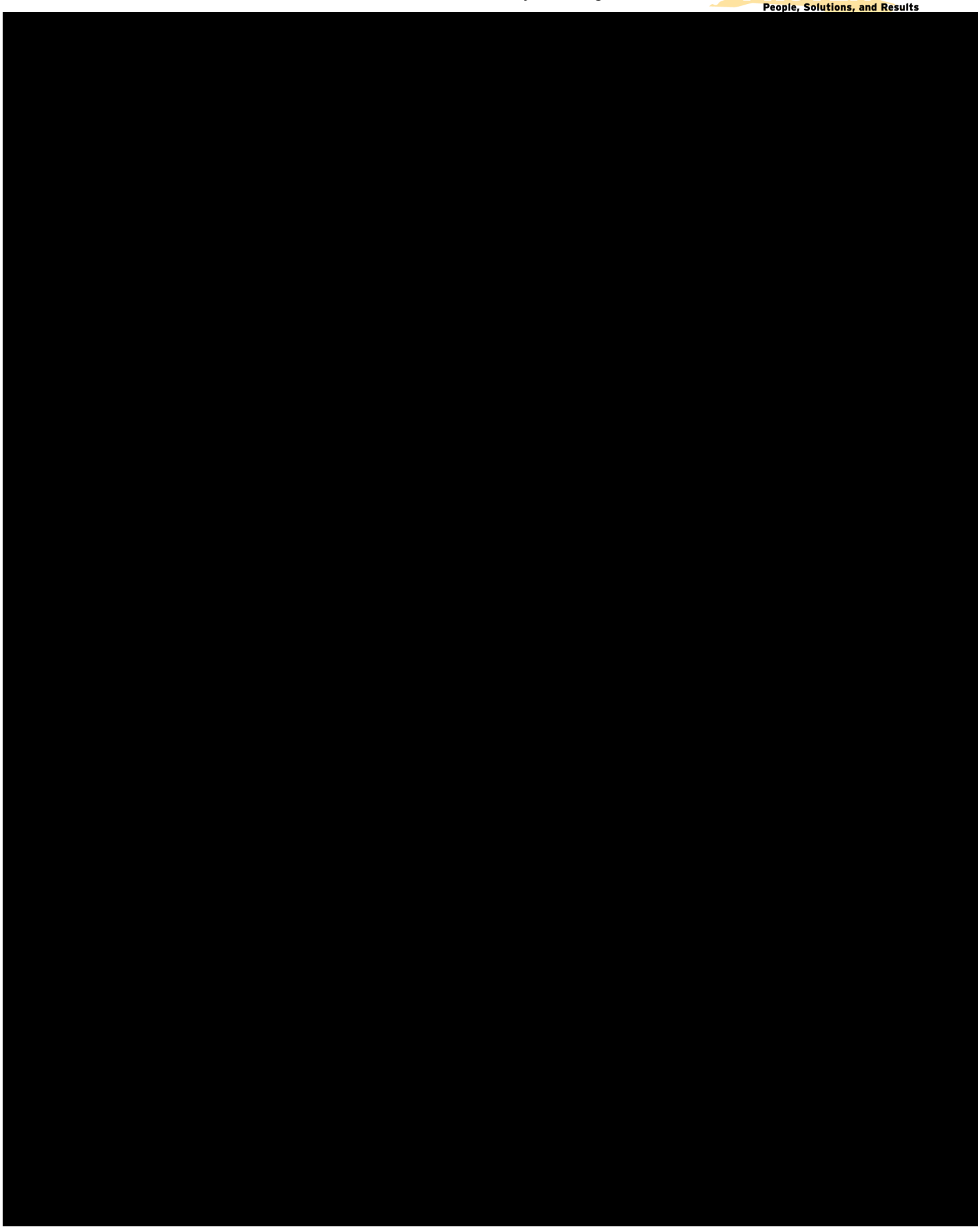

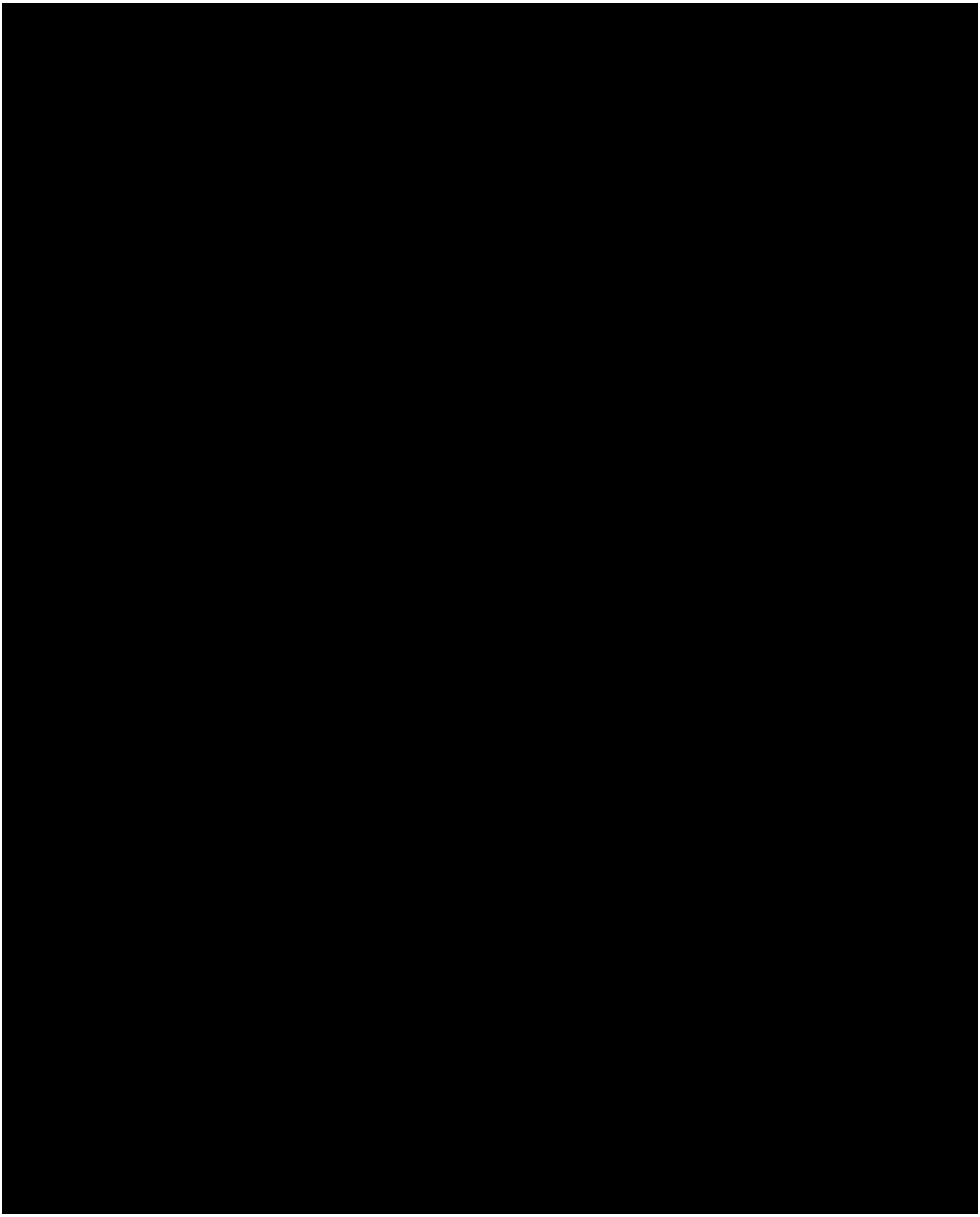

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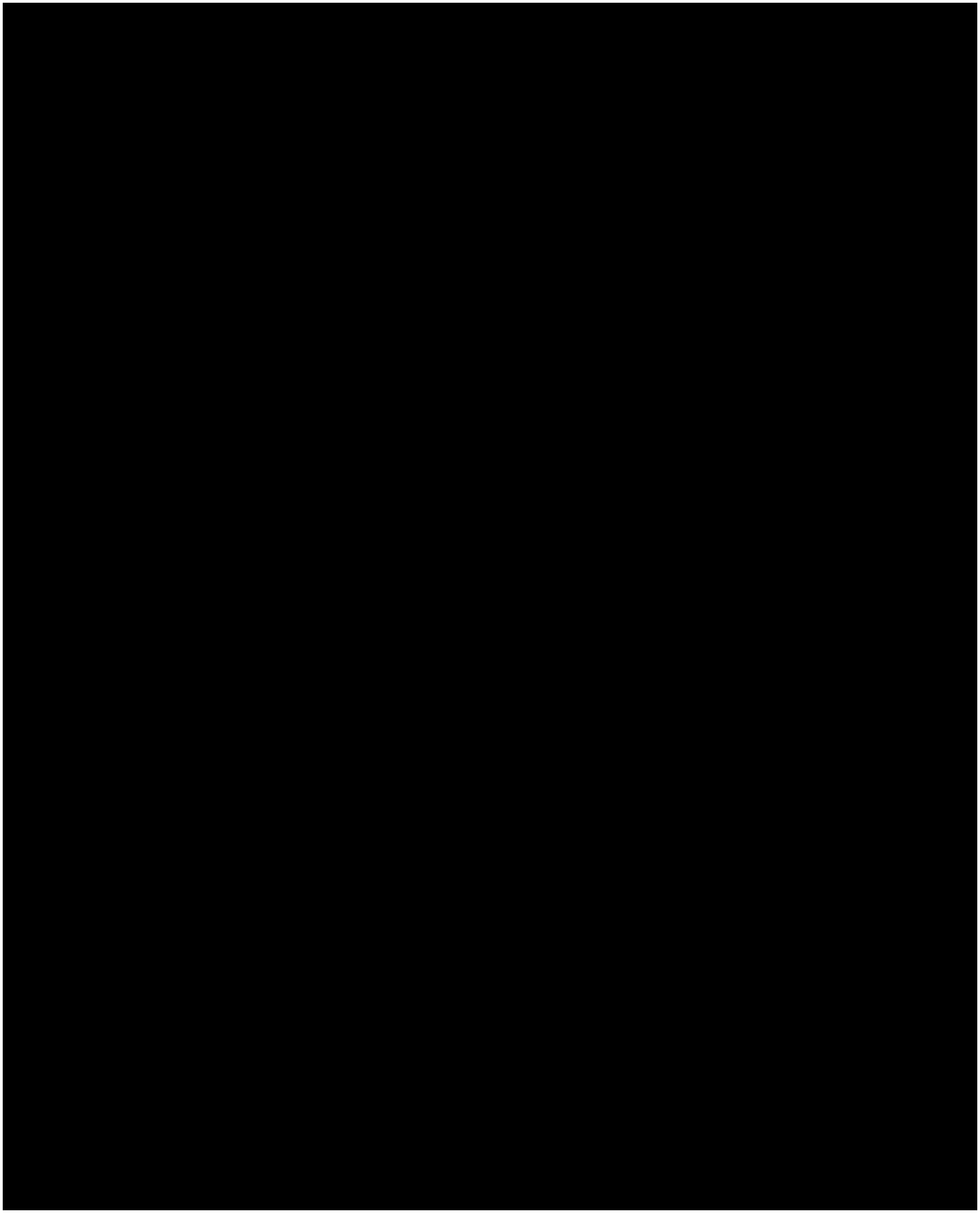

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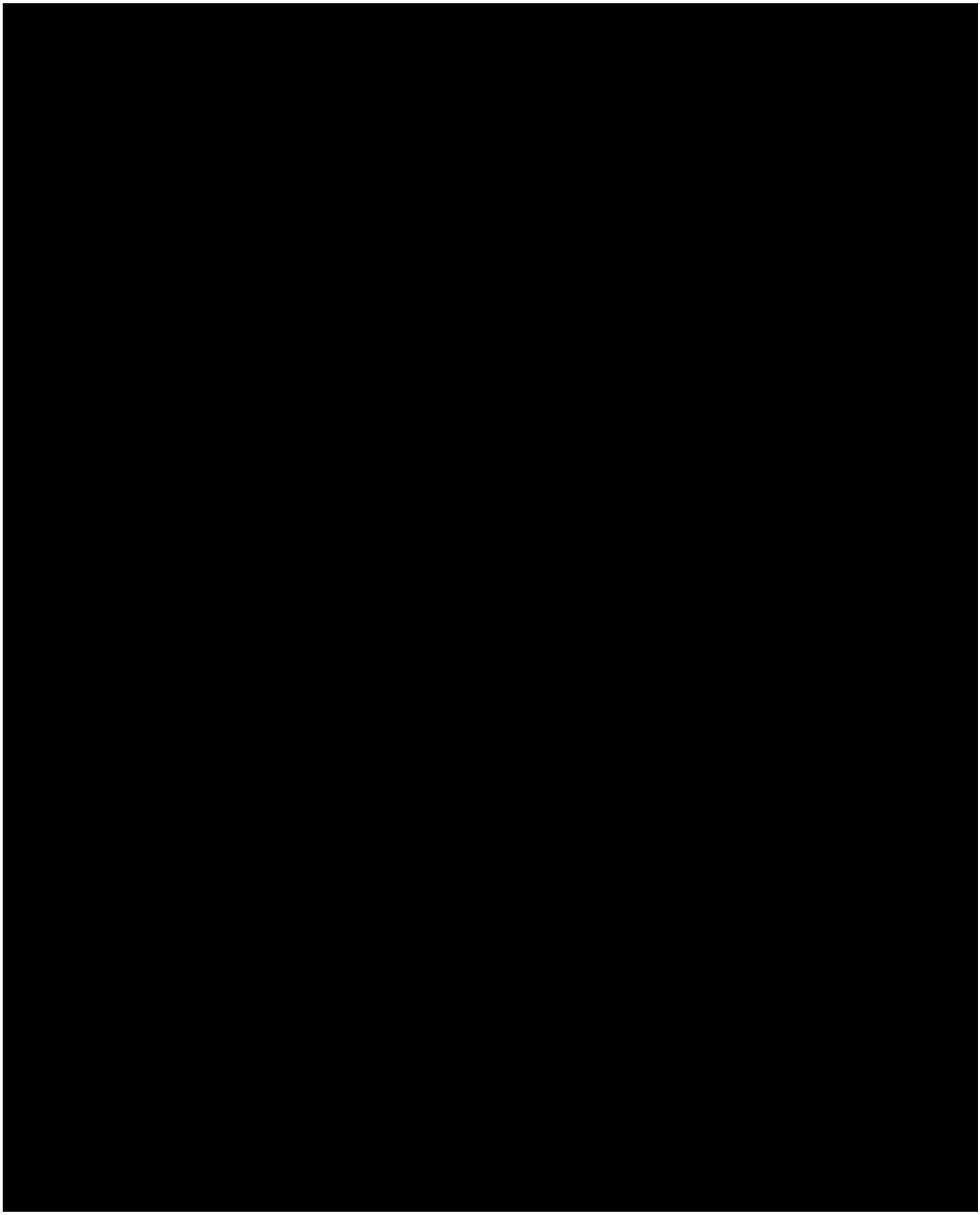

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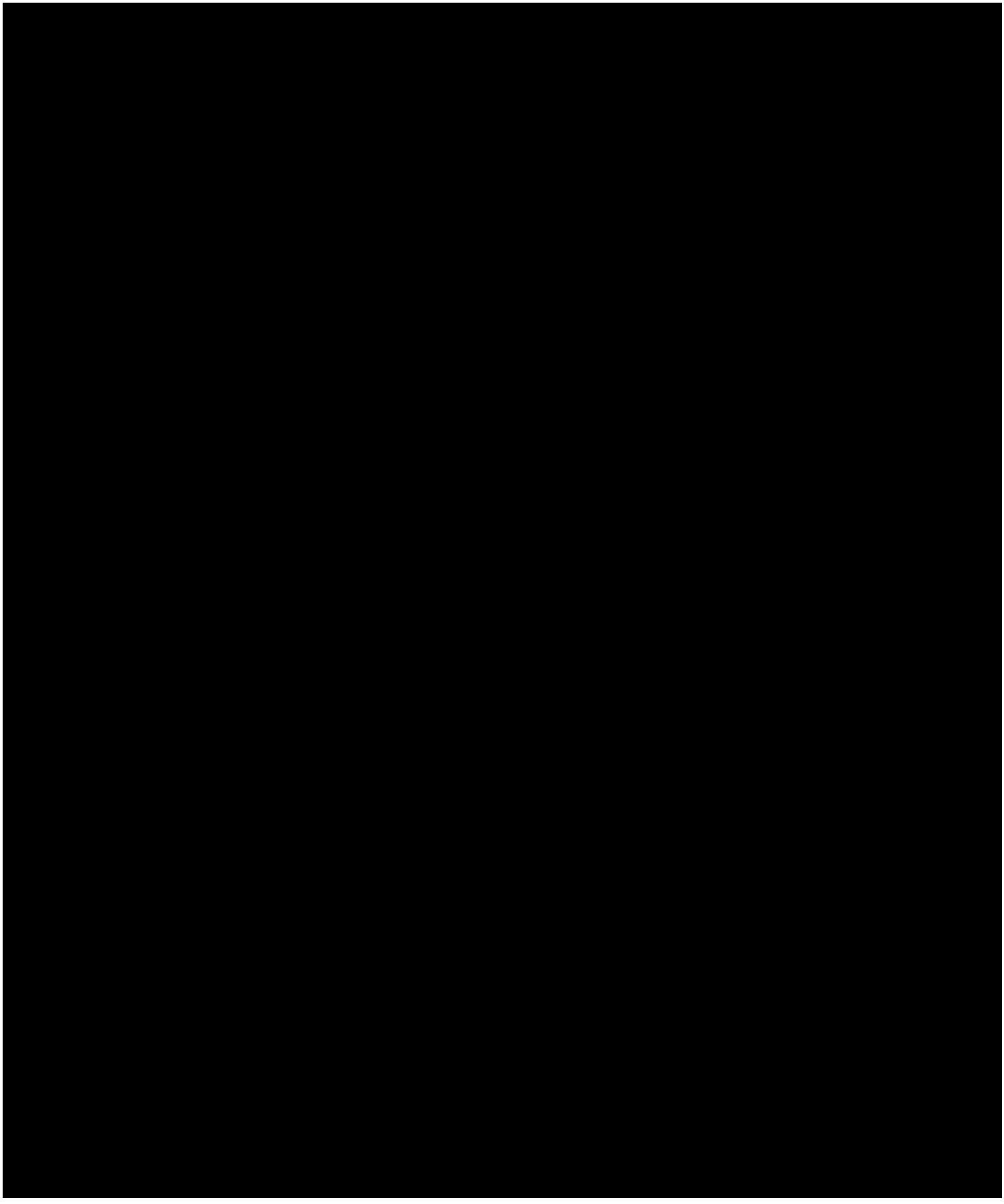

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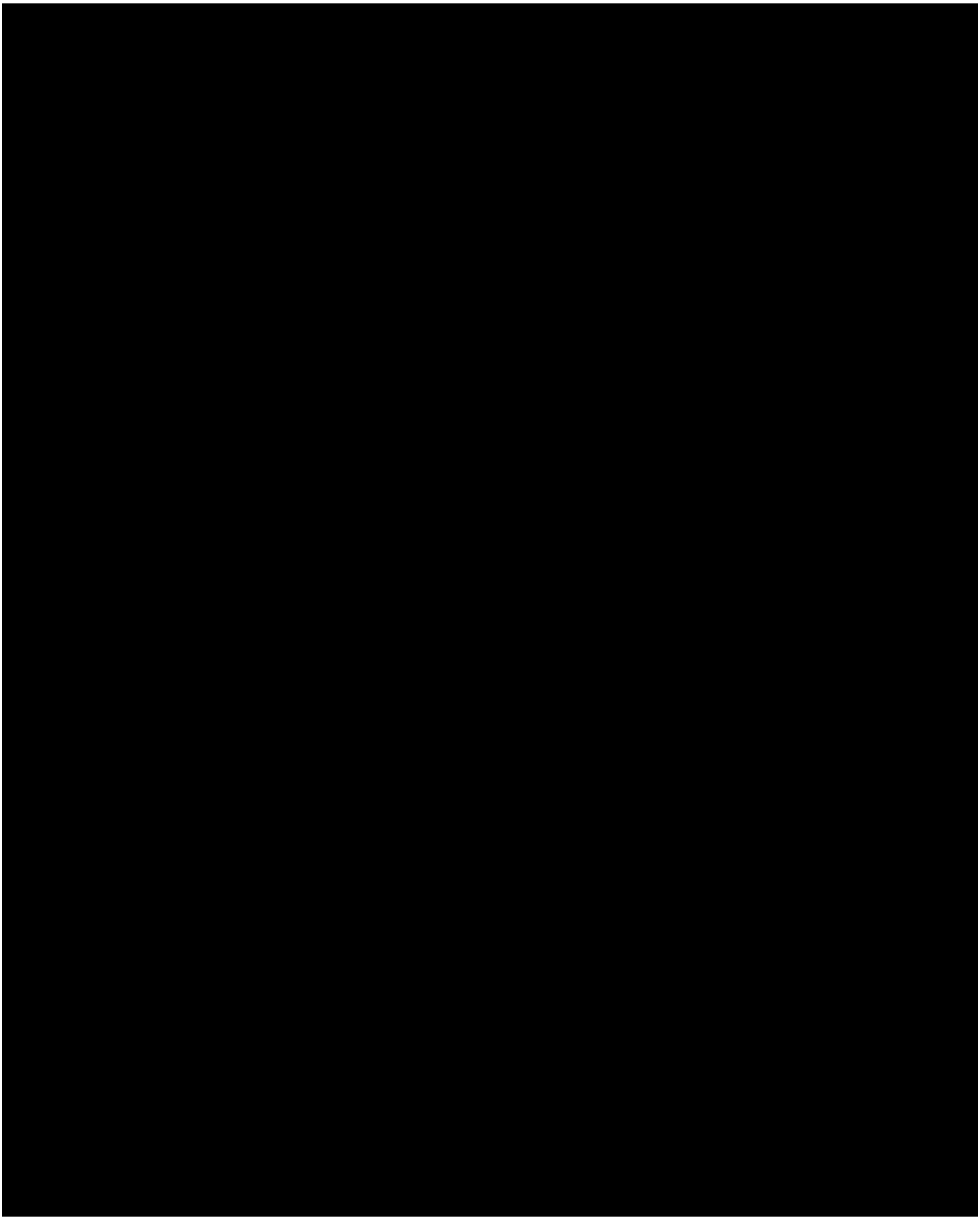

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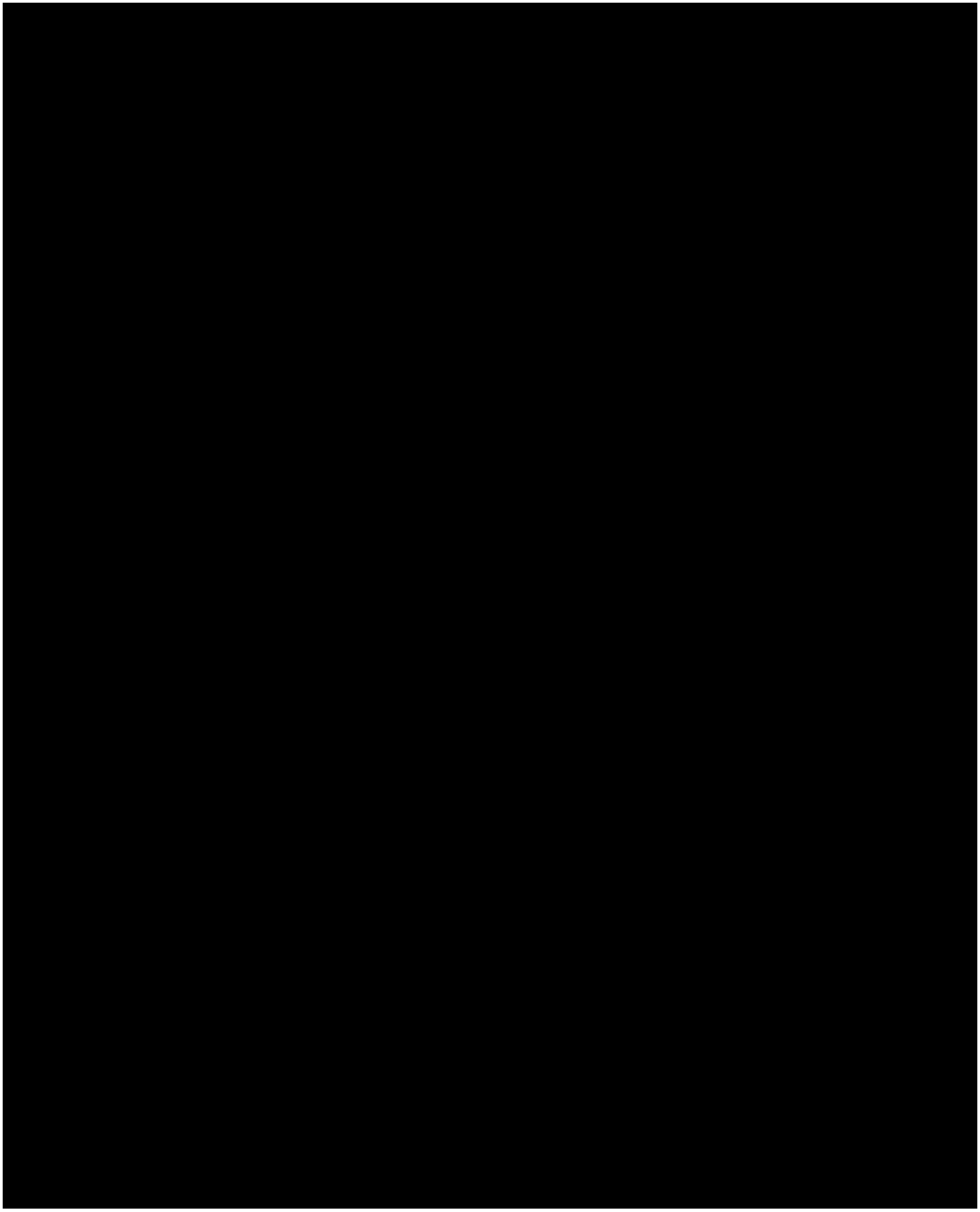

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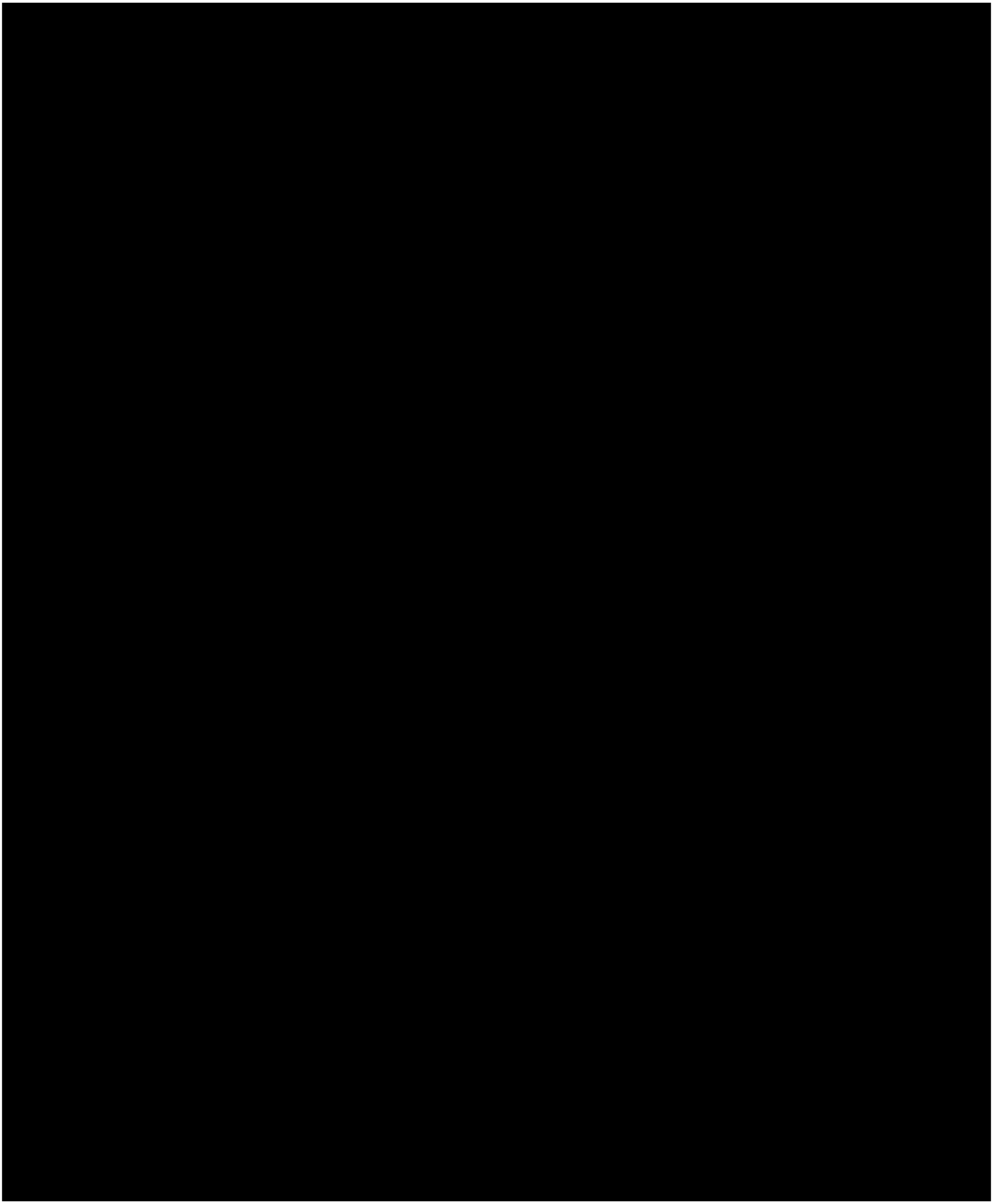

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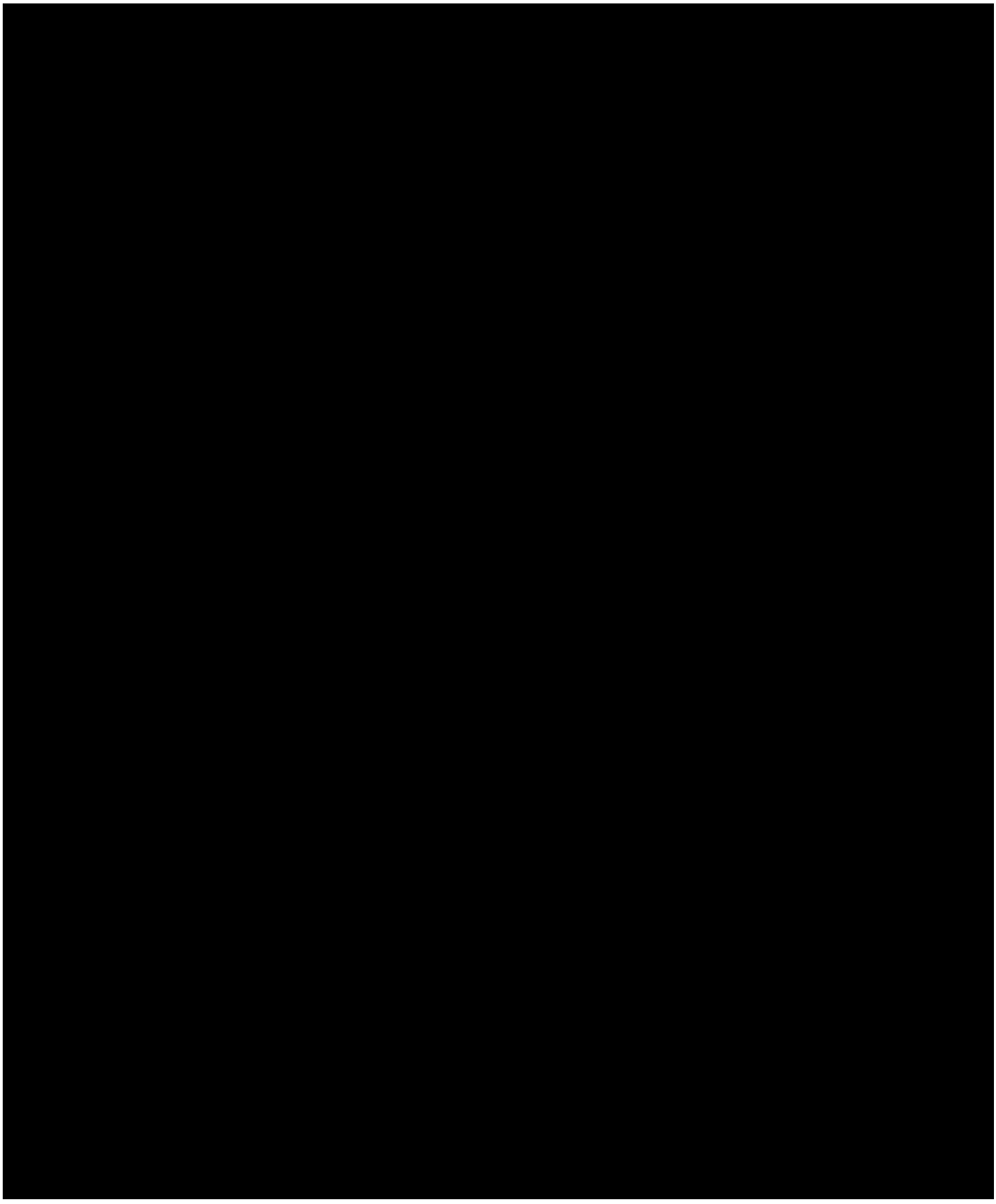

New KY MMIS Go Live Status Report

Kentucky MMIS Project

Cabinet for Health and Family Services
Department for Medicaid Services

Status Week of May 14 - May 18, 2007

SAMPLE

Cabinet for Health and Family Services Department for Medicaid Services		
Role:	Name:	
Author	Scott Norman	
Reviewer	EDS Implementation leads, PMO	
EDS Management	Ricky Pope	
Client	Commissioner Glenn Jennings Deputy Commissioner Carrie Banahan Claims Division Director Rhonda Poston Executive Director/CIO Lorna S. Jones Chief Technical Officer Sandeep Kapoor	
DELIVERABLE TITLE: 2007-05-23 New KY MMIS Go Live Status Report	DATE SUBMITTED: 05/23/07	
FILE NAME: 2007-05-23_New_KY_MMIS_Go_Live_Status_Report_Final.pdf		AUTHORING TOOL: Microsoft Word 2003

Table of Contents

Executive Summary

Accomplishments

- Executed 100% of the system test cases for 32 of the 32 functional areas
- Passed or Completed 100% of the system test cases for 21 of 32 functional areas
- Converted 708 files for claims history covering the period of January 2000 through April 2007. Of the 708 files converted, the overall failure rate is approximately 1% (approximated based on the last balancing report)
- Added 5,279,687,529 rows, approximately 77.6 million rows an hour, to the KYMISP1 and KYHISP1 database for claims history since Wednesday morning
- Finalized data loads with 2,491 failed records. These records will be reconciled and resolved as appropriate
- EDS (Ricky Pope, Kristy Taylor-Standifer, and EDS lobbyist Patrick Jennings) began meeting with state legislators Tuesday, May 8, to discuss the implementation of the New KY MMIS system. Those legislators included:
  - Rep. Jimmie Lee
  - Rep. Danny Ford
  - Sen. Dick Roeding
  - Sen. Joey Pendleton
  - Sen. Gary Tapp
  - Sen. Julie Denton
  - Sen. Dan Seum
  - Sen. Tom Buford

  EDS will continue to meet with legislators over the next two weeks, targeting members of the Medicaid Oversight Committee and Health & Welfare Committee. EDS is scheduled to meet with Rep. Bob Damron, Rep. Ruth Ann Palumbo, and Rep. Tom Burch in the coming weeks. EDS has drafted a letter to be mailed to all 138 legislators that includes information about the implementation and contact information should they or their constituents have any questions
- Completed change to the Long Term Care (LTC) Roster report to print the entire contents of the report and display in PDF format
- Completed Managed Care Adjustment programs and initiated testing cycles
- Converted and loaded 5 billion plus claims history records to the production database with less than a one percent error rate
- Completed all claims conversion processes ahead of schedule
- Provided documentation for Single Adjustments process needed by the operational team
- Installed Claimcheck customization in production database
- Received approval of the User Acceptance Test (UAT) Resolution Document Template
- Submitted the UAT Resolution Document

Looking Ahead

- Setup Production Server Setup for Captiva
- Continue working on Defects and testing for Model Office (MO) and UAT
- Begin Final Conversion Reporting
- Continue Implementation planning and execution
- Complete re-execution of system test cases
- Complete re-execution of System Integration Testing (SIT) test cases

New KY MMIS Go Live Dashboard

Calendar days until Go-Live: 12						
Y	Overall Project Schedule Status					
	Behind Schedule			Ahead of Schedule		
G	>-10%	-10%	-5%	+5%	+10%	>+10%
	▲ (-4.9%)					

Detail Areas Schedule			
Training and Manuals	Y⇔	Parallel Test	G⇔
Change Orders Required for Go Live	G⇑	User Acceptance Testing	R⇑
Conversion	B⇑	Operational Readiness Test	R⇑
System Test and System Integration Test	B⇔	Implementation	R⇑

#	Factor	Alert Level	Metric	Value
1	Acceptance/Quality	G⇔	% On-Time Submittal	100%
			% 1st Time Acceptance	100%
2	Risk Mitigation	G⇔	% Risks with Mitigation Plan	100%
			% On-Time Mitigation Steps	100%
3	Issues	G⇔	# of Open High Issues	0
			# of Open Medium Issues	0
4	Scope Control	G⇔	# of Approved Scope Changes	17
			# of Queued Scope Changes	4

Testing Statistics			
UAT Test Execution		**Defects**	
Total Test Cases Planned for Execution	2658	Severity 1 – Catastrophic	5
Current Test Cases Planned for Execution	2658	Severity 2 – Severe	106
Current Test Cases Executed	2469	Severity 3 – Major	51
Current Test Cases Completed/Passed	1844	Severity 4 – Minor	28
Test Cases Above or Below Planned Execution	-189	Severity 5 – Minimal	7
Average Daily Test Cases Executed	39	Severity 6 – Internal	0
Average Daily Test Cases Passed-Closed	29	Total Open Defects	197

Description of Dashboard Elements

Overall Project Schedule Status

The New KY MMIS Go Live remains on track for June 4, 2007. The final Legacy cycle will run on May 25, 2007. The Legacy system will remain operational during the conversion of the most recent month's claims data. Any claims received after the May 18, 2007 cut off will be processed in the New KY MMIS. The first financial cycle in New KY MMIS will run on June 9, 2007.

Risks

- There are no significant risks to report at this time

Issues

- There are no significant issues to report at this time

Accomplishments, Current Activities, and Looking Ahead

Accomplishments

- Executed 100% of the system test cases for 32 of the 32 functional areas
- Passed or Completed 100% of the system test cases for 21 of 32 functional areas
- 288 of 704 conversion processes have completed and are being validated. Error rates are very low
- Converted 708 files for claims history covering the period of January 2000 through April 2007. Of the 708 files converted, the overall failure rate is approximately 1% (approximated based on the last balancing report)
- Added 5,279,687,529 rows, approximately 77.6 million rows an hour, to the KYMISP1 and KYHISP1 database for claims history since Wednesday morning
- Finalized data loads with 2,491 failed records. These records will be reconciled and resolved as appropriate
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Construction

- Completed change to the Long Term Care (LTC) Roster report to print the entire contents of the report and display in PDF format
- Assisted local users with Contract Tracking Management System (CTMS) login issues after changing to production Medicaid Enterprise User Provisioning System (MEUPS)
- Coordinated Transmission of SHPS files for CTMS Conversion to our Test directory to prepare for conversion
- Coordinated and completed a successful Transport Level Security Testing with First Health
- Added File Transfer Service (FTS) application to MEUPS security
- Completed Managed Care Adjustment programs and initiated testing cycles
- Completed CTI server and Automated Voice Response (AVR) server configurations for CTI solution

Conversion

- Met with PA-SHPS team to plan conversion/implementation calendar activities
- Converted and loaded 5 billion plus claims history records to the production database with less than a one percent error rate

- Completed all claims conversion processes ahead of schedule
- Continued final conversion and processed the capitation history and claim history through April 2007. The team will now transition into the validation and error reconciliation phase

Documentation

- Responded to questions on the Claims User manual and updated the PWB when necessary
- Provided documentation for Single Adjustments process needed by the operational team

Go Live Prep

- Installed Claimcheck customization in production database

Testing

- Reviewed and updated several Procedure and Diagnosis groups for the Management and Administrative Reporting (MAR) team to assist in their testing/reporting requirements
- Received approval of the UAT Resolution Document Template
- Submitted the UAT Resolution Document

Current Activities

Construction

- Prioritizing and working outstanding Change/Problem Logs

Conversion

- Executing Final Conversion

Documentation

- Working on documentation for running Reference batch jobs that require user intervention or outside files
- Updating documentation when discrepancies are discovered

Testing

- Re-executing system test cases for Financial, Managed Care, Claims, Encounter, TPL, Electronic Data Interchange (EDI), MAR, Surveillance and Utilization Review (SUR), OnBase, Quality Assurance and Audits (QAA), and Benefit Administration Functional Areas
- Assisting in UAT testing
- Updating Edit/Audit disposition information for the business team
- Working with policy team to review Procedure Drug Diagnosis (PDD) rules conversion
- Executing SIT test cases

Looking Ahead

Construction

- Setup Production Server Setup for Captiva
- Continue working on Defects and testing for MO and UAT

Conversion

- Begin Final Conversion Reporting

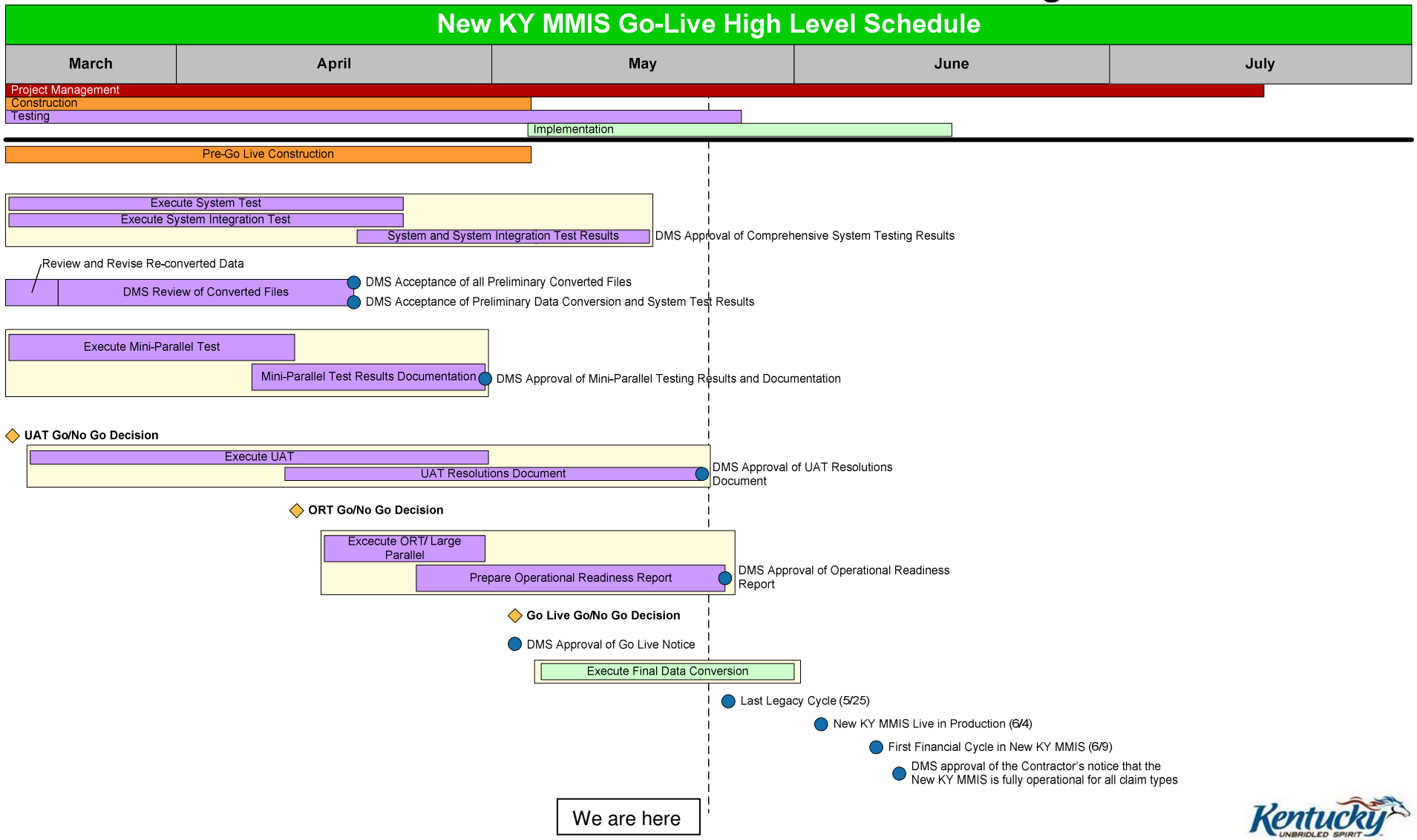
Implementation

- Continue Implementation planning and execution

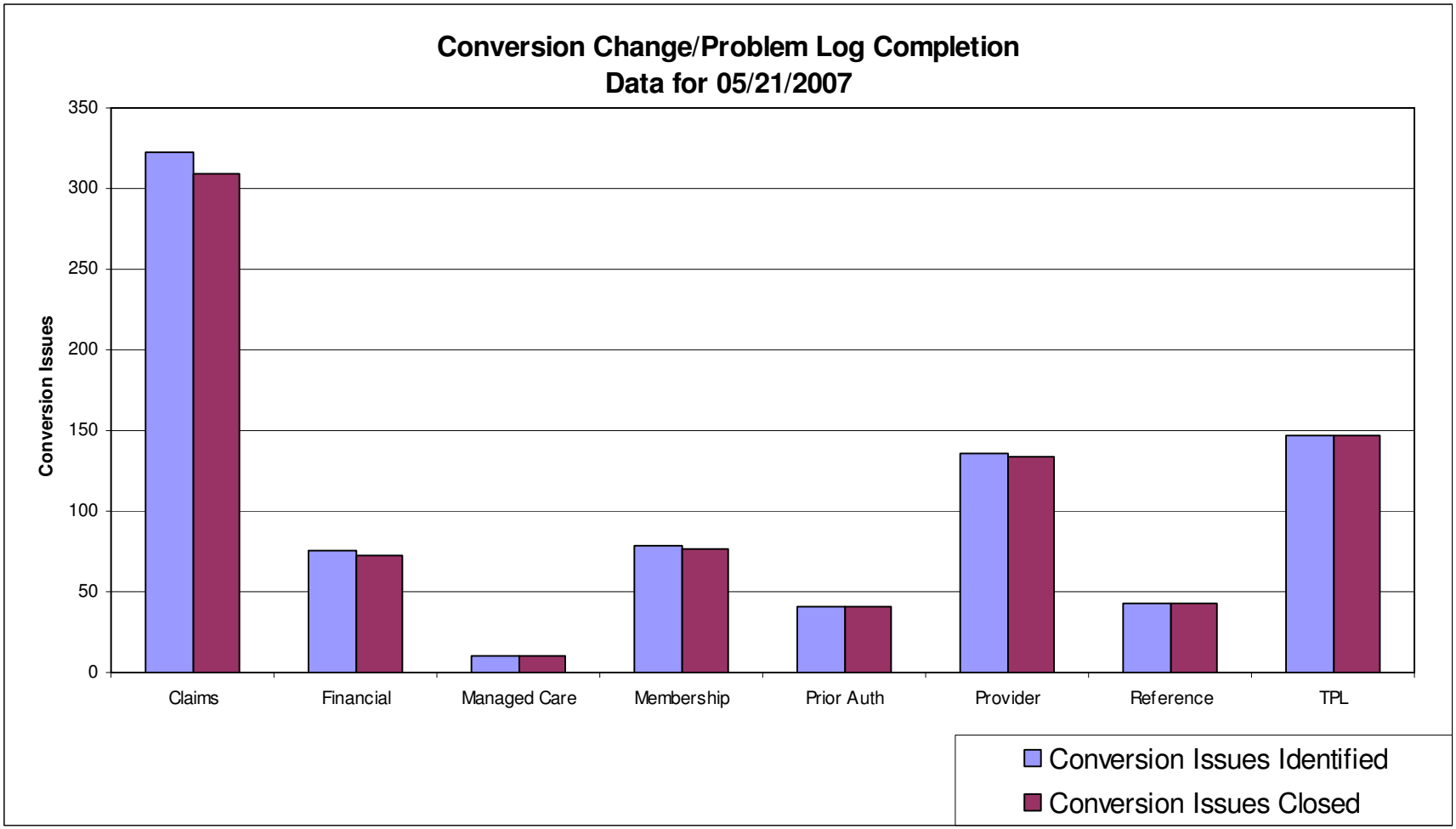
Testing

- Complete re-execution of system test cases
- Complete re-execution of SIT test cases

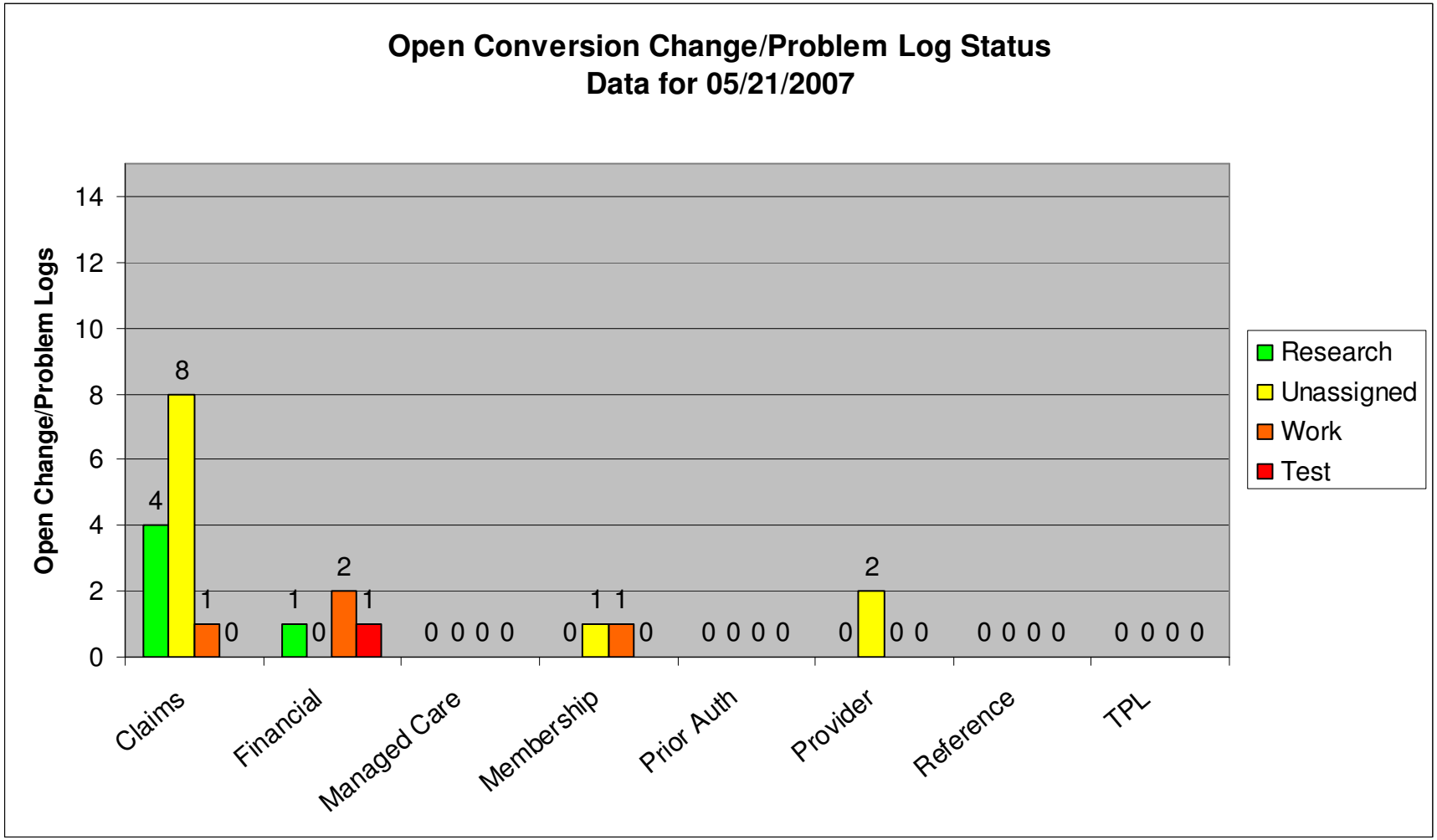
High Level Timeline



Conversion Statistics*



* Detailed statistics for this chart are available on the Project Workbook



Color	Criteria
Research	• Change/Problem log is not fully defined and additional information is necessary before the item is ready for assignment to a conversion team member
Unassigned	• Change/Problem log is fully defined and ready for assignment to a conversion team member for completion
Work	• Change/Problem log has been assigned to a conversion team member and is actively being worked
Test	• Change/Problem log construction has been completed on the item and a conversion team member is testing those changes

Change Order Statistics Construction System Release Extension

The following statistics reflect progress for the construction effort for the New KY MMIS.

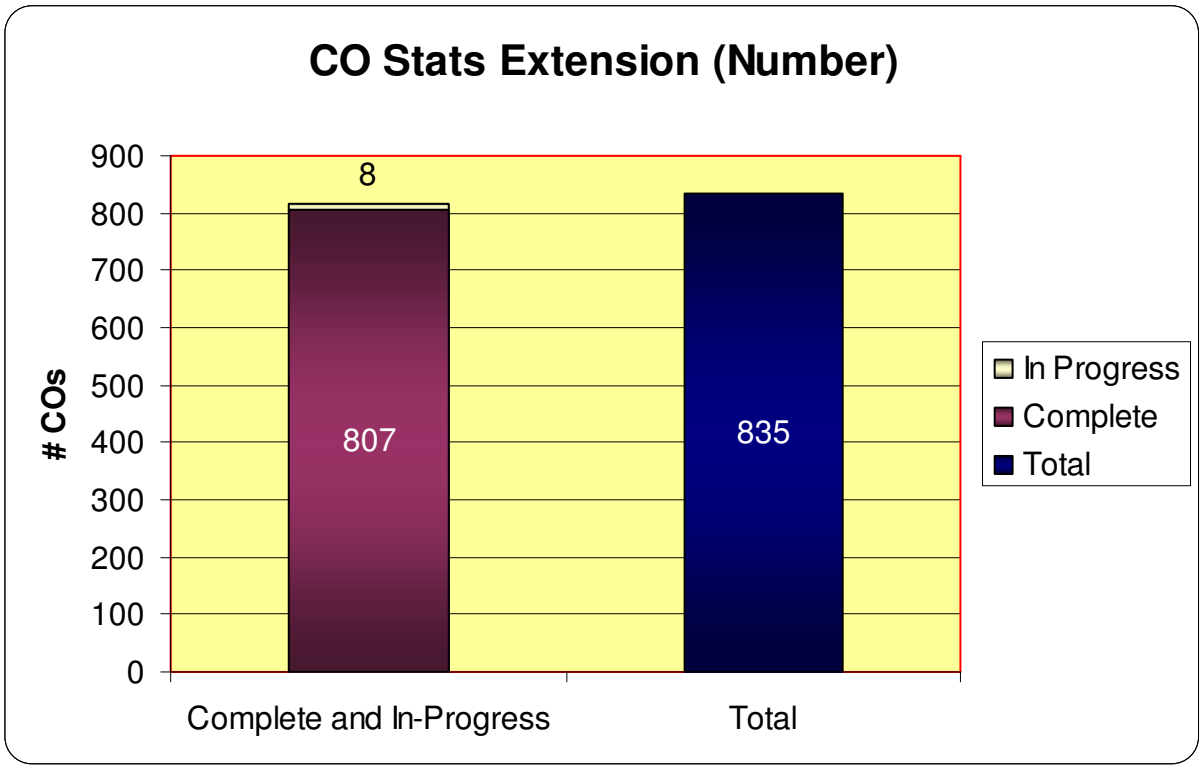
May 18, 2007	Total COs in Plan	# COs in Process	% COs in Process	# COs Comp. to Date	% COs Comp.	# Hours Spent	Total Hours in Plan	Total Hours Remaining	% Hours Comp.
AEVS	5	0	0.00%	5	100.00%	188	188	0	100.00%
Buy-In	9	0	0.00%	9	100.00%	124	218	94	56.88%
Claims	210	0	0.00%	210	100.00%	14538	14650	112	99.24%
COLD/OnBase	6	0	0.00%	6	100.00%	70	210	140	33.33%
CTMS	46	0	0.00%	46	100.00%	2084	2084	0	100.00%
Data	35	0	0.00%	35	100.00%	2061	2061	0	100.00%
DSS	43	0	0.00%	43	100.00%	2435	2569	134	94.78%
EDI/BizTalk	69	0	0.00%	69	100.00%	4761	4819	58	98.80%
Financial	6	0	0.00%	6	100.00%	703	703	0	100.00%
Managed Care	31	0	0.00%	31	100.00%	1055	1162	107	90.79%
MAR	21	0	0.00%	21	100.00%	1325	1272	-53	104.17%
Member	73	0	0.00%	73	100.00%	2589	3180	591	81.42%
Prior Auth	47	0	0.00%	47	100.00%	2117	2750	633	76.98%
Provider	89	4	0.00%	65	100.00%	2205	2899	694	76.06%
Provider Internet	27	0	0.00%	27	100.00%	3322	3322	0	100.00%
QAA	0	0	0.00%	0	0.00%	0	0	0	100.00%
Reference	20	0	0.00%	20	100.00%	895	895	0	100.00%
SUR	3	0	0.00%	3	100.00%	268	268	0	100.00%
TPL	95	4	0.00%	91	100.00%	5626	5716	90	98.43%
Total	**835**	**8**	**0.96%**	**807**	**96.65%**	**46366**	**48966**	**2600**	**94.69%**

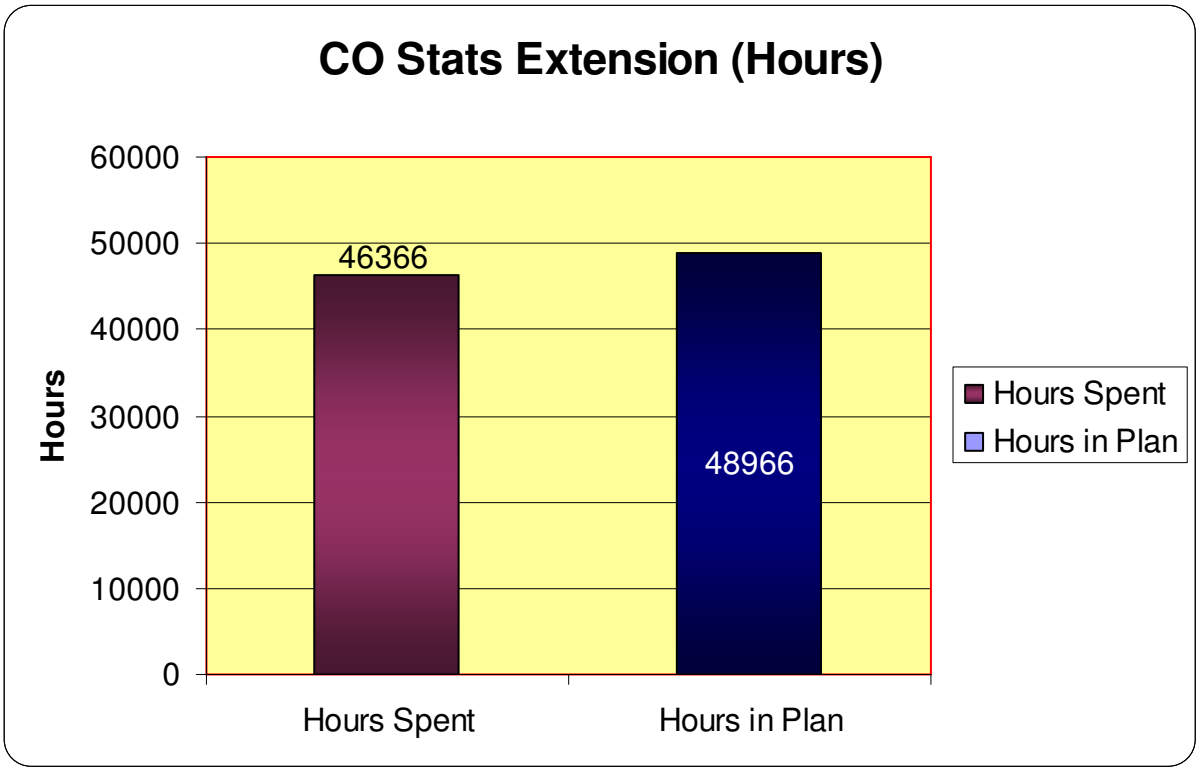
**This number includes non-operational contingency functionality change orders*

The following statistics reflect data from last week.

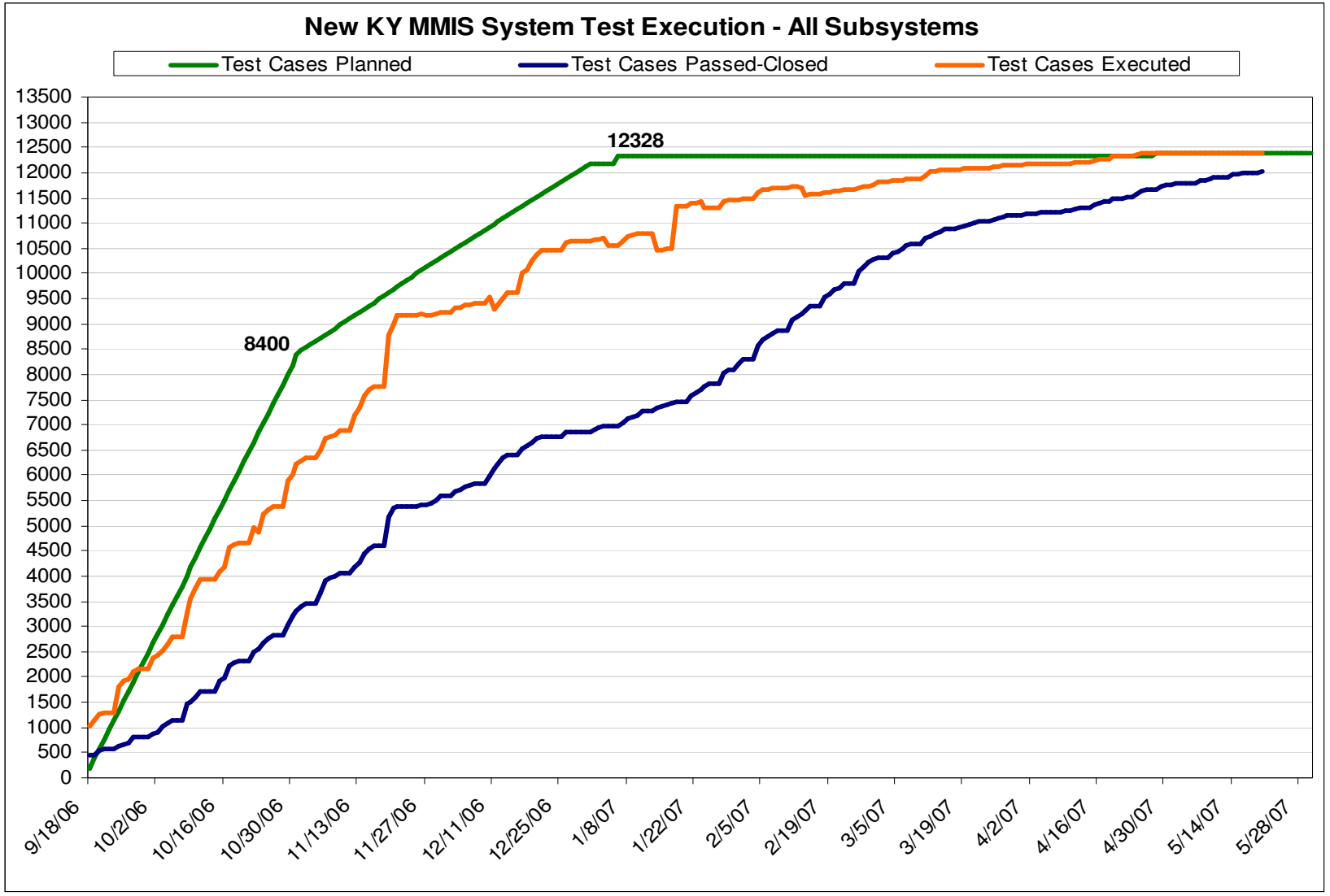
May 11, 2007	Total COs in Plan	# COs in Process	% COs in Process	# COs Comp. to Date	% COs Comp.	# Hours Spent	Total Hours in Plan	Total Hours Remaining	% Hours Comp.
AEVS	5	0	0.00%	5	100.00%	188	188	0	100.00%
Buy-In	9	0	0.00%	9	100.00%	124	218	94	56.88%
Claims	210	0	0.00%	210	100.00%	14538	14650	112	99.24%
COLD/OnBase	6	0	0.00%	6	100.00%	70	210	140	33.33%
CTMS	46	0	0.00%	46	100.00%	2084	2084	0	100.00%
Data	35	0	0.00%	35	100.00%	2061	2061	0	100.00%
DSS	43	3	6.98%	40	93.02%	2435	2569	134	94.78%
EDI/BizTalk	69	0	0.00%	69	100.00%	4761	4819	58	98.80%
Financial	6	0	0.00%	6	100.00%	703	703	0	100.00%
Managed Care	31	0	0.00%	31	100.00%	1055	1162	107	90.79%
MAR	21	2	9.52%	19	90.48%	1325	1272	-53	104.17%
Member	73	0	0.00%	73	100.00%	2589	3180	591	81.42%
Prior Auth	47	0	0.00%	47	100.00%	2117	2750	633	76.98%
Provider	89	4	4.49%	65	100.00%	2205	2899	694	76.06%
Provider Internet	27	0	0.00%	27	100.00%	3322	3322	0	100.00%
QAA	0	0	0.00%	0	0.00%	0	0	0	100.00%
Reference	20	0	0.00%	20	100.00%	895	895	0	100.00%
SUR	3	0	0.00%	3	100.00%	268	268	0	100.00%
TPL	95	4	4.21%	91	100.00%	5626	5716	90	98.43%
Total	**835**	**13**	**1.56%**	**802**	**96.05%**	**46366**	**48966**	**2600**	**94.69%**

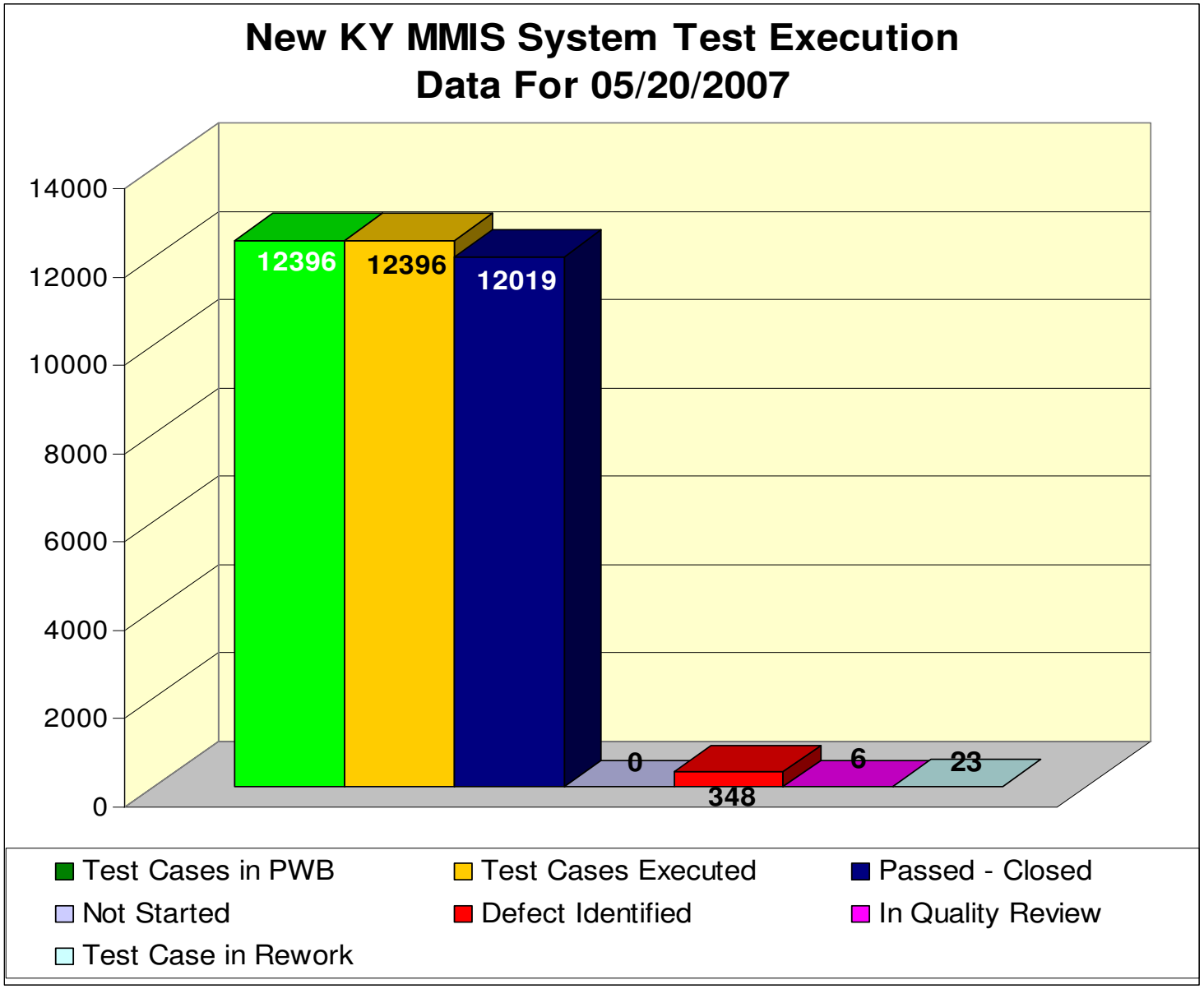
**This number includes non-operational contingency functionality change orders*


CO Stats Extension (Number)
900
800
700
600
500
400
300
200
100
0
COs
8
807
835
Complete and In-Progress
Total
In Progress
Complete
Total

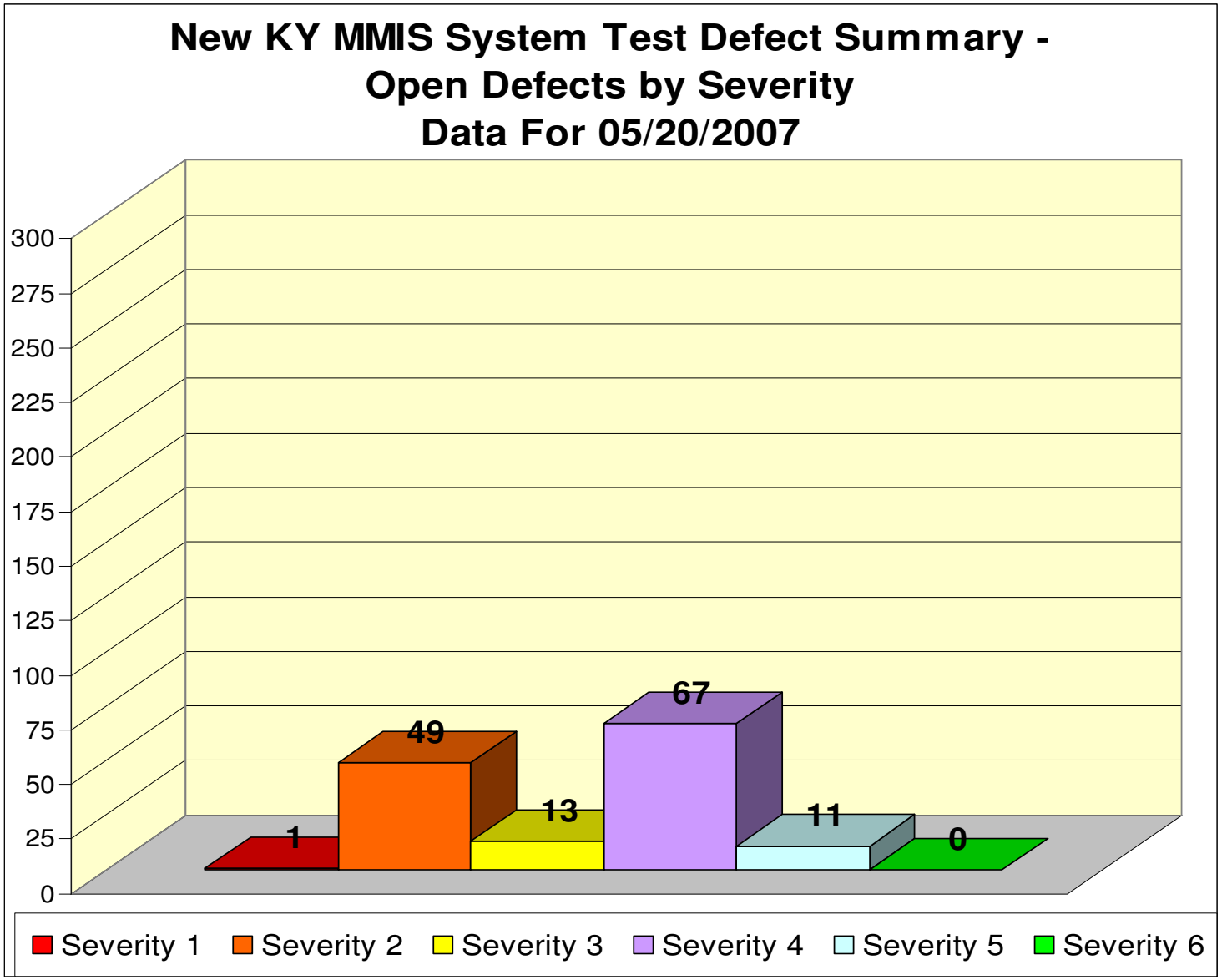

CO Stats Extension (Hours)
60000
50000
40000
30000
20000
10000
0
Hours
46366
48966
Hours Spent
Hours in Plan
Hours Spent
Hours in Plan

System Testing – Execution




New KY MMIS System Test Execution
Data For 05/20/2007
14000
12000
10000
8000
6000
4000
2000
0
12396
12396
12019
0
348
6
23
Test Cases in PWB
Test Cases Executed
Passed - Closed
Not Started
Defect Identified
In Quality Review
Test Case in Rework

System Testing – Defects*

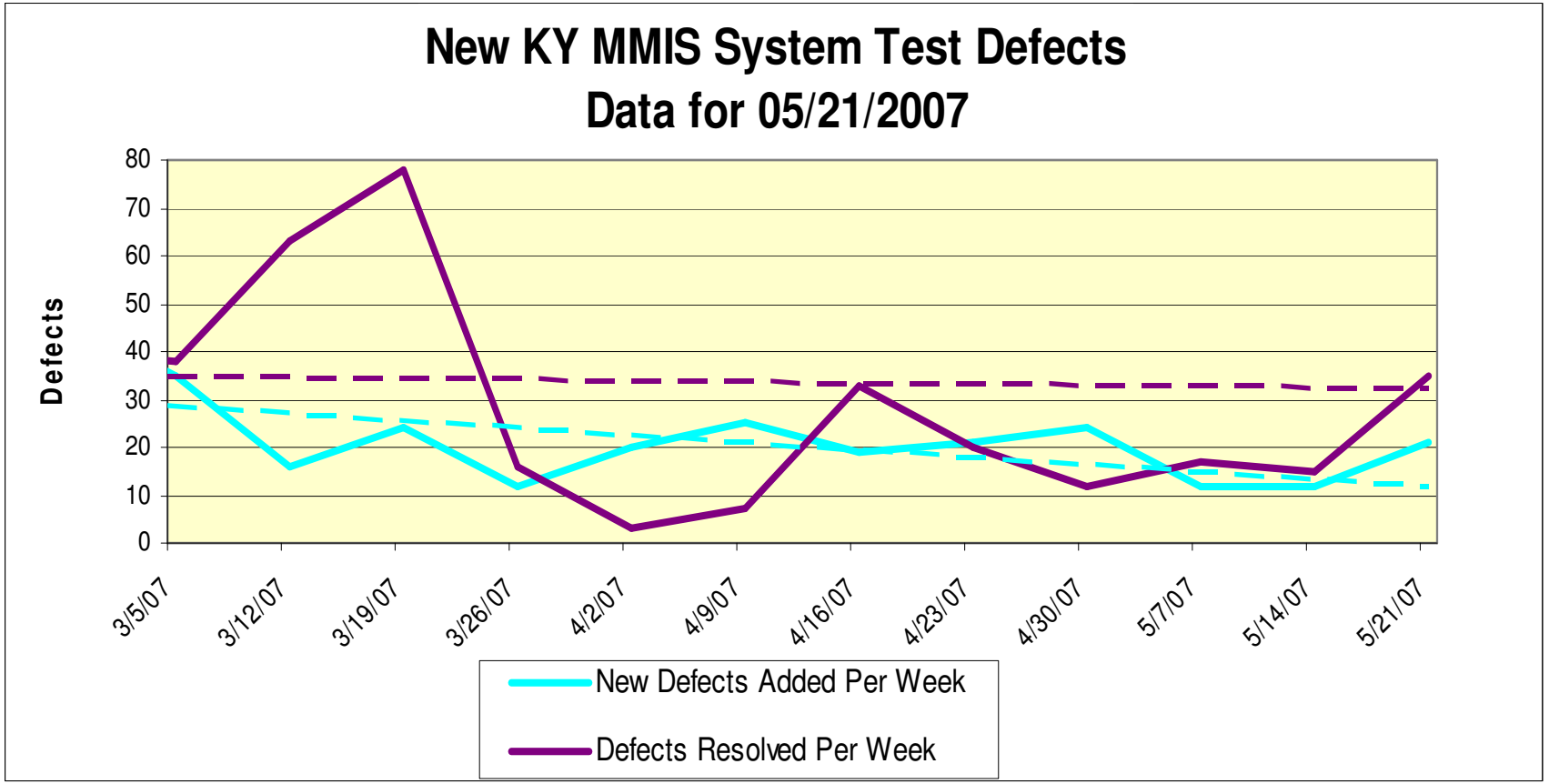


*Definitions of severities are available on the Project Workbook

Projected Defect Hours by Severity and Subsystem

Subsystem	Priority	1		2			3				Grand Total
	Severity	**1**	**2**	**2**	**3**	**4**	**2**	**3**	**4**	**5**	
	MAR								16		**16**
	Claims		16	104	0		16	0	16	1	**153**
	Data Warehouse			0					32		**32**
	EDI and Claim Capture			8	0			0	0	16	**24**
	Financial	0		8	8	0		0	0	0	**16**
	Member Data Maintenance			0	0		0				**8**
	Prior Auth			0					64		**64**
	Provider Data Maintenance									16	**0**
	Reference Data Maintenance								16		**32**
	Security Management								0	0	**0**
	SUR							8			**0**
	System Wide								96		**104**
	CTMS					8			48		**48**
	Grand Total	**0**	**16**	**136**	**8**	**0**	**16**	**8**	**288**	**33**	**505**

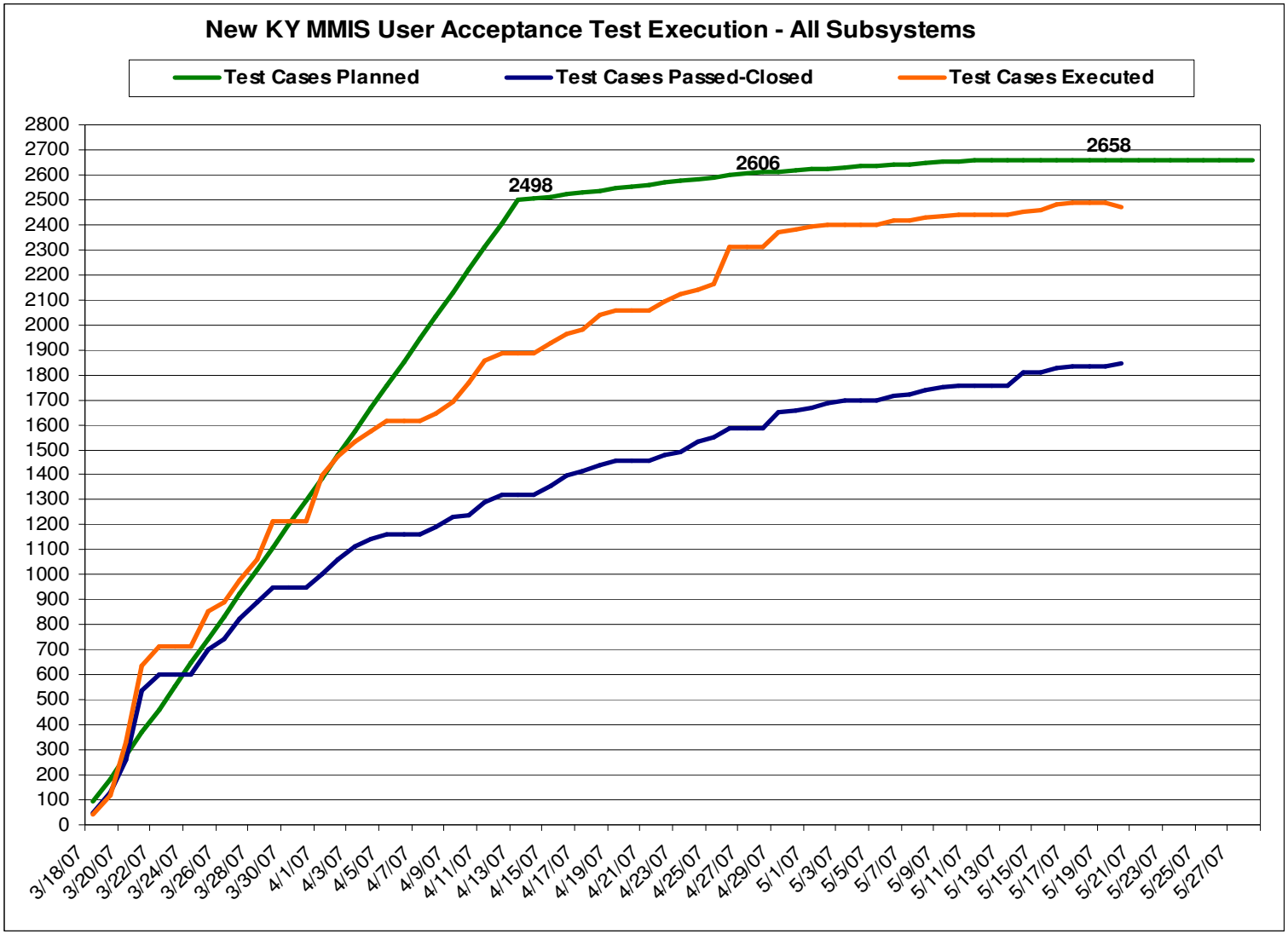
Defect Resolution Progress



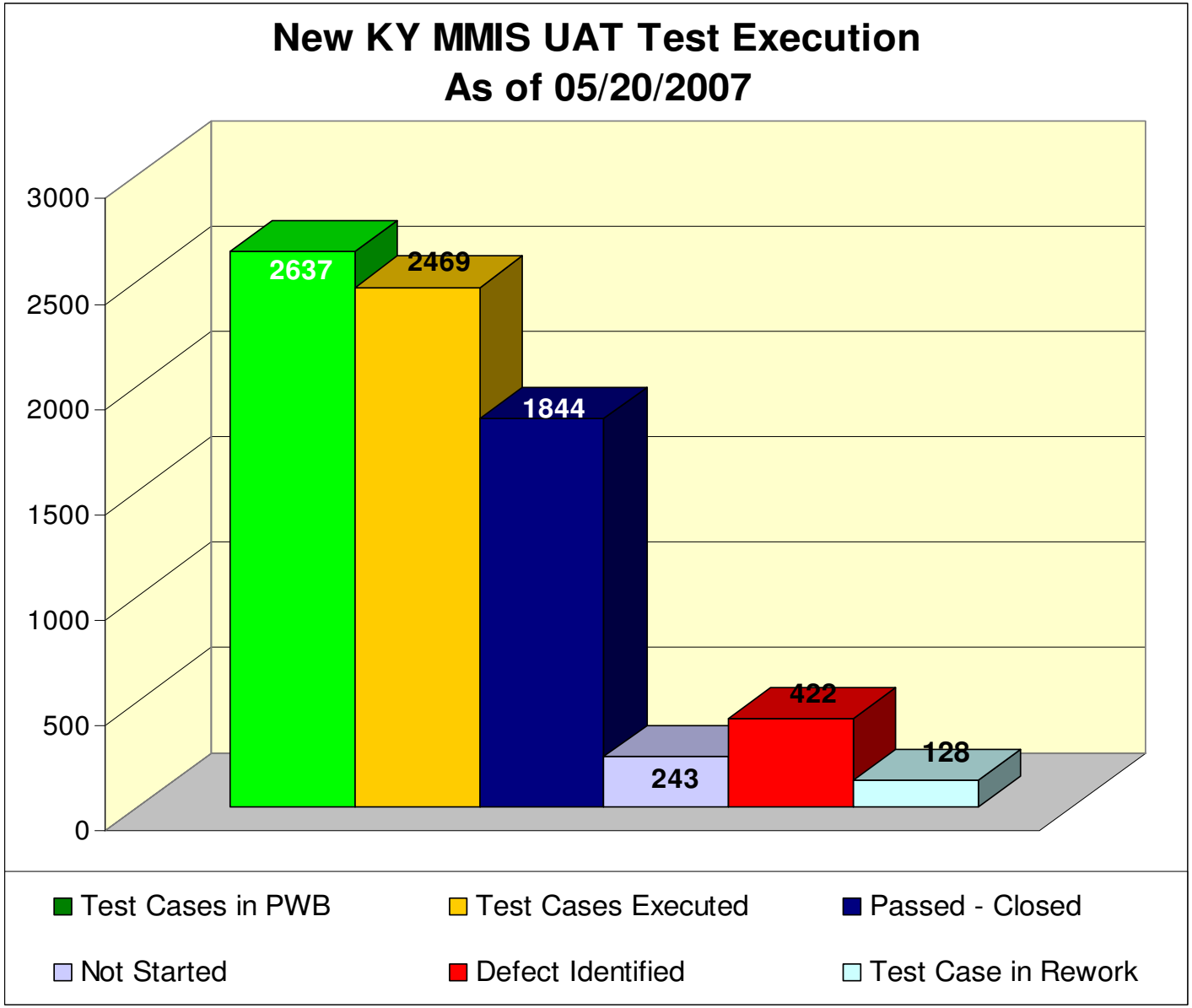
		5/21/07	5/14/07	5/07/07	4/30/07	4/23/07	4/16/07	4/9/07	4/2/07	3/26/07	3/19/07	3/12/07
Total High severity/priority Defects	**AVG**	**1539**	**1530**	**1518**	**1506**	**1482**	**1461**	**1442**	**1417**	**1397**	**1385**	**1361**
Not Complete		**62**	**73**	**76**	**81**	**69**	**68**	**82**	**64**	**47**	**51**	**105**
Completed		**1477**	**1457**	**1442**	**1425**	**1413**	**1393**	**1360**	**1353**	**1350**	**1334**	**1256**
Added in Week	**43.5**	**21**	**12**	**12**	**24**	**21**	**19**	**25**	**20**	**12**	**24**	**16**
Completed in Week	**44.1**	**35**	**15**	**17**	**12**	**20**	**33**	**7**	**3**	**16**	**78**	**63**
Percentage completed		**96.0%**	**95.2%**	**95.0%**	**94.6%**	**95.3%**	**95.3%**	**93.8%**	**95.2%**	**96.5%**	**96.1%**	**91.3%**
Hours Associated with Total Remaining Defects		**853**	**850**	**888**	**948**	**893**	**833**	**804**	**682**	**526**	**549**	**1,234**

		5/21/07	5/14/07	5/07/07	4/30/07	4/23/07	4/16/07	4/9/07	4/2/07	3/26/07	3/19/07	3/12/07
Total Low severity/priority Defects	**AVG**	747	799	743	797	**793**	**788**	**778**	**744**	**780**	**776**	**765**
Not Complete		75	82	85	91	**113**	**112**	**127**	**131**	**141**	**149**	**155**
Completed		672	717	658	706	**680**	**676**	**651**	**613**	**639**	**627**	**610**
Added in Week	**19.4**	-48	4	-54	797	**5**	**10**	**34**	**-36**	**4**	**11**	**5**
Completed in Week	**21.5**	-37	8	-48	530	**4**	**25**	**38**	**-26**	**12**	**17**	**19**
Percentage completed		90.0%	89.7%	88.6%	88.6%	**85.8%**	**85.8%**	**82.2%**	**80.6%**	**80.1%**	**78.7%**	**77.4%**
Hours Associated with Total Remaining Defects		**1,271**	**1,453**	**1,488**	**1,626**	**1,976**	**1,960**	**1,989**	**2,023**	**2,194**	**2,252**	**2,318**

User Acceptance Testing – Execution

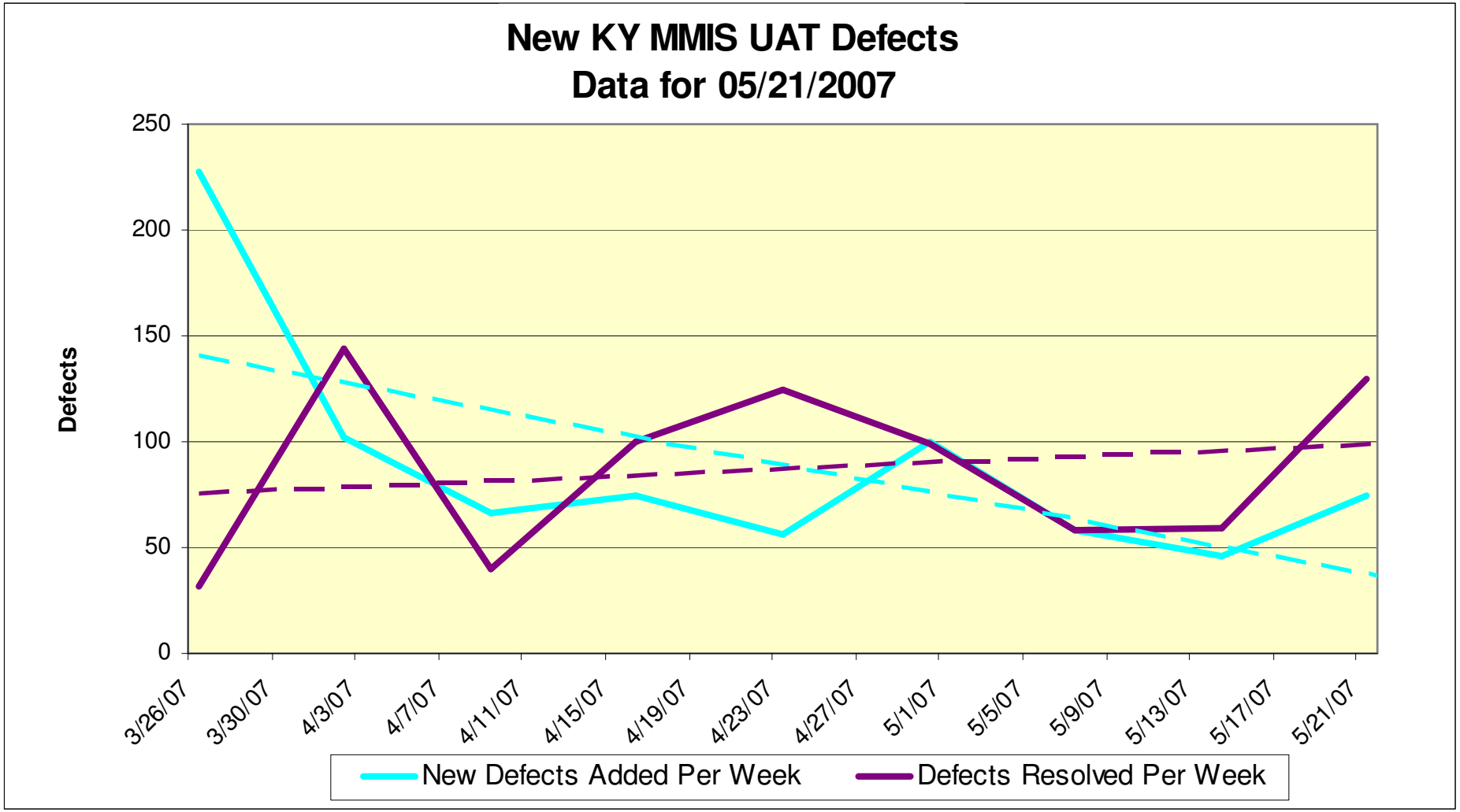


User Acceptance Testing – Defects



Projected UAT Defect Hours by Severity and Subsystem

Subsystem	Priority	1		2			3				Grand Total
	Severity	1	2	2	3	4	2	3	4	5	
	MAR			98	44			10	16		**168**
	Buy-In Data Maintenance			3					8		**11**
	Claims		40	105	40		24		16	32	**257**
	Data Warehouse	20		89	48	14	8	13	50	16	**258**
	EDI and Claim Capture	8							16		**24**
	Financial			123	54	12		9	19		**217**
	Internet			40							**40**
	Managed Care			141	40	40			12	16	**249**
	Member Data Maintenance			12		24	16		16		**68**
	Prior Auth			8							**8**
	Reference Data Maintenance			25							**25**
	SUR			48	45	8			6	2	**109**
	System Wide	16		24					8		**48**
	Third Party Liability		8								**8**
	COLD				8						**8**
	Grand Total	**44**	**48**	**716**	**279**	**98**	**48**	**32**	**167**	**66**	**1498**


New KY MMIS UAT Defects
Data for 05/21/2007
Defects
250
200
150
100
50
0
3/26/07
3/30/07
4/3/07
4/7/07
4/11/07
4/15/07
4/19/07
4/23/07
4/27/07
5/1/07
5/5/07
5/9/07
5/13/07
5/17/07
5/21/07
New Defects Added Per Week
Defects Resolved Per Week

		5/21/07	5/14/07	5/07/07	4/30/07	4/23/07	4/16/07	4/9/07
Total High severity/priority Defects since 03/26	**AVG**	1199	1171	1091	1033	933	877	802
Not Complete		131	174	187	187	186	254	279
Completed		1068	997	904	846	747	623	523
Added in Week	**110.1**	74	46	58	100	56	75	66
Completed in Week	**110.8**	130	59	58	99	124	100	40
Percentage completed		89.1%	85.1%	82.9%	81.9%	80.1%	50.5%	42.8%
Hours Associated with Total Remaining Defects		**955**	**1,419**	**925**	**1,482**	**1,483**	**3,740**	**3,298**

		5/21/07	5/14/07	5/07/07	4/30/07	4/23/07	4/16/07	4/9/07
Total Low severity/priority Defects since 03/26	**AVG**	208	208	157	185	172	164	133
Not Complete		22	32	37	38	40	98	92
Completed		186	176	120	147	132	66	41
Added in Week	**20.6**	6	6	-28	185	172	31	57
Completed in Week	**19.6**	21	11	-27	49	132	25	33
Percentage completed		89.4%	84.6%	76.4%	79.5%	76.7%	40.2%	30.8%
Hours Associated with Total Remaining Defects		**233**	**365**	**159**	**444**	**450**	**895**	**941**

UAT Defects to be Completed Before Go Live

#	ID	Defect Description	Subsystem	Priority / Severity	Status
1	5912	Internet Profess. Claim error	Claims	2;2	Closed
2	6004	Int Void Claim w Incor ICN Reg	Claims	2;2	Define/Analyze In Progress
3	6966	Trans claims failing audits	Claims	2;2	Closed
4	6996	No medicare info on encounter	Claims	2;2	SE Assigned
5	7014	Inpatient Hosp Clm. Faling	Claims	2;2	SE Assigned
6	7083	CLM-0130-D has incorrect data	Claims	2;2	Closed
7	7090	Errors not listed as threshold	Claims	2;3	Closed
8	7218	Panel has multiple data	Claims	2;2	Deferred
9	7280	Encounter cl not pric correctly	Claims	2;3	SE Assigned
10	7316	Converted UB92 Claim Adjustment	Claims	2;2	SE Assigned
11	7332	DRG record missing data	Claims	2;2	Closed
12	7348	Coins/Copay accum not working	Claims	2;2	Closed
13	7351	Decision rules not showing	Claims	2;2	Closed
14	7399	Patient Liab. not right on dtls	Claims	1;1	Closed
15	7469	Dental cl - wrong submitted id	Claims	2;3	SE Assigned
16	7474	Enc calculations incorrect	Claims	2;3	Closed
17	7493	Defect on manual pricing	Claims	2;2	Closed
18	7568	SakProvLocRend on Med Pol Hx	Claims	3;3	Closed
19	7590	Panel didn't display message	Claims	2;2	Closed
20	7606	Claims Not Data Correcting Prope	Claims	1;1	Closed
21	7639	MRI- Payment-Issure	Claims	2;2	Defect Reviewed
22	7641	PAYMENT FOR 360 REVENUE CODES	Claims	2;3	Closed
23	7646	PA removed when Internet Process	Claims	3;2	Defect Reviewed
24	7651	No TPL amt encounters	Claims	3;2	Defect Reviewed
25	7681	OUT OF STATE TRANSPLANT CLAIM	Claims	2;2	Closed
26	7699	Modify Claim Type criteria	Claims	3;3	Closed
27	7163	CLM-0031-M has reporting issues	COLD	2;3	Defect Reviewed
28	5689	CoPAY Amnts. For ER	Data Warehouse	2;3	Closed

#	ID	Defect Description	Subsystem	Priority / Severity	Status
29	5704	Innovator Indicator Missing	Data Warehouse	2;3	Awaiting Further Definition
30	5943	EOB Codes Not Appearing	Data Warehouse	2;2	SE Assigned
31	6028	Descriptions needed	Data Warehouse	1;2	Closed
32	6078	Stand. Therapu. Class Codes	Data Warehouse	1;2	Closed
33	6788	Provider Medicaid Number	Data Warehouse	2;3	Closed
34	6818	Kenpac Information missing	Data Warehouse	2;3	Awaiting Further Definition
35	7136	Joins on inpatient cl incorrect	Data Warehouse	2;2	SE Assigned
36	7224	Number not formatted correctly	Data Warehouse	2;2	SE Assigned
37	7232	Def of FFS doesn't include cap	Data Warehouse	2;3	Closed
38	7263	Member univ - lockin dates	Data Warehouse	2;3	Closed
39	7287	PE Data incorrect	Data Warehouse	2;3	SE Assigned
40	7293	kenpac Utilization rep no data	Data Warehouse	2;2	Closed
41	7411	Trans Act file onger than layout	Data Warehouse	1;2	Closed
42	7438	Place of Service codes not set	Data Warehouse	2;3	SE Assigned
43	7439	CI indicator not set correctly	Data Warehouse	1;1	SE Assigned
44	7490	Therapeutic Class Desc not popul	Data Warehouse	2;2	Closed
45	7492	Rev Code Desc no populated	Data Warehouse	2;2	Closed
46	7494	Price EAC missing from reference	Data Warehouse	2;2	Closed
47	7500	pwc_pp_rural_ccyymmdd_hhmmss.dat	Data Warehouse	2;2	Closed
48	7505	Lock-in information not correct	Data Warehouse	2;2	Closed
49	7506	eld0ppat_20070223_114503.dat	Data Warehouse	2;3	Closed
50	7511	Passport Pro filter doesn't work	Data Warehouse	2;4	Closed
51	7512	Prov Applicatioin Data missing	Data Warehouse	2;4	Awaiting Further Definition
52	7518	Incorrect Data - Dental Acc Rpt	Data Warehouse	2;2	SE Assigned
53	7633	Navigant Outpatient Claims	Data Warehouse	3;3	Closed
54	7664	Hospice Total Days Report	Data Warehouse	2;2	Closed
55	7665	Hospice Total Inpatient Days	Data Warehouse	2;2	Closed
56	7666	Totals don't match for CT B	Data Warehouse	2;2	Defect Reviewed
57	7667	Hosp Total Dual Eligible's Rpt	Data Warehouse	2;2	Closed
58	7670	Impact DCBS report	Data Warehouse	2;2	Closed

#	ID	Defect Description	Subsystem	Priority / Severity	Status
59	7674	NF initiative ancillary paid rpt	Data Warehouse	2;2	Closed
60	7677	ADHC monitoring report	Data Warehouse	2;2	Closed
61	7678	Recouped counts do not match	Data Warehouse	2;2	Closed
62	7685	Prescribing ProvLicenseNum inCA	Data Warehouse	1;2	Closed
63	7712	Can't find Ray PA Report	Data Warehouse	2;3	Closed
64	7713	Ancillary per revenue code	Data Warehouse	2;2	Awaiting Further Definition
65	7715	Problem displaying cap payments	Data Warehouse	2;2	SE Assigned
66	7716	Cap payments in Prov Hst Rpt	Data Warehouse	2;2	SE Assigned
67	7570	NSF Threshold err stop at transl	EDI and Claim Capture	2;3	Closed
68	6937	EPSDT 628 layout mistmatch	EPSDT	2;2	Closed
69	7286	EPSDT/KCHIP Identification Batch	EPSDT	2;2	Closed
70	7340	CMS 416 Line 2A Inocrrect	EPSDT	2;2	Closed
71	5568	Format and Data Issues FIN7501W	Financial	2;2	Closed
72	6829	Error in ck forward process	Financial	2;2	Closed
73	6831	Error in process expenditure	Financial	2;2	Closed
74	6833	AR Reason Codes and Cash Dispo	Financial	2;2	Closed
75	6834	Unwork Reason Codes incorrect	Financial	2;2	Awaiting Further Definition
76	6879	FIN2055 Bal & conversion	Financial	2;2	Construction in Progress
77	7039	FIN-1430-W incorr. Values	Financial	2;2	Closed
78	7132	Address Incorr. On Expenditure	Financial	2;3	Closed
79	7245	FIN search result panels incorr	Financial	2;2	Defect Reviewed
80	7254	FIN8095W Incorrect Sort/Subtotal	Financial	2;3	Construction in Progress
81	7255	FIN6900W Incorrect Counts/Amts	Financial	2;2	Define/Analyze In Progress
82	7257	FIN1115W not reporting dispos	Financial	2;2	Closed
83	7258	AR quarterly reports inaccurate	Financial	3;2	Closed
84	7356	Cash Rec not Update Prov Earning	Financial	2;2	Closed
85	7397	RA Sort Rendering Prov ID	Financial	2;2	Closed
86	7537	1608M,1005W LAYOUT INCORRECT	Financial	2;2	Closed
87	7546	Create Fin-2916-M TPL report	Financial	2;2	Closed
88	7585	FIN700W not balance miss columns	Financial	2;2	Construction in Progress

#	ID	Defect Description	Subsystem	Priority / Severity	Status
89	7607	FIN1604W NOT SORT CORRECTLY	Financial	3;3	Closed
90	7615	Disposition panels invalid edit	Financial	2;2	Closed
91	7626	FIN1485D NOT REPORT DATA	Financial	2;3	Closed
92	6383	Problem with User Accessibility	Internet	2;3	Closed
93	7562	File DME Claims on above PAs	Internet	2;3	Closed
94	6808	MGD-L520-M Incorrect Counts	Managed Care	2;3	Closed
95	6837	Lock-in pharmacy not display	Managed Care	2;3	Closed
96	6871	Prorated recoupment	Managed Care	2;3	Closed
97	6961	Req Not Identifying All Caps	Managed Care	2;2	Closed
98	7003	Add/Edit Mbr Capitation History	Managed Care	2;2	Closed
99	7048	Codes and desc not all situation	Managed Care	2;2	Closed
100	7070	MGD-L040-M Incorrect Data	Managed Care	2;2	Closed
101	7077	MGD-L460-M Cap	Managed Care	2;2	Closed
102	7288	MGD-0300-M/MGD-0301-M has no DOS	Managed Care	2;3	Closed
103	7369	Problems with MGD-X060-M,W	Managed Care	2;3	SE Assigned
104	7421	RECON updated incorrectly	Managed Care	2;2	Closed
105	7446	PMP listed multiple times	Managed Care	2;3	Closed
106	7466	820 issues identifed by Passport	Managed Care	2;2	Closed
107	7479	MGD-0600 and 0610-M reports	Managed Care	2;4	SE Assigned
108	7540	Report MGD-K302-M	Managed Care	2;2	Closed
109	7541	Report MGD-0610-M	Managed Care	2;2	SE Assigned
110	7542	Roster errors report mgd P060 M	Managed Care	2;2	SE Assigned
111	7551	KCHIP III Fund Code on Trans Rpt	Managed Care	2;2	Closed
112	7613	Managed Care/LTC overlap report	Managed Care	2;3	Defect Reviewed
113	7614	MGD-0420-D report	Managed Care	2;3	Defect Reviewed
114	7628	MGD-L490-M Incor Subs/Totals	Managed Care	2;2	SE Assigned
115	7630	MGD-L500-M Incor Subs/Totals	Managed Care	2;2	Closed
116	7632	MGD-0430-D	Managed Care	2;3	Closed
117	7643	MGD-0640-M Report	Managed Care	2;3	Defect Reviewed
118	7679	MGD-P080-M Invalid Error	Managed Care	2;2	SE Assigned
119	7684	MGD-0560-M Report	Managed Care	2;2	Closed
120	7687	MGD-P480-M Incorrect totals	Managed Care	2;2	Closed

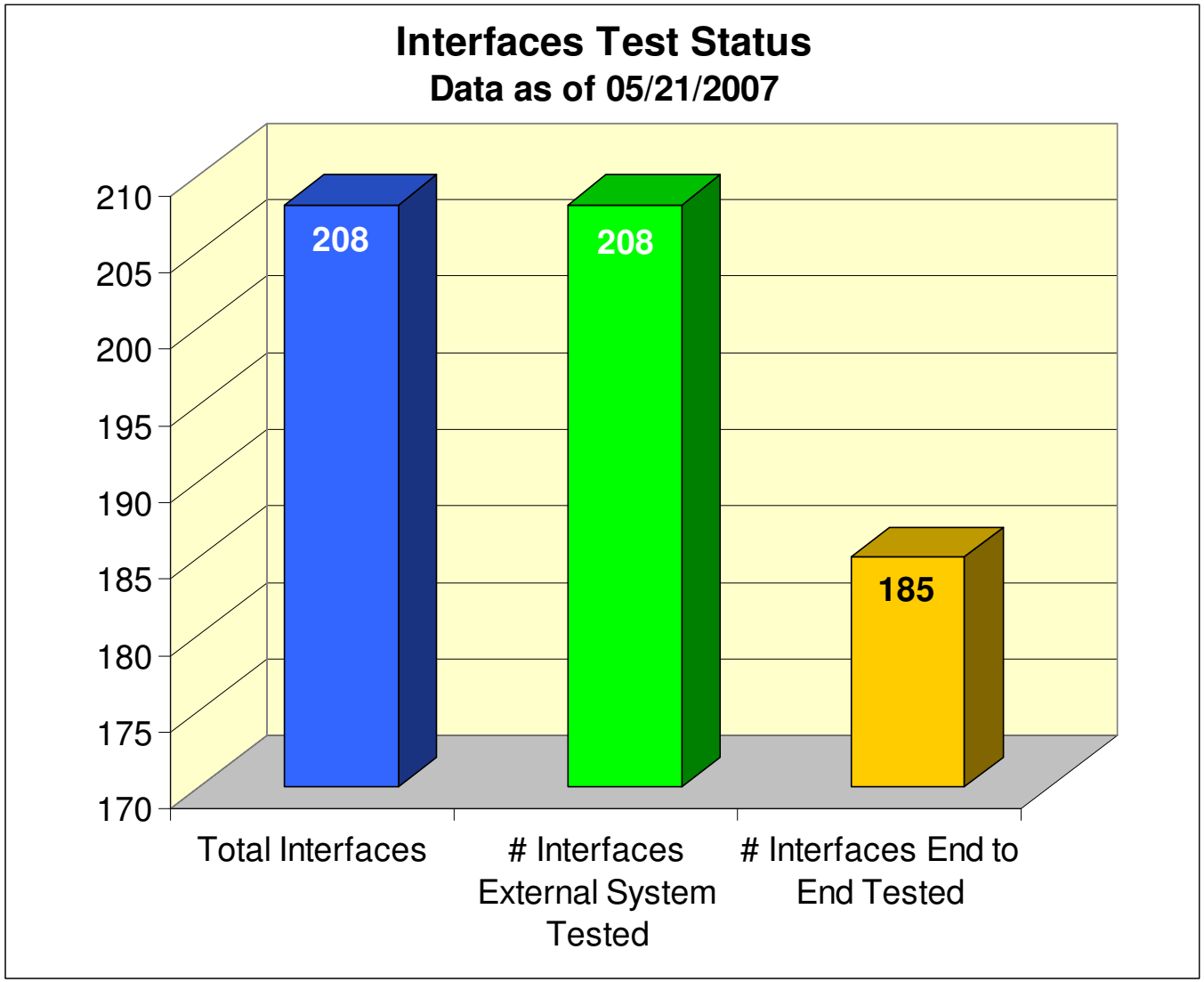
#	ID	Defect Description	Subsystem	Priority / Severity	Status
121	7688	auto assignment for SDX membs	Managed Care	2;3	Closed
122	7722	MC Capitation Amounts Range	Managed Care	2;2	Closed
123	7223	Rpt with 2 co codes of Unknown	MAR	2;2	Defect Reviewed
124	7265	COS incorrect	MAR	2;2	Awaiting Further Definition
125	7481	DRG rate is incorrect	MAR	2;3	Defect Reviewed
126	7524	No data in MAR report	MAR	2;2	Defect Reviewed
127	7525	PayCompCOS Counts don't match	MAR	2;2	Defect Reviewed
128	7529	MAR8002Q Incorrect reporting	MAR	2;3	Defect Reviewed
129	7564	Objects not defined in MAR Sum U	MAR	2;3	Defect Reviewed
130	7596	Ethnicity calc using incorrect	MAR	2;2	Defect Reviewed
131	7604	Selecting View button error	MAR	2;2	Defect Reviewed
132	7647	Begin/End Period dates incorrect	MAR	2;2	Closed
133	7695	Rpt displaying incorrect values	MAR	2;2	Closed
134	7451	SHPS LOC Update Error Report	Member Data Maintenance	2;2	Closed
135	7534	Future dating benefit pack plans	Member Data Maintenance	2;4	SE Assigned
136	7111	Modify edits for Pend and Void	Prior Auth	2;3	Closed
137	7112	Error in frequency qty calc	Prior Auth	2;2	Closed
138	7281	Failure when neg PA panels	Prior Auth	2;2	Define/Analyze In Progress
139	7410	PA txn not return - modifiers	Prior Auth	2;2	Closed
140	7659	FDB Drug File Layout	Reference Data Maintenance	2;2	Closed
141	5531	SUR Rpt. Page/sect. break	SUR	3;3	Closed
142	5915	Nurs. Facil. Prov. Profile Rpt.	SUR	2;2	Defect Reviewed
143	5964	ETG Provider Comparisoon Rpt	SUR	2;2	Defect Reviewed
144	5965	ETG Provider Details Rpt	SUR	2;2	Defect Reviewed
145	5966	ETG Provider Summary Rpt	SUR	2;2	Closed
146	6964	Date prompt doesn't appear	SUR	2;3	SE Assigned
147	6965	Date prompt doesn't show	SUR	2;3	SE Assigned
148	7256	NONE OF THE AMOUNTS MATCHED	SUR	2;2	SE Assigned
149	7313	Results didn't match report	SUR	2;2	SE Assigned
150	7314	Results not match SUR report	SUR	2;2	SE Assigned

#	ID	Defect Description	Subsystem	Priority / Severity	Status
151	7320	Prof Frequency Distribution	SUR	1;1	Closed
152	7322	No data in report	SUR	2;1	Closed
153	7359	Prof Ref Dist Analysis Report	SUR	2;3	Defect Reviewed
154	7394	Percentiles do not match up	SUR	2;3	Closed
155	7396	ETG Details Report	SUR	3;4	Defect Reviewed
156	7486	Wrong provider data returned	SUR	2;3	Defect Reviewed
157	7522	Professional Freq Distribution	SUR	2;1	Closed
158	7577	Phar Prov Profile Rpt Yearly	SUR	2;3	SE Assigned
159	7578	Amts/Counts Don't Match Query	SUR	2;3	SE Assigned
160	7130	critical error on Aprroved PA	System Wide	2;2	Defect Reviewed
161	7346	User ID Search Panel	System Wide	1;2	Closed
162	7309	TPL-Report- TPL-0550-Q	Third Party Liability	1;2	Closed
163	7435	Errors on TPL-0027-A,M,Q	Third Party Liability	2;3	Closed
164	7701	TPL Reports- TPL -0641 -W	Third Party Liability	2;2	Closed
Total Open Defects				**65**	

ORT Test Execution

Notebook	# Test Cases	# Test Cases Cancelled	Test Cases Remaining	# Test Cases Executed as of 5/21/2007	% Executed of Total TCs	# Test Cases Passed	% Passed of Total (less Cancelled)	% Complete
Claims Adjustments	4	0	0	0	4	100.0%	4	100.0%
Data Entry	4	0	0	0	4	100.0%	4	100.0%
EDI	25	0	0	0	25	100.0%	25	100.0%
EDI Help Desk	9	0	0	0	9	100.0%	9	100.0%
Financial	3	0	0	0	3	100.0%	3	100.0%
Mailroom and Imaging	4	0	0	0	4	100.0%	4	100.0%
PA	12	0	0	0	12	100.0%	12	100.0%
Print Operations	6	0	0	0	6	100.0%	6	100.0%
Provider Relations	10	0	0	0	10	100.0%	10	100.0%
Server Room Support	6	0	0	0	6	100.0%	6	100.0%
Suspended Claims Processing	4	0	0	0	4	100.0%	4	100.0%
Systems	6	0	0	0	6	100.0%	6	100.0%
Third Party Liability	4	0	0	0	4	100.0%	4	100.0%
Total	**97**	**0**	**0**	**0**	**97**	**100.0%**	**97**	**100.0%**

Interface Testing



Interface Testing Dashboard

System Interface	% Ext. System Test Comp.	% End to End Test Comp.	Status
CMS	100%	55%	Y
CMS (thru KAMES)	100%	100%	B
COBC	100%	100%	B
Custom Data Processing	100%	100%	B
DMHMR	100%	83%	G
DMS	100%	88%	G
eKASPER	100%	50%	Y
eMARS	100%	30%	Y
Emdeon	100%	100%	B
First Data Bank	100%	100%	B
First Health KMAA	100%	100%	B
First Health PBA	100%	100%	B
HDX	100%	100%	B
ICS	100%	0%	Y
IPRO	100%	100%	B
KAMES	100%	95%	G
KASES	100%	100%	B
McKesson	100%	100%	B
MedAccessPlus	100%	100%	B
Navigant	100%	100%	B
NEBO Systems	100%	100%	B
NEMT	100%	25%	Y
PA-62	100%	100%	B
PA-62/SDX	100%	100%	B
Passport	100%	100%	B
Passport Health Communications	100%	100%	B
PCG	100%	96%	G
Price WaterhouseCoopers	100%	100%	B
SDX	100%	100%	B
SHPS	100%	100%	B
Vital Stats	100%	100%	B
ZirMed	100%	100%	B

The following table contains the criteria used to determine Interface testing status. Status is calculated for all interfaces in both External System Testing and End-to-End Testing. Use the matrix below as a quick reference for overall Interface Testing status.

Color	Criteria
Yellow	• Default Status- Will Remain in this status unless one of the criteria below is met
Blue	• Both External System Test and End-to-End System Test are 100% Complete
Green	• Both External System Test and End-to-End System Test are greater than 80% Complete, but at least one is less than 100%
Red	• It has been determined that there is an issue in the External System Test and/or the End-to-End System Test

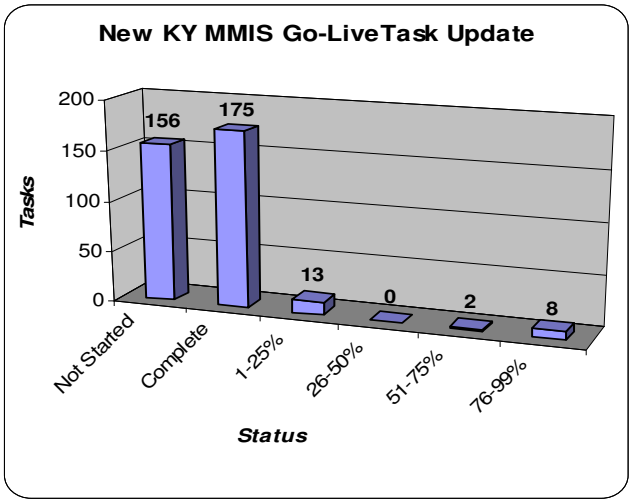
The end to end interface testing for certain areas remain in yellow status for the following reasons:

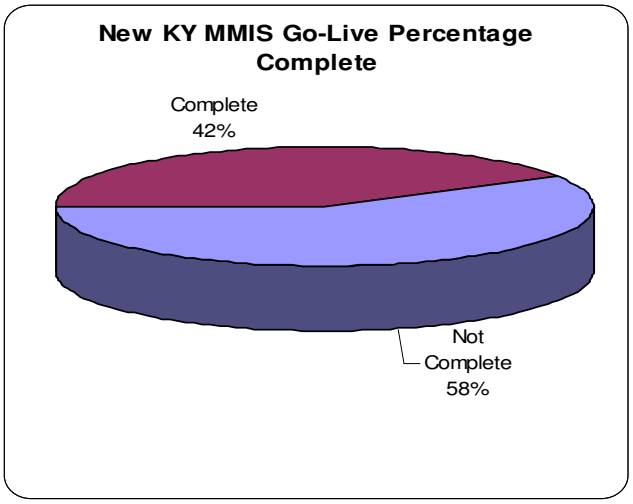
- CMS – remains yellow because it will not test MSIS tapes
- eKASPER – a defect in the files sent to eKASPER prevents the testing of the response files
- eMARS - some eMARS files have not passed UAT test cases
- ICS – remains yellow because EDS is unable to test interChange Captiva until ICS scan stations and desktops have been implemented
- NEMT - KYTC is not yet successful in transmitting encounter files

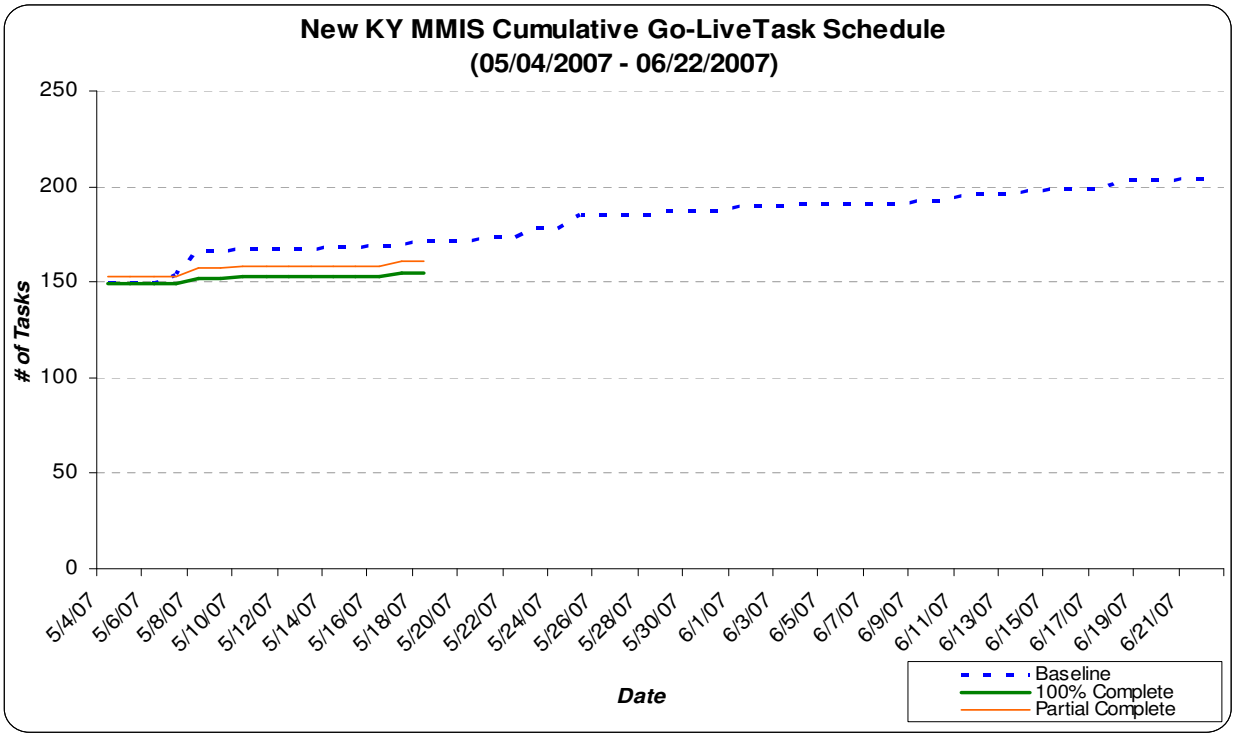
New KY MMIS Snapshots

The following graphics show various views of project work completed. The Percentage Complete graphic shows the overall percentage of work complete based on the Microsoft Project work plan calculation. The Cumulative Task Schedule graphic consists of three lines; a cumulative count of how many tasks were planned to be completed by a specified date, a line depicting the actual count of tasks currently complete, and a third line showing the average percentage completion of all late tasks in the current baselined work plan.

Note: The Go Live Task Update graphic has been changed to show tasks mapped against their completion percentages, rather than the number of project work hours mapped to those percentages.







New KY MMIS Project Detail

Milestones/Deliverables/Checkpoints/Tasks

The following table represents a rolling month and a half window of project tasks. It lists tasks that were due in the past two weeks, as well as those due in the coming month. The data in this table is accurate as of May 18, 2007.

Highlighted tasks indicate those that are due within two weeks of Friday May 18, 2007.

*	Description
X	This task is currently late, based on the Baseline Due Date.
C	This task is currently late, based on the Baseline Due Date, and is part of the Critical Path.
+	This task was completed during this status week.

ID	Deliverable/Task	Baseline Due Date	Current Due Date	Percent Complete	DMS Involved	*
Milestone Dates						
4	**MILESTONE: (30.040.002.004.2) DMS approval of System Test Results**	**5/18/07**	**4/27/07**	**100%**		
5	**MILESTONE: (30.040.002.004.3) DMS approval of KY MMIS User Manuals**	**5/7/07**	**5/4/07**	**0%**		**X**
12	**MILESTONE: (30.040.004.004.1) DMS approval of the User Acceptance Test Resolutions document**	**5/23/07**	**6/11/07**	**0%**		
14	**MILESTONE: (30.040.004.004.4) DMS approval of Contractor's operational readiness report**	**5/25/07**	**5/24/07**	**0%**		
18	**MILESTONE: (30.040.005.004.4) DMS approval of the completion of training activities**	**4/26/07**	**4/20/07**	**0%**		**X**
19	**MILESTONE: (30.040.005.004.5) DMS approval of Contractor's notice that New KY MMIS is fully operational for all claim types**	**6/11/07**	**6/11/07**	**0%**		
Training and Manuals						
47	DMS review and Approval of finalized User Manuals	5/7/07	5/4/07	0%		X
48	**MILESTONE: DMS Approval of MMIS User Manuals**	**5/7/07**	**5/4/07**	**0%**		**X**
Change Orders Required for Go Live						
78	Managed Care Change Orders	4/27/07	5/4/07	100%		
86	Service Authorization and Prepayment Review Change Orders	5/4/07	5/4/07	100%		
89	Service Authorization and Prepayment Review COs Complete	5/4/07	5/4/07	100%		
90	**CHECKPOINT: Go Live COs Complete**	**5/4/07**	**5/4/07**	**100%**		
97	Additional Claims Configuration Work	4/23/07	5/22/07	98%		X
107	Additional Claims Configuration Work Complete	4/23/07	5/22/07	98%		X
System Test and System Integration Test						

ID	Deliverable/Task	Baseline Due Date	Current Due Date	Percent Complete	DMS Involved	*
139	DMS Review of Comprehensive System Testing Results	5/14/07	4/27/07	100%		
140	Update Comprehensive System Testing Results Based on DMS Review	5/16/07	4/27/07	100%		
141	DMS Review of Updated Comprehensive System Testing Results	5/18/07	4/27/07	100%		
142	**MILESTONE: DMS Approval of Comprehensive System Testing Results**	**5/18/07**	**4/27/07**	**100%**		
	User Acceptance Testing					
181	Implement UAT Fixes	4/30/07	4/28/07	90%		X
189	Document Corrective Action Plan for UAT	4/30/07	5/17/07	100%		+
197	Update User Acceptance Test Resolution Template Based on DMS Walkthrough	4/23/07	5/8/07	100%		
198	**CHECKPOINT: Submit User Acceptance Test Resolutions Template to DMS**	**4/23/07**	**5/8/07**	**100%**		
200	Prepare User Acceptance Test Resolutions Document	4/30/07	5/17/07	100%		+
201	Conduct Walkthrough with DMS - User Acceptance Test Resolutions Document	5/2/07	5/21/07	0%		X
202	Revise Final User Acceptance Test Resolutions Document based on Walkthrough	5/4/07	5/23/07	0%		X
204	**DELIVERABLE: Submit User Acceptance Test Resolutions Document for DMS Review**	**5/4/07**	**5/23/07**	**0%**		**X**
205	DMS Review and Approval of User Acceptance Test Resolutions Document	5/21/07	6/7/07	0%		
206	Update User Acceptance Test Resolutions Document Based on DMS Review	5/23/07	6/11/07	0%		
207	**MILESTONE: DMS Approval of User Acceptance Test Resolutions Document**	**5/23/07**	**6/11/07**	**0%**		
	Operational Readiness Test					
219	**CHECKPOINT: DMS Acceptance of Backout/Contingency Plan**	**4/3/07**	**4/3/07**	**0%**		**X**
223	Review and Update Operational Readiness Checklists	5/4/07	5/4/07	100%		
224	Conduct Walkthrough with DMS - Operational Readiness Checklist	5/8/07	5/4/07	100%		
225	Continue Operational Readiness Test Checklist Updates	5/29/07	5/4/07	100%		
227	**CHECKPOINT: Submit Operational Readiness Checklist for DMS Review**	**5/29/07**	**5/4/07**	**0%**		
228	DMS Review of Operational Readiness Checklists	6/1/07	5/9/07	0%		
229	**CHECKPOINT: DMS Approval of Operational Readiness Checklists**	**6/1/07**	**5/9/07**	**0%**		
235	Perform System Support and Retest - ORT /Large Parallel Test	4/27/07	4/27/07	95%		X

ID	Deliverable/Task	Baseline Due Date	Current Due Date	Percent Complete	DMS Involved	*
237	Complete Operational Readiness Test Report	5/1/07	4/30/07	0%		X
238	Conduct Walkthrough with DMS - Operational Readiness Test Report	5/2/07	5/1/07	0%		X
239	Update Operational Readiness Test Report	5/4/07	5/3/07	0%		X
241	**DELIVERABLE: Submit Operational Readiness Report for DMS Review**	**5/4/07**	**5/3/07**	**0%**		**X**
242	DMS Review of Operational Readiness Report	5/21/07	5/18/07	0%		
243	Update Operational Readiness Report Based on DMS Review	5/23/07	5/22/07	0%		
244	DMS Review of Updated Operational Readiness Report	5/25/07	5/24/07	0%		
245	**MILESTONE: DMS Approval of Operational Readiness Report**	**5/25/07**	**5/24/07**	**0%**		
Implementation						
259	Print and Mail New KY MMIS Go Live Notice	5/8/07	4/27/07	100%		
261	Implementation Preparation and Start-up Maintenance	5/8/07	5/2/07	95%		X
262	Update Table Documentation & Production Table Maintenance	5/10/07	5/10/07	100%		
264	Confirm Production Installation of Systems Software	5/8/07	5/24/07	80%		X
265	Confirm Production File Systems Configuration	5/8/07	5/2/07	100%		
266	Confirm Production Database Install	5/8/07	4/27/07	100%		
267	Confirm Production System Security Controls	5/8/07	5/8/07	100%		
268	Confirm Connectivity to Production Host	5/8/07	5/4/07	100%		
269	Confirm Production Connectivity Between EDS and DMS	5/8/07	5/4/07	100%		
271	Provider Help Desk Preparation and Start-up	5/7/07	4/27/07	100%		
Conversion						
278	Claims Conversion Logs for Final	5/8/07	5/4/07	100%		
279	Prior Auth Conversion Logs for Final	5/25/07	5/25/07	100%		
280	Financial Conversion Logs for Final	5/25/07	5/25/07	95%		
281	TPL Conversion Logs for Final	5/25/07	5/25/07	100%		
282	Conduct Pre-Go-Live Conversion Log Review Sessions with DMS	5/8/07	5/4/07	100%		
283	**CHECKPOINT: Conversion Logs Required for Go Live Complete**	**5/8/07**	**5/4/07**	**100%**		
285	Acquire Current Data From the DMS Mainframe	5/7/07	5/1/07	100%		
286	Execute Final Conversions	6/1/07	6/1/07	40%		
287	Prepare Final Conversion Results Document	6/11/07	6/11/07	0%		

ID	Deliverable/Task	Baseline Due Date	Current Due Date	Percent Complete	DMS Involved	*
288	Conduct EDS Review of Final Conversion Results Document	6/12/07	6/12/07	0%		
289	Update Final Conversion Results Document Based on EDS Review	6/14/07	6/14/07	0%		
290	**MILESTONE: New KY MMIS Final Conversion Complete**	**6/14/07**	**6/14/07**	**0%**		
292	**DELIVERABLE: Submit Final File Conversion Results Document to DMS**	**6/15/07**	**6/15/07**	**0%**		
299	Target: Last Legacy Cycle	5/25/07	5/25/07	100%		
300	**CHECKPOINT: New KY MMIS Live in Production**	**6/4/07**	**6/4/07**	**0%**		
301	**MILESTONE: DMS approval of the Contractor's notice that the New KY MMIS is fully operational for all claim types**	**6/11/07**	**6/11/07**	**0%**		
302	Target: First Financial cycle in New KY MMIS	6/9/07	6/9/07	0%		
304	Begin Post-Go Live Activities	6/18/07	6/18/07	0%		
320	Finalize New KY MMIS System Documentation	6/18/07	6/18/07	0%		
321	EDS Review of New KY MMIS System Documentation	6/21/07	6/21/07	0%		
383	Update Certification Folders and Prepare Certification Presentations	6/18/07	6/18/07	0%		

Dashboard Explanation/Key

Overall Project Schedule and Detail Areas Schedule

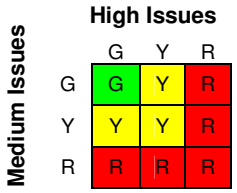
Formula: $\frac{-1*(l-p-a)}{d}$

Where:
l = number of late tasks according to baseline dates
p = sum of the average percent complete of all late tasks
a = number of tasks ahead of schedule
d = total number of tasks due according to the baseline due dates

Color	Criteria	Arrow	Criteria
Blue	• More than 10% of tasks are ahead of schedule	⬆	• Positive trend
Light Blue	• From 5% to 10% of tasks are ahead of schedule		
Green	• Zero to two critical path tasks are behind schedule • No more than 5% of non-critical path tasks are behind schedule	⬌	• No change in trend
Yellow	• Three to four critical path tasks are behind schedule • From 5% to 10% of non-critical path tasks are behind schedule	⬇	• Negative trend
Red	• Five or more critical path tasks are behind schedule • More than 10% of non-critical path tasks are behind schedule		

Performance Factors

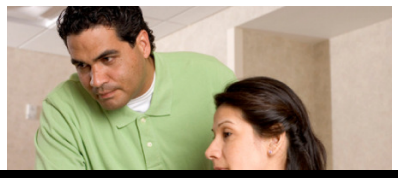
*Acceptance/Quality		**Risk Mitigation	
% On-Time Submittal: #D submitted on time / #D Due	Green: 100-80% Yellow: 79-50% Red: Below 50%	% Risks with Mitigation Plan: # of open risks w/ Mitigation Plan / # of open risks	Green: 100-95% Yellow: 95-90% Red: Below 90%
% 1st-Time Acceptance: #D accepted or conditionally accepted / #D submitted	Green: 100-80% Yellow: 79-50% Red: Below 50%	% On-Time Mitigation Steps	Green: 100-95% Yellow: 95-90% Red: Below 90%

Issue Resolution			
# of Open High Issues:	Green: 0-5 Yellow: 6-10 Red: Greater than 10	# of Open Medium Issues:	Green: 0-10 Yellow: 11-20 Red: Greater than 20
Alert Level:		A conservative approach is used to determine the overall alert level. Meaning that if, for instance, the alert level of high issues is green but medium issues is yellow, then the overall alert level will be yellow. Please see the matrix to the left for a quick reference to all possible color combinations.	

Scope Control		
# of Queued Scope Changes	Green: 0-10 Yellow: 11-30 Red: Greater than 30	This represents the number of scope control items that are that are currently open and awaiting approval.

* in formulas, “D” represents contractual deliverables
** only Red and Yellow risks require a Mitigation Plan

50.2.5.1 Integrated Master Plan



RFP Reference: 50.2.5.1 Integrated Master Plan, Page 277;
10.8 DDI Project Management Objectives, Bullet 1, Page 7

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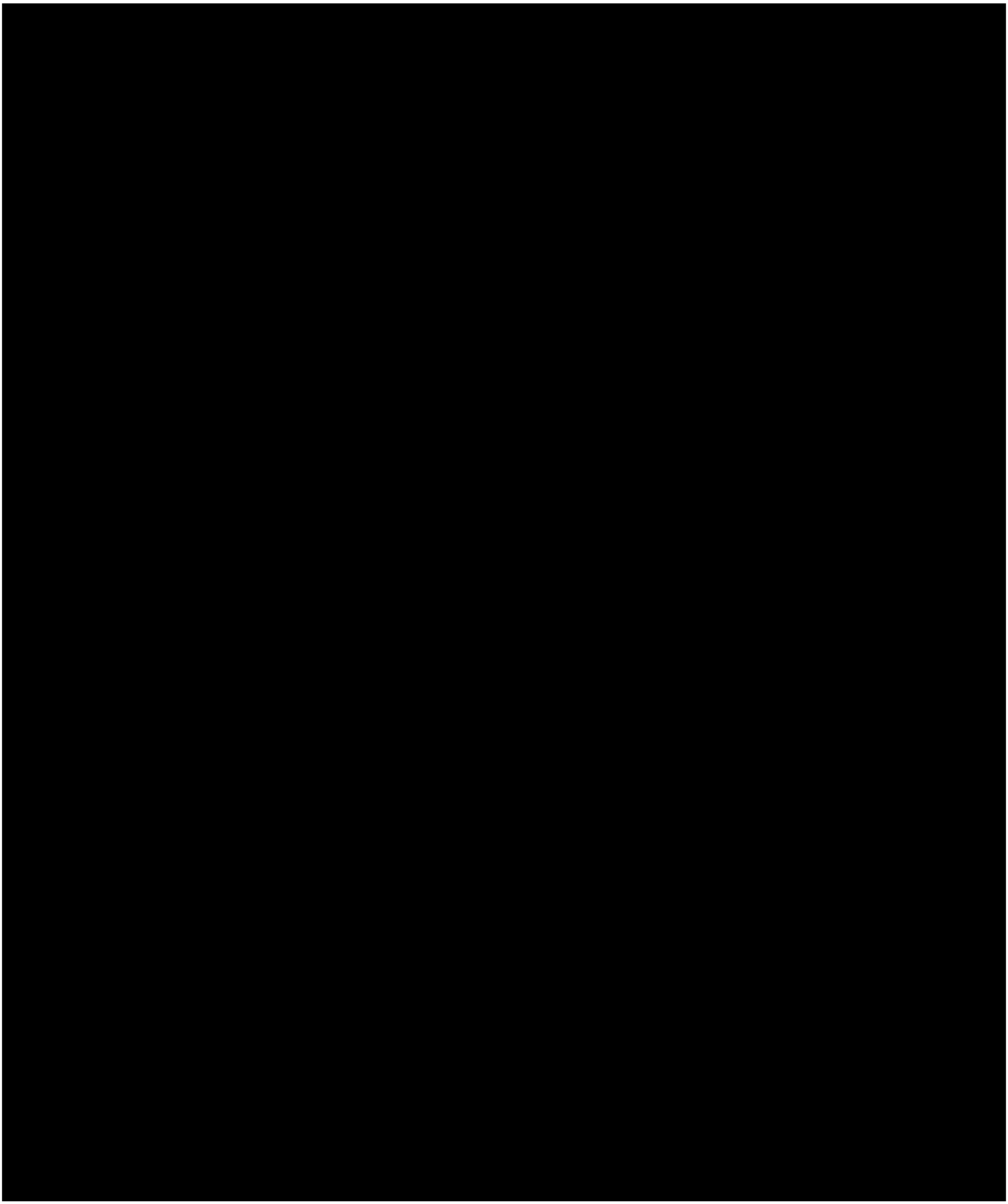

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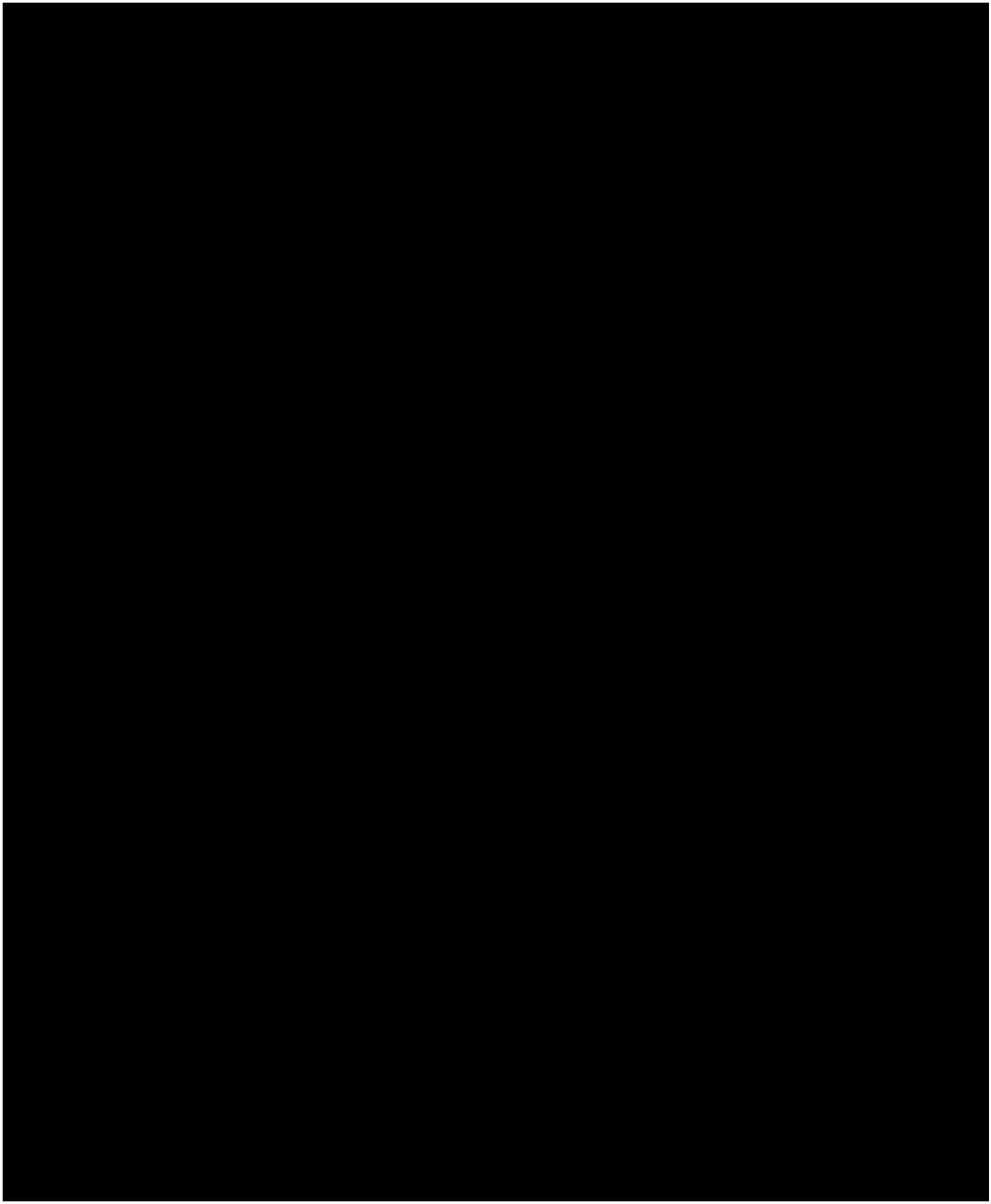

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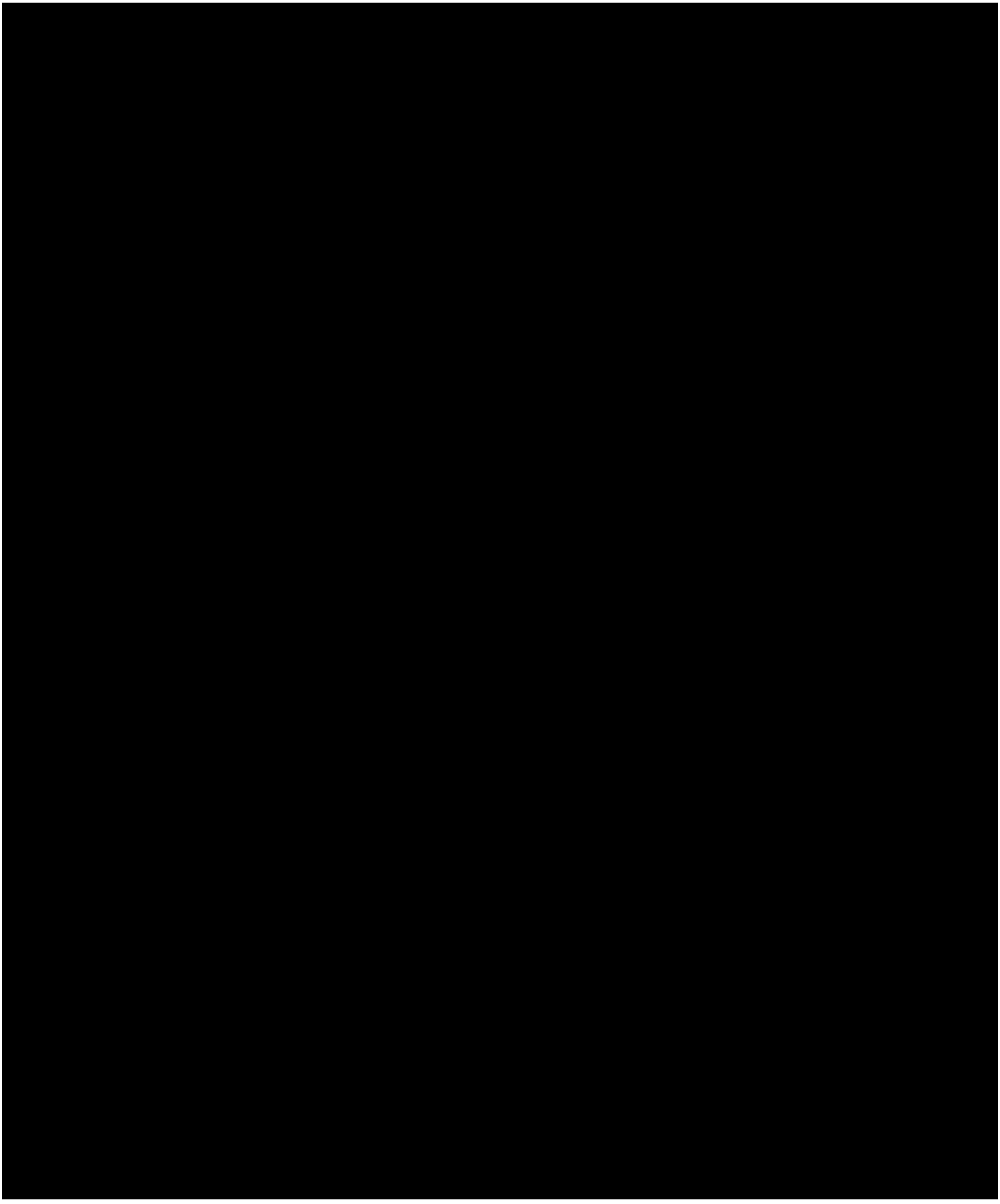

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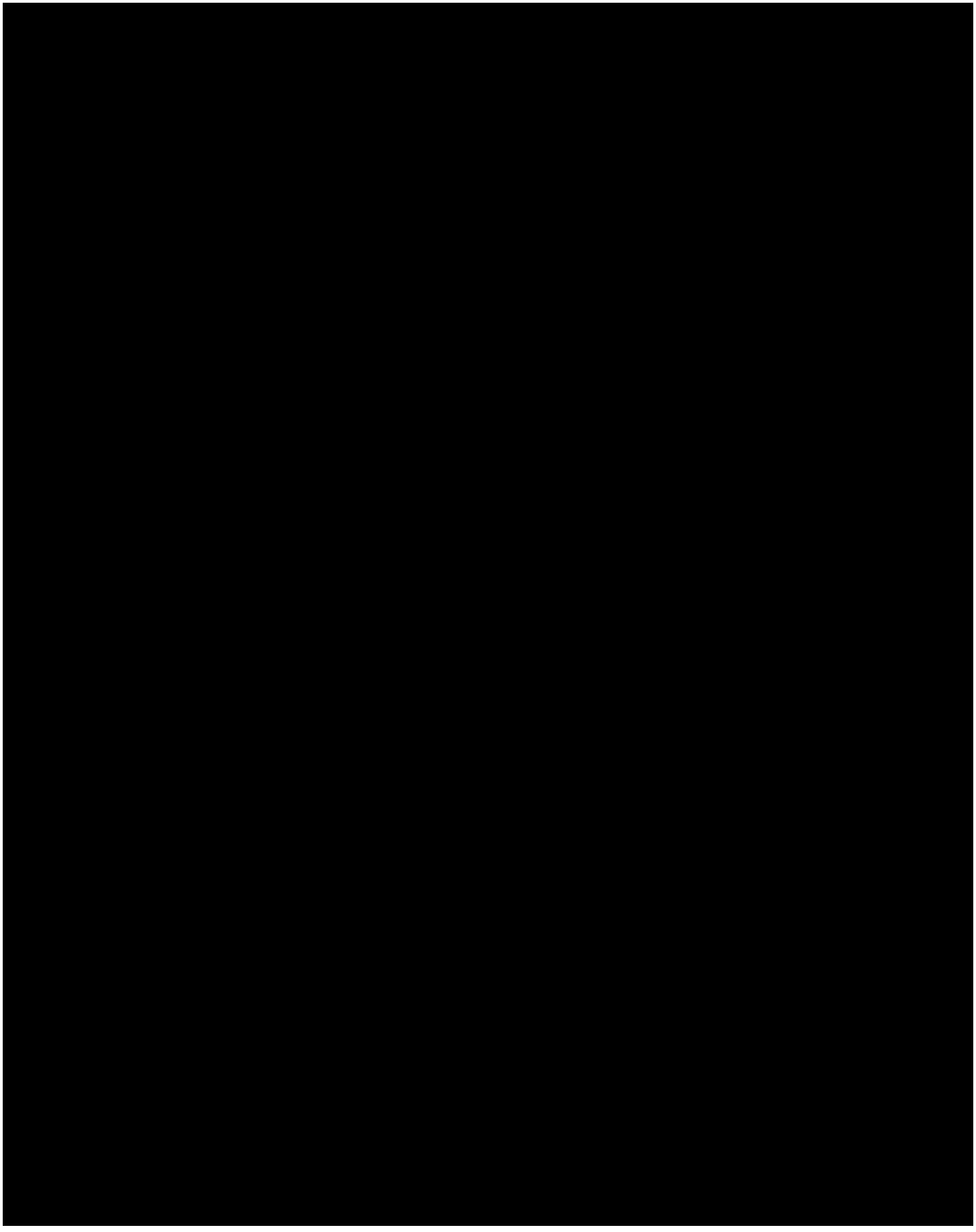

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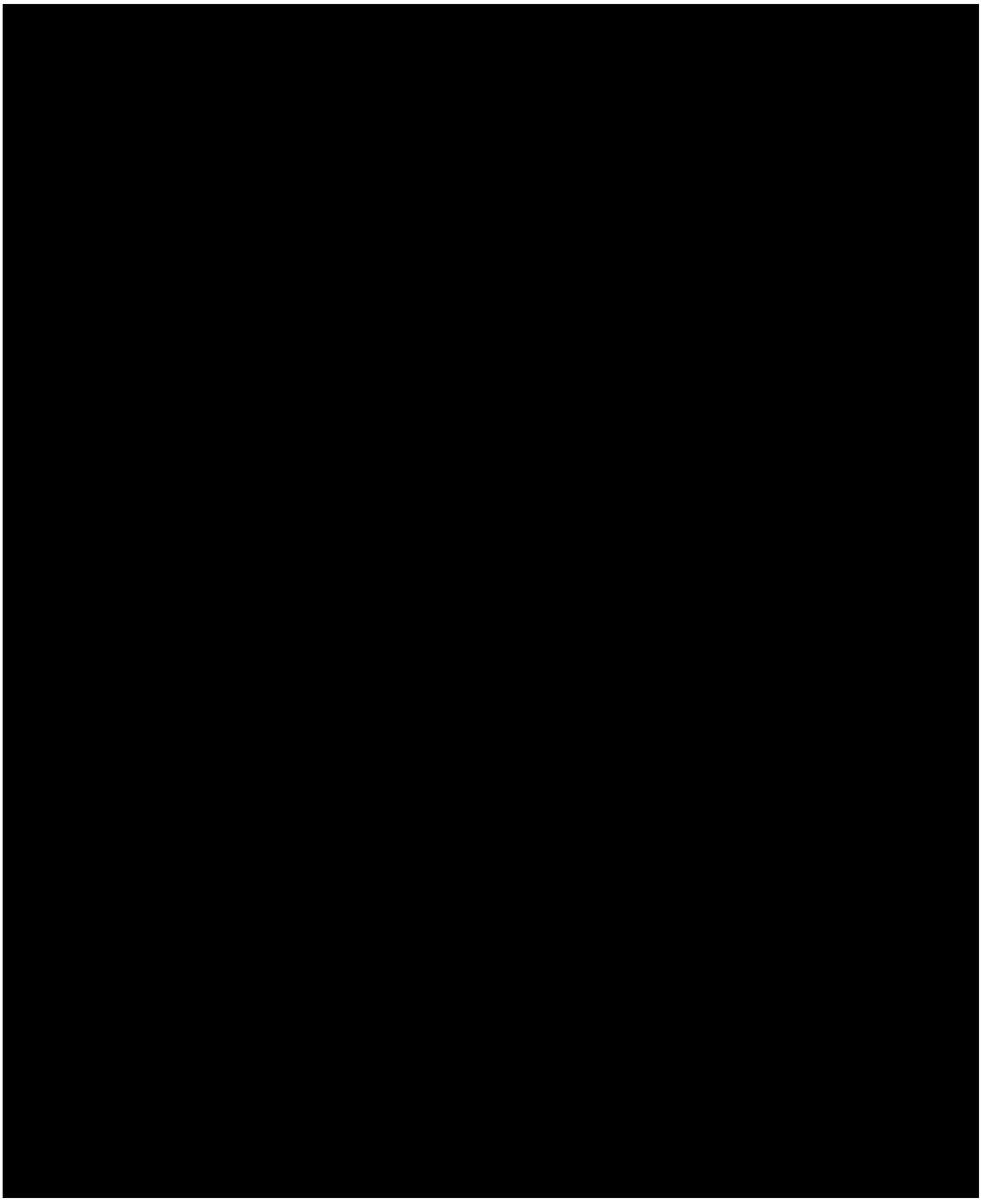

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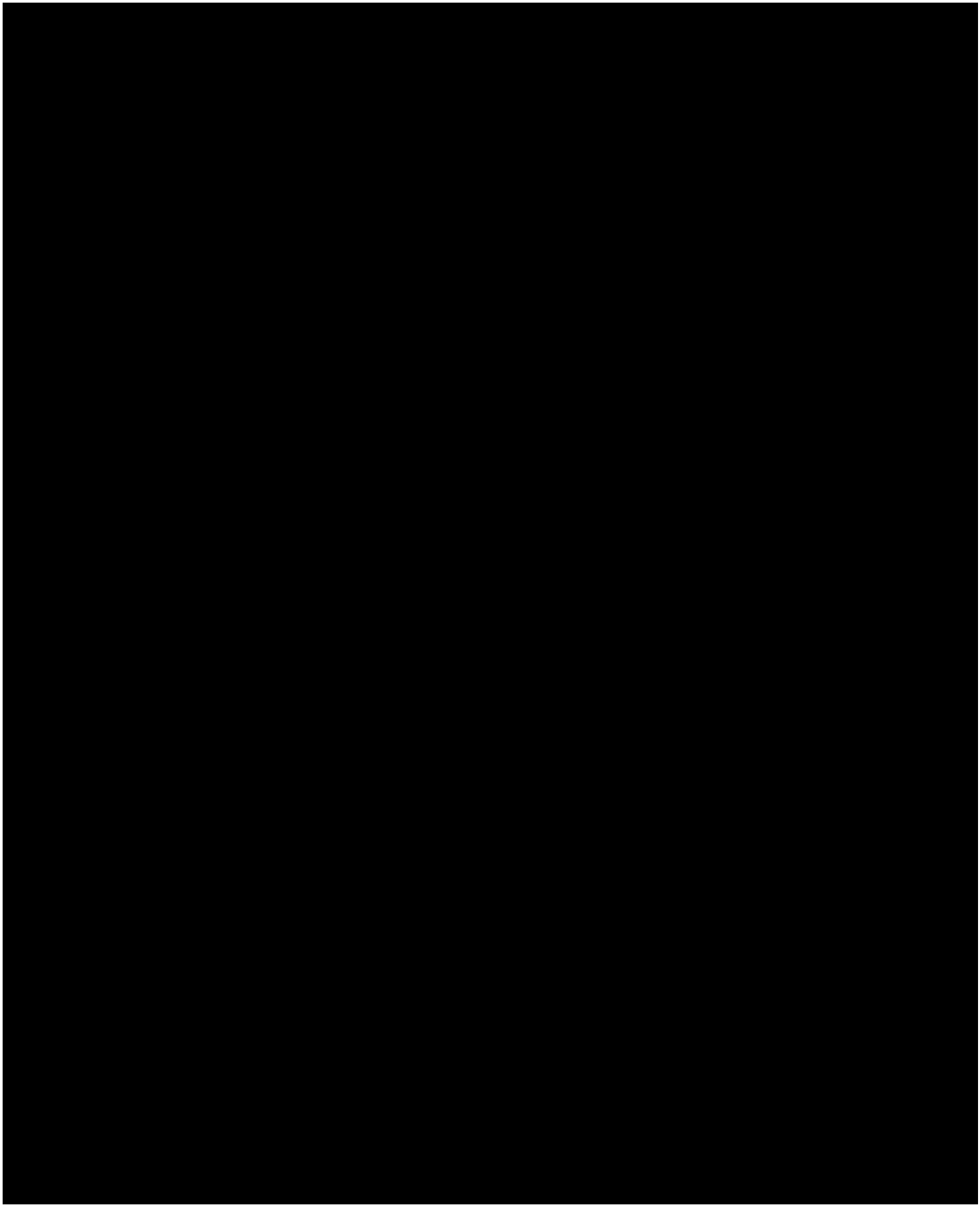

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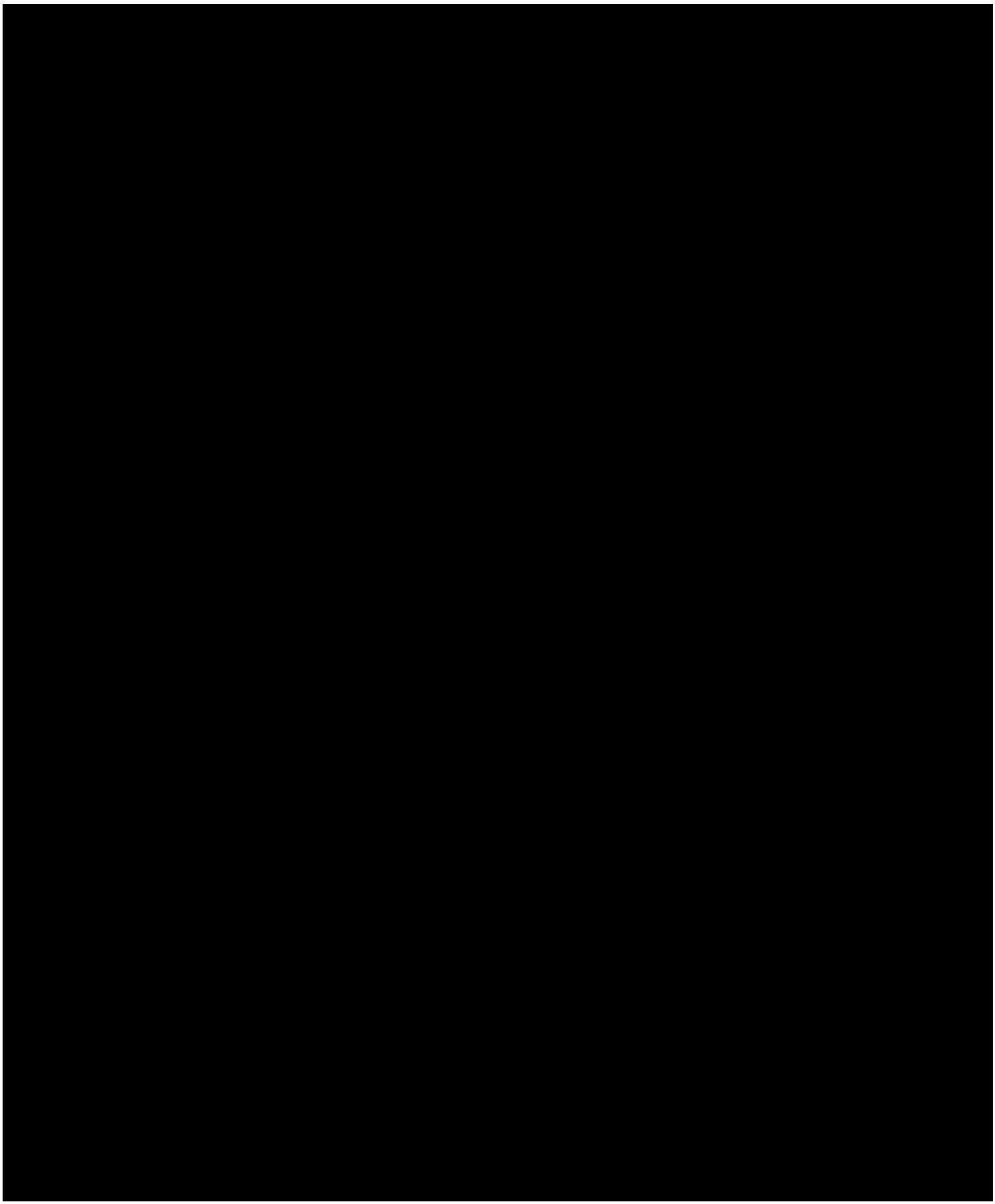

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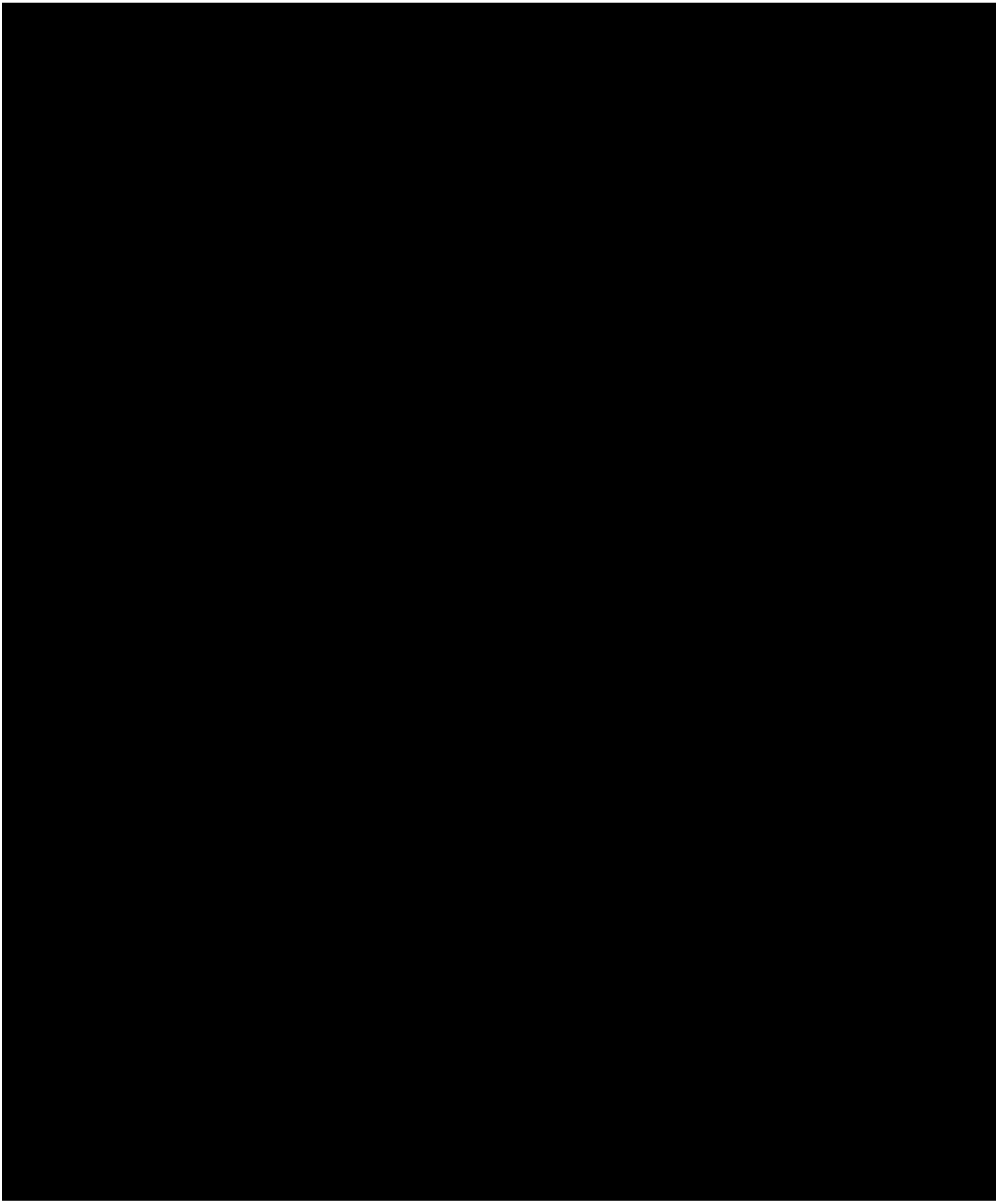

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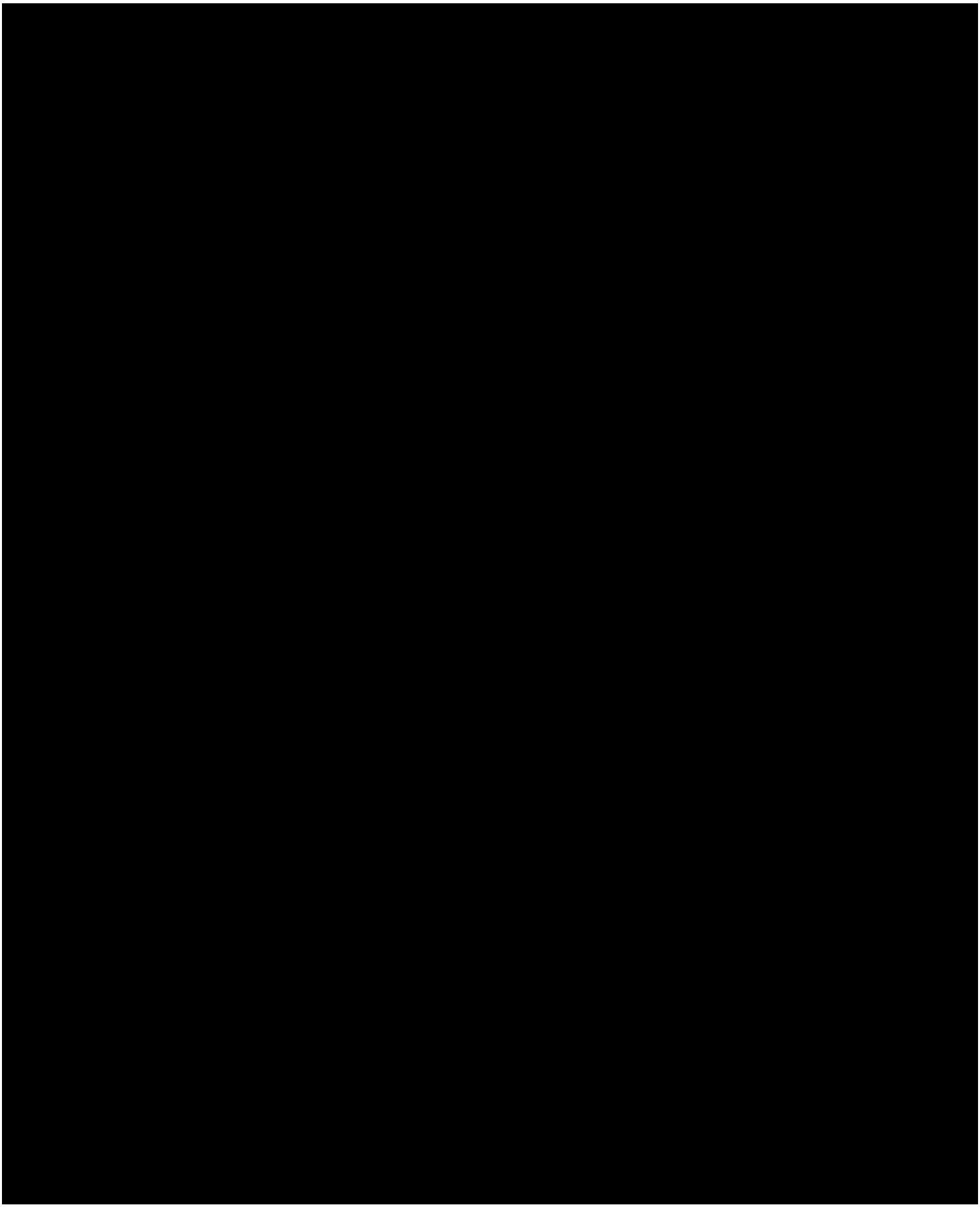

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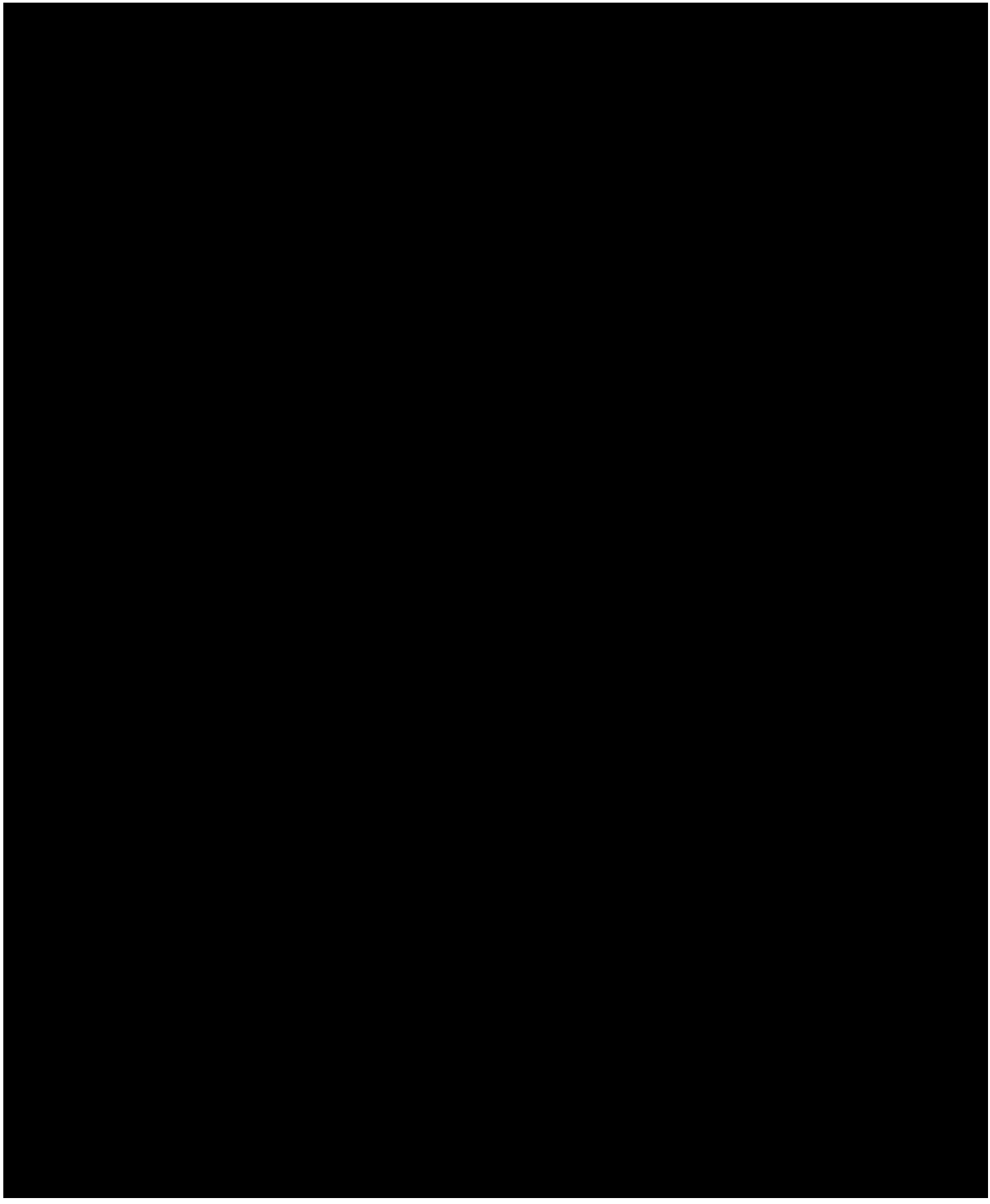

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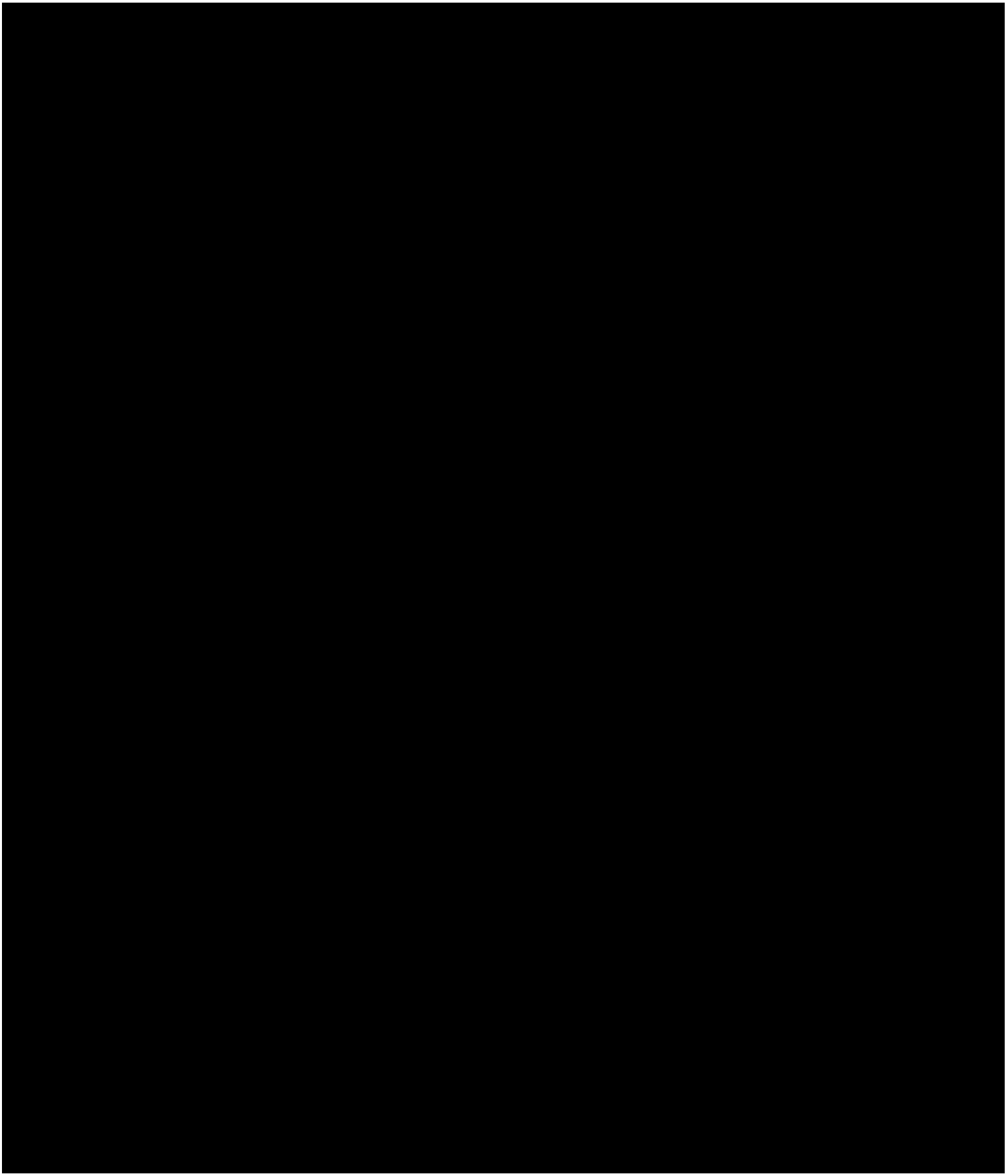

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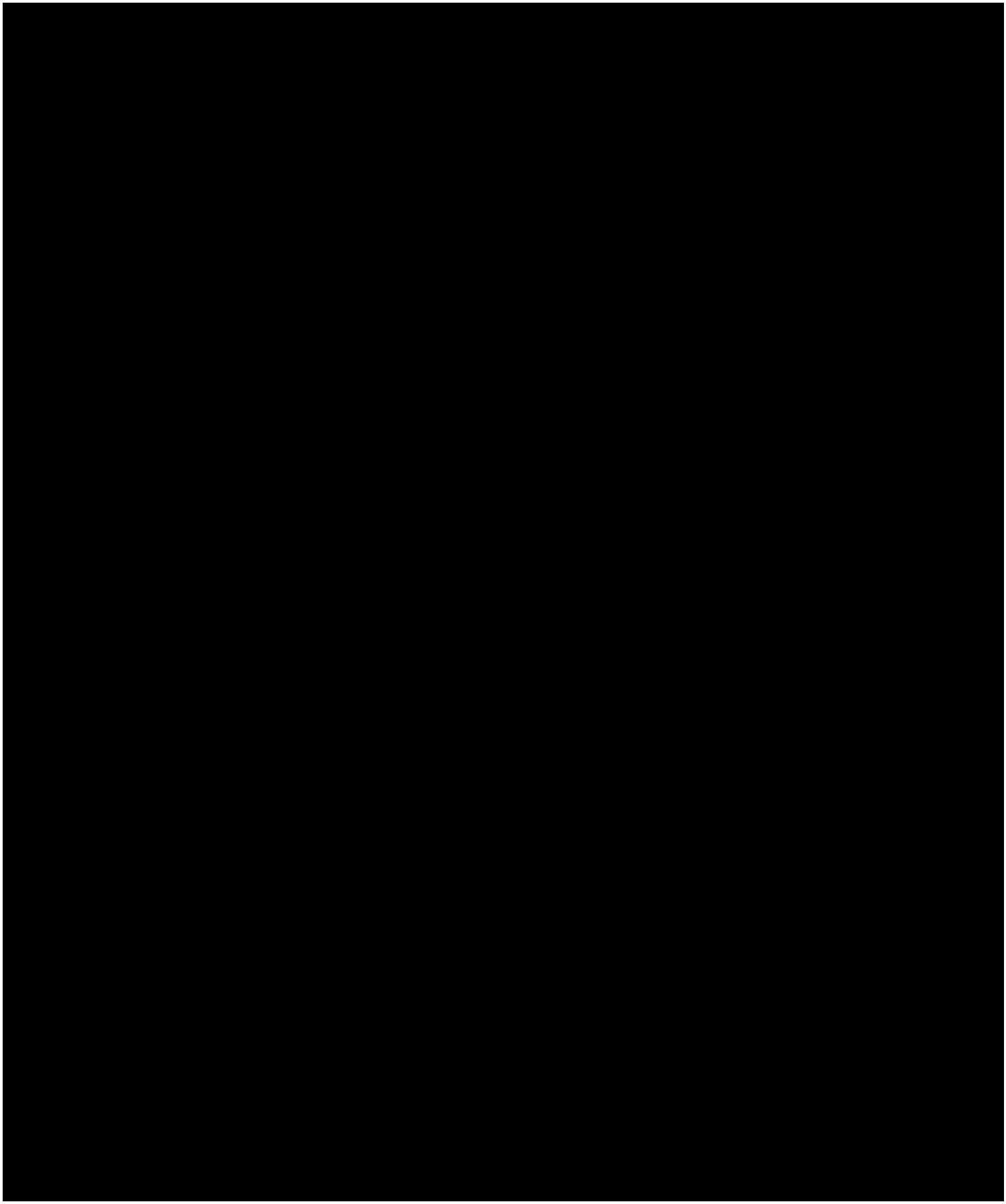

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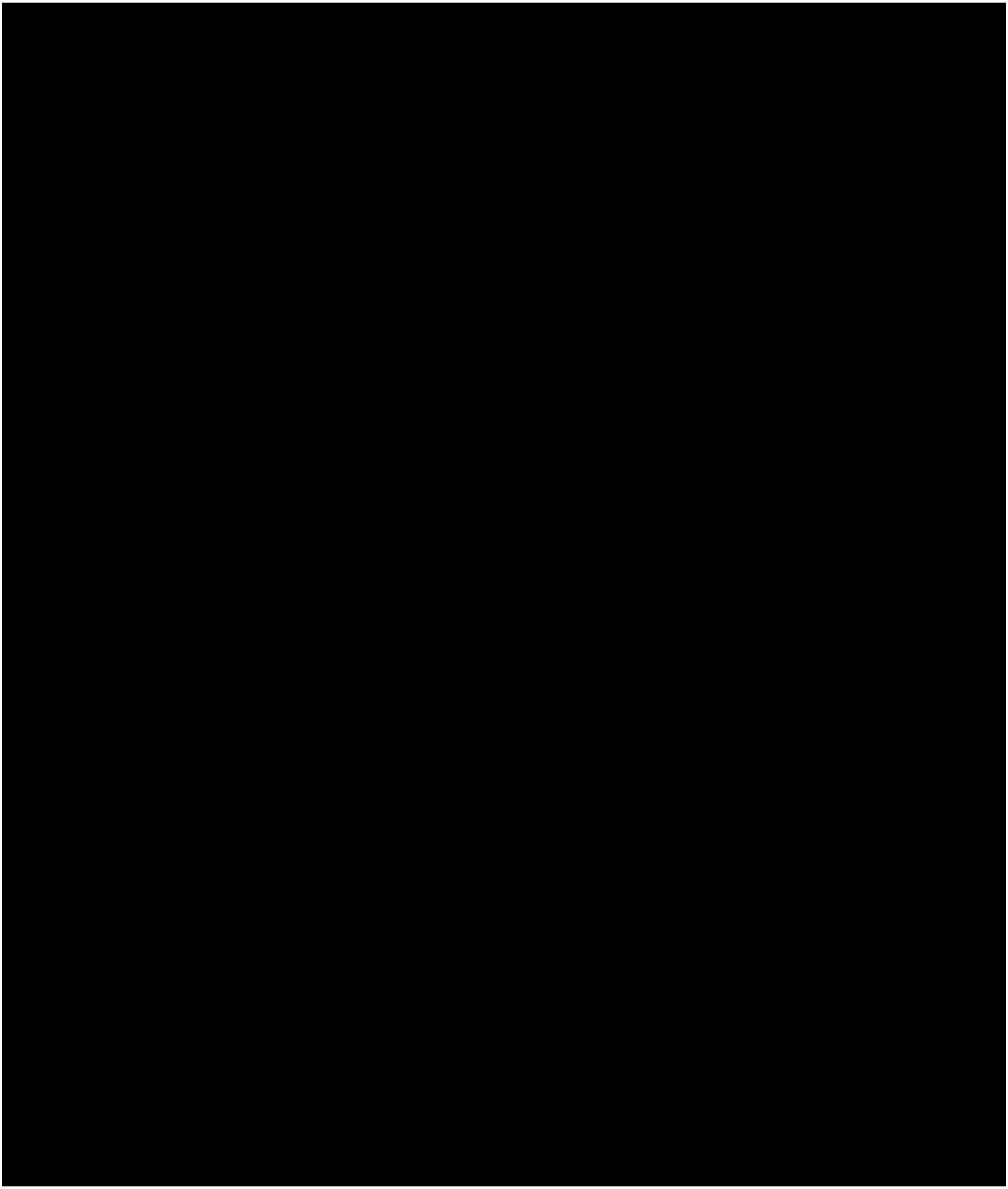

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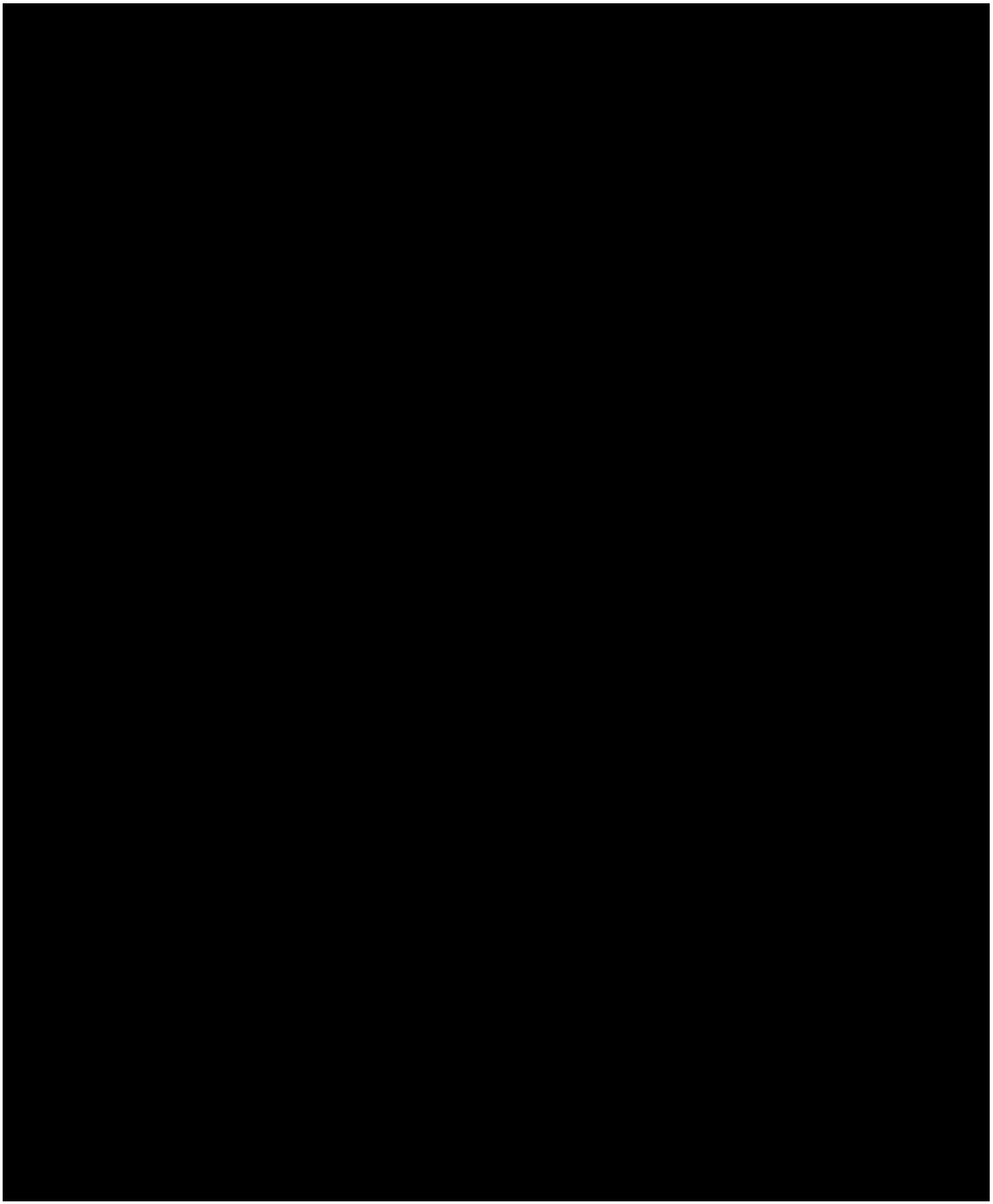

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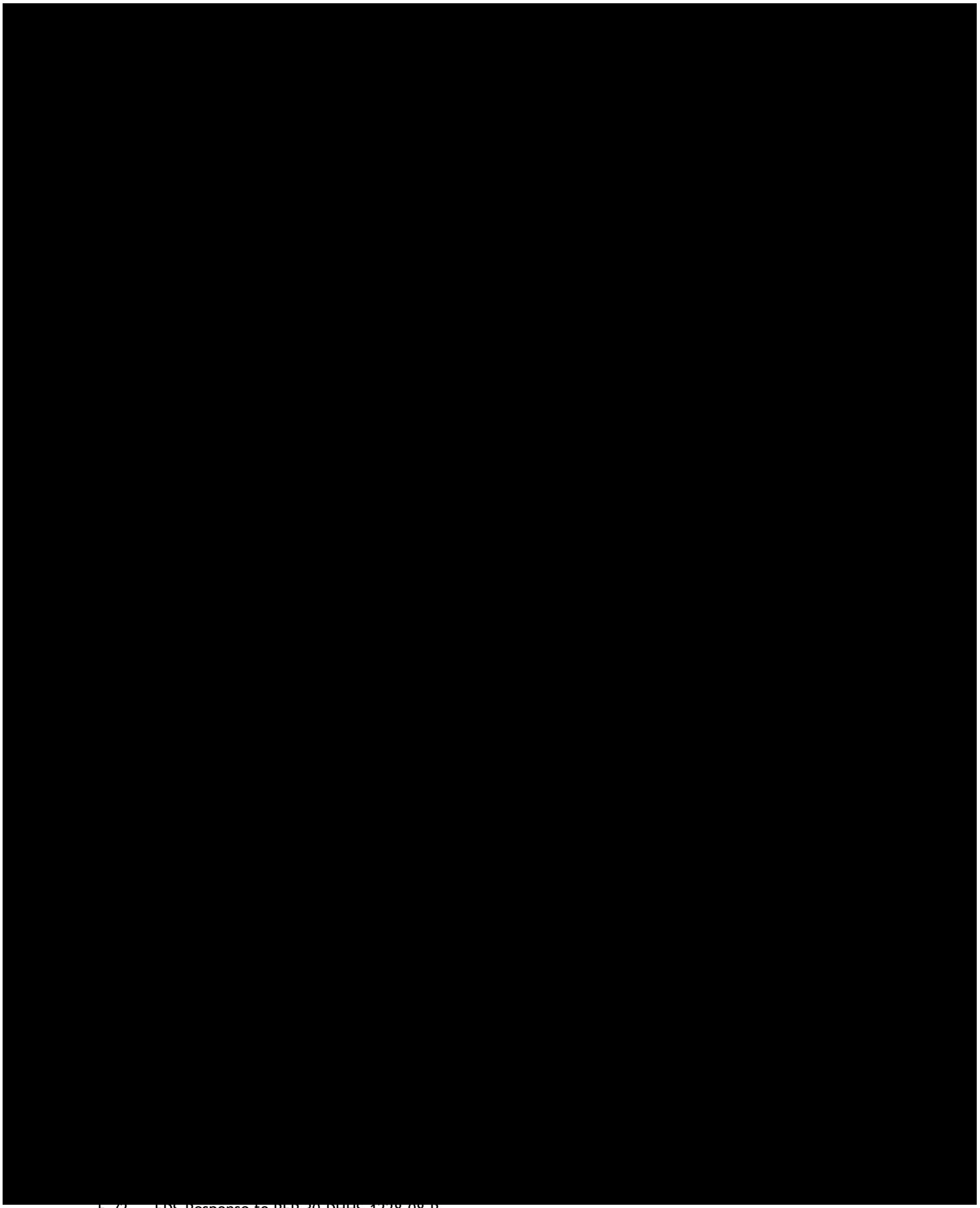

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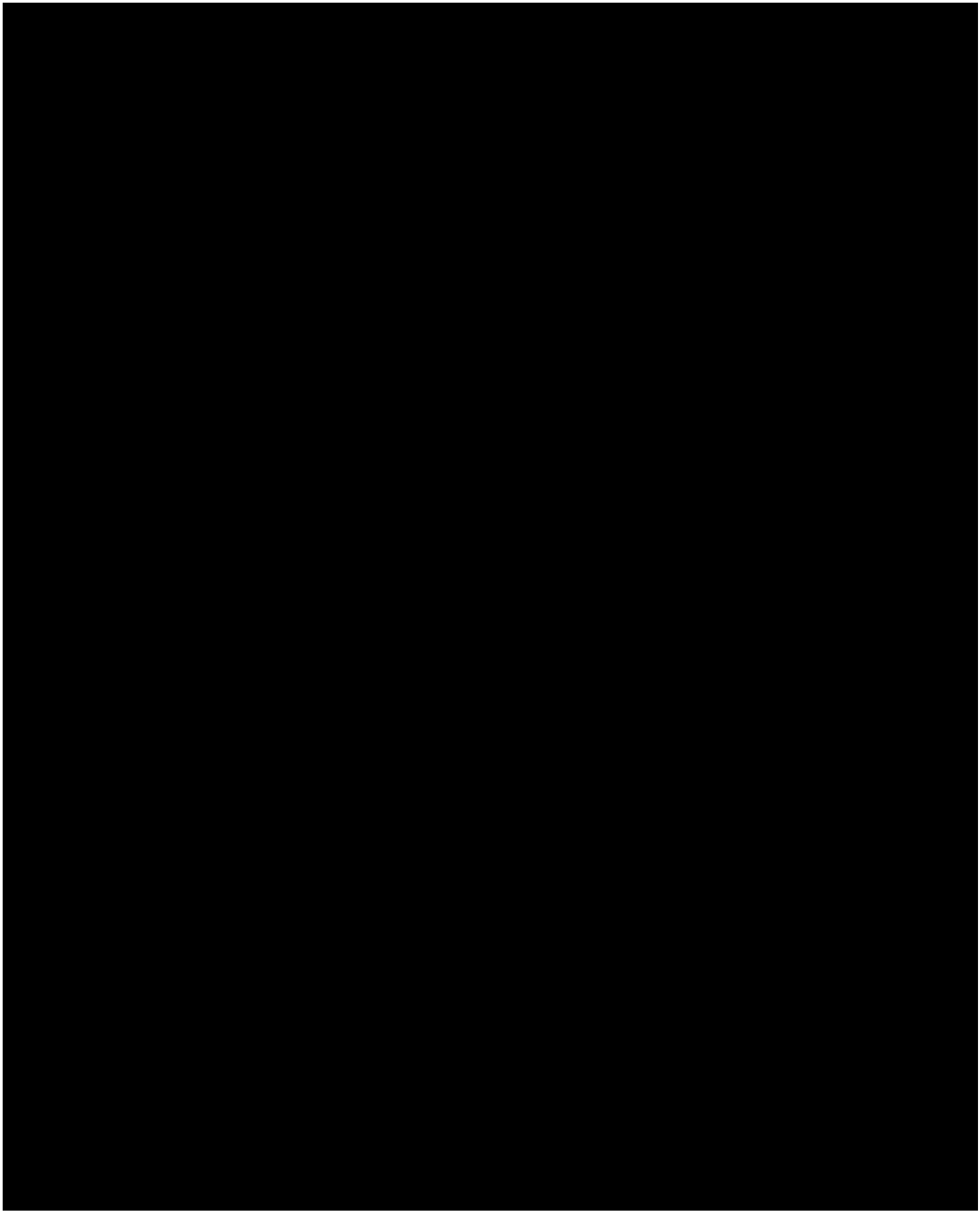
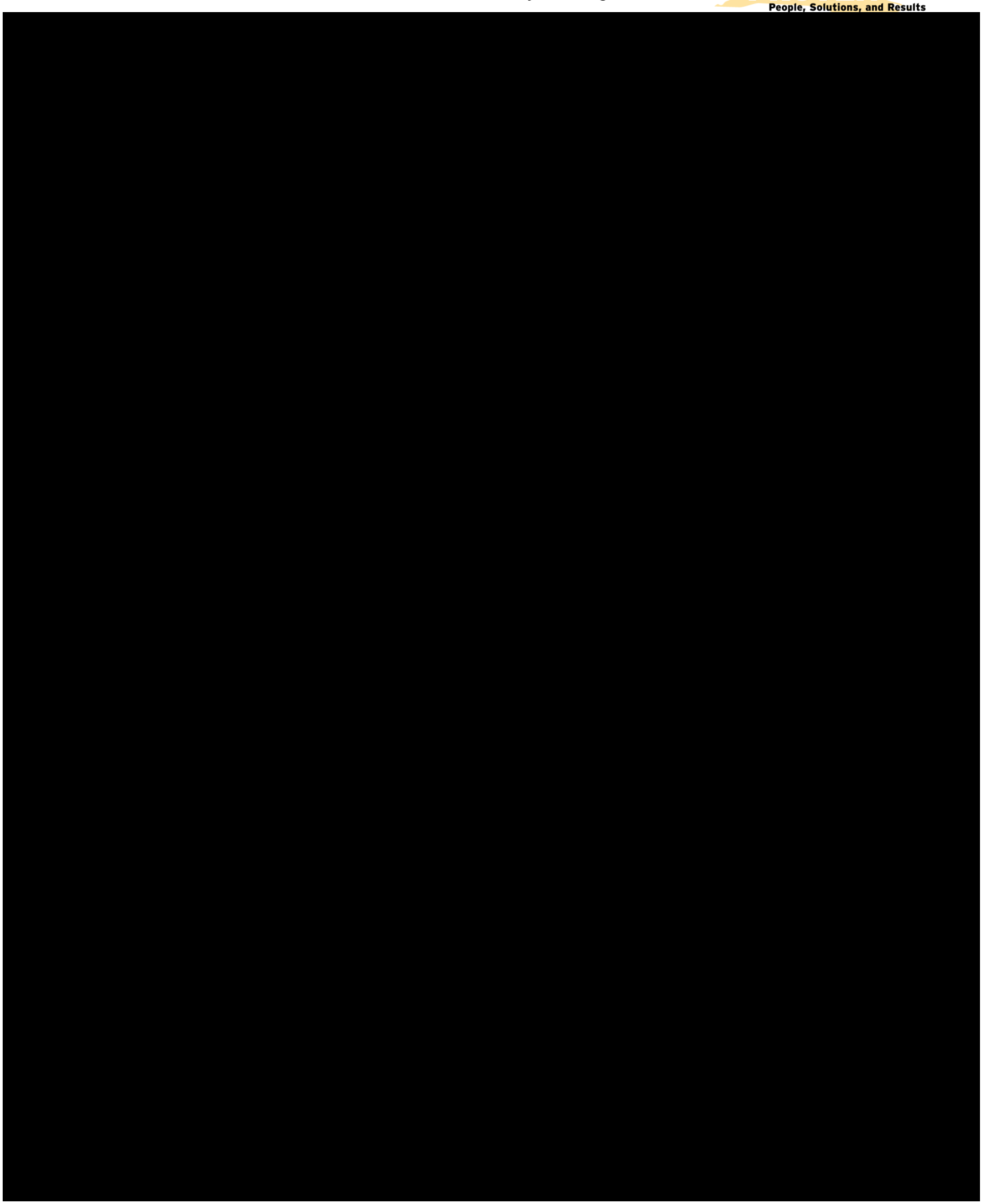




50.2.5.2 Integrated Master Schedule

RFP Reference: 50.2.5.2 Integrated Master Schedule, Page 277; 10.8 DDI Project Management Objectives, Bullet 2, Page 7

The project schedule is our "road map to success," and it includes design and development activities for successful project planning and execution of a solid project schedule, to be approved by the State before design and development work begins. We will use and maintain this schedule as the baseline for project progress.

In this section, we provide our proposed project schedule. Based on decades of project management experience, our design and development activities will include successful project planning and execution of a solid project schedule, with the State's formal approval before design and development work begins. This schedule will be used and maintained as the baseline for project progress.

EDS will have a dedicated work planner who will make weekly schedule updates to the Replacement MMIS implementation schedule. The planner will submit revisions as needed to the State for approval. Following approval, the planner will baseline and maintain the revised schedule. Additionally, we will work with the State to maintain the master plan.

For the DDI Phase, the project schedule includes items detailed at the individual task level, as follows:

- **Key milestone dates—**These dates include the completion of the project planning phases, business and technical design phases, comprehensive testing plans, development of the new system, and user acceptance testing.
- **Initiation and start-up activities—**These are tasks needed to set up and establish the facility, infrastructure, project team, and the project kickoff.
- **Project planning—**Activities conducted during project planning include a risk management plan, communication management plan, project schedule, personnel management plan, and quality management plan.
- **Project execution—**This phase contains development, documentation, and milestone approval tasks for requirements verification; business and technical designs; training plans; testing plans; scenarios; unit, volume, and performance testing; system notification of completion; system documentation; user and provider training and manuals; and acceptance testing.

- **Project control—**These include tasks and activities that are integrated in all project management activities related to the project.
- **Project closedown—**This phase includes tasks for our project closedown, such as lessons learned.

As EDS begins the implementation, project managers will develop detailed work plans that break down tasks by the unit of work or change order (CO). As we start the implementation shortly after completing the requirements verification sessions, we will know the true effort that is required for each individual change to be implemented. At this stage, the project managers will develop detailed work plans that break down these tasks by the unit of work.

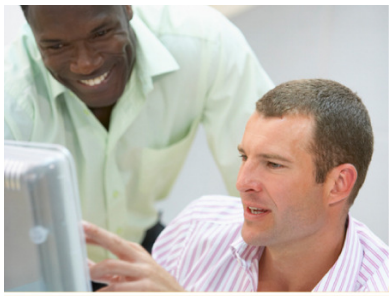
The implementation of a new MMIS is a complex project, and EDS has a proven process and experienced staff members engaged to complete this work for the State. The project schedule we have developed is based on similar schedules used to implement interChange for other state clients, with lessons learned from those implementations applied.

Capitalizing on experience with a proven product and proven people, we will work with the State to execute the plan successfully.

In accordance with the November 20, 2008, letter titled "RFP 30-DHHS-1228-08 NC Replacement Medicaid Management Information System Confidential and Proprietary Information," we have redacted our Integrated Master Schedule (IMS). This page and the page that follows represent the redacted IMS in its entirety.

[redacted]

50.2.5.3 Master Test Process and Quality Assurance Approach



We are fully committed to continuing to provide superior quality. We will set the standard for a low-risk implementation by executing a proven testing methodology and quality assurance measures that will detect variations from the State's defined processes and policies. This approach will allow us to continually focus on identifying improvement and cost savings opportunities.

State of North Carolina

RFP Reference: 50.2.5.3 Master Test Process and Quality Assurance Approach, Pages 277-278

EDS defines quality as the process of delivering products and services that fulfill our clients' requirements and that meet or exceed their expectations. We have continually demonstrated our commitment to delivering quality products that meet the State's needs within the current Legacy MMIS+, and we are fully committed to continuing to provide this superior quality with the Replacement MMIS. With 30 years of experience working with the State, EDS is uniquely positioned to deliver a system that will continue to support and expand on the policies and needs of the State and their providers. We are committed to a continued, valued relationship with the State.

We will set the standard for a low-risk implementation by executing a proven testing methodology followed by quality assurance (QA) measures that will detect variations from the State's defined processes and policies. This approach also will provide the means to continually focus on identifying improvement and cost savings opportunities.

Our solution begins with a proven interChange system that has been vigorously tested on various levels, including system, volume, stress, and regression, and has the common federal Medicaid requirements already in place. The majority of the testing during DDI will focus on adhering to the State's unique policies, guidelines, and requirements.

Testing Philosophy

Our testing philosophy involves existing knowledge, an innovative testing approach, a test deck of predefined test cases and data supporting the core interChange solution, and sophisticated high-volume testing tools. Through various levels of structured testing, every aspect and variable of a case can be tested to verify expected and consistent results. Test cases can be re-executed through each testing level to make sure the expected result is not compromised by the introduction of additional cases, logic, or other potentially influencing factors.

Global Testing Organization

EDS has established the Global Testing Organization (GTO), an independent testing delivery organization within EDS Applications Delivery. The organization is headquartered in Troy, Mich., supporting multiple EDS clients globally. EDS GTO has more than 1,700 dedicated testing professionals within our Application Service Delivery Centers, with Testing Centers of Expertise around the globe.

At the corporate level, the EDS Enterprise Testing Community, with a membership of 4,000 testing professionals, leverages EDS' testing expertise worldwide to advance the quality and delivery excellence of EDS' testing. This community offers hundreds of helpful links and downloads through its Web site, including links to industry best practices, the corporate testing methodology, templates, and extensive information on training and tools. Testing community members actively participate in work groups designed to shape tools, training, and testing methods on an ongoing basis.

EDS' GTO Services include the following:

- **Test management and consulting services—**These services help clients in the development, creation, management, and assessment of testing activities. Services include test consulting, test management, test strategy and planning, risk analysis, test metrics planning, collection and reporting, quality assurance, testing assessments, and rapid response and triage.
- **Functional testing services—**These services perform in-depth, thorough, and accurate testing to make sure clients meet or exceed their design goals. Testing services include requirements-based testing techniques; system, regression, integration, interoperability, data integrity, security, fail-over, and operational readiness testing; and test automation.
- **Performance testing and simulation model—**These services enable clients to proactively address system and application performance issues. Services include stress, load, and endurance testing, performance analysis and tuning, simulation modeling, and complexity analysis.

The critical elements of our testing capability include the following:

- Separate and independent testing capabilities
- Best-in-class testing tools and processes
- Strategic alliances with testing industry leaders
- Highly trained and qualified testing experts
- Global agility

The EDS GTO organization will begin creating the test strategy and test plan for the Replacement MMIS project at project start-up. It will be involved in the

requirements verification (RV) sessions to document test scenarios and build requirements traceability matrices early in the project. It will use software and processes from Right From the Start to validate requirements and designs early in the process and automate testing where possible. By combining proven, industry-leading processes, COTS tools, and seasoned testing professionals, GTO will help make sure a fully tested Replacement MMIS is ready for production.

Unit Testing

EDS will be solely responsible for conducting unit testing of the system components to make sure the requirements of each component are met, based on the design specifications approved in the design documents and Section 40 of the RFP.

EDS will conduct this testing in the development and unit test environment. After construction work is complete on an application system program, the systems engineer will execute the program's unit test plan and verify the test results. The systems engineer will apply changes to the application as necessary to achieve the desired test results. These test plans will cover edits, audits, pages, and reports and any batch programs needed to meet the requirements of the RFP. Throughout this testing process, additional test cases may be developed and added to the program's unit test plan as necessary to make sure each program's functional area has been tested. Test cases verifying unique State policy also will be developed. If any test case fails to meet the expected results, we will make the necessary changes and retest the test case until the appropriate result is achieved. These results will be stored in iTRACE.

System Testing

EDS has extensive understanding of the current North Carolina DMA and DMH policies. The EDS GTO team will conduct system testing with EDS account staff participation. Each input, page, edit, audit, process, job, output, report, and interface identified within the RFP will be tested to confirm that the State's requirements are met and the system functions as designed.

They will participate in RV sessions, giving them a unique understanding of the State-specific functions that will be targeted in testing. Testing scripts and scenarios and requirements traceability matrices will be created, which will aid the State, EDS testers, and developers in providing a common understanding of requirements and expectations.

Before executing system testing, we will create test scenarios that will include the anticipated outcome for each test case. Many system test cases will be automated using the Right From the Start testing tool. System testing will occur in the integrated testing facility's (ITF's) model office environment.

We will report, correct, and retest defects. We will prepare system test results and submit them to the State for review, approval, and sign-off before the start of user acceptance testing (UAT). Test case results will be stored in iTRACE, which will be available for the State to view.

Inter-System Testing

Inter-system testing is a process of testing the integrated and configuration-managed system for integration with other major components and interfacing systems, such as host systems and third-party systems, to make sure they operate to specifications and that appropriate interfaces execute as designed. We will perform inter-system testing after system testing.

The goal of inter-system testing is to expose any possible faults in the external system interfaces to make sure the subsystems and systems work together as a whole and do not adversely affect other components. Test cases in this phase will cover interfaces with supplemental systems, including reporting and analytics (R&A) and the North Carolina Accounting System (NCAS). This testing requires extensive coordination with all applicable entities to make sure schedules, environment, and data are aligned for successful testing. The interface coordinator will be responsible for the communication among the State, EDS, and the other external testing organizations. Results will be available through iTRACE to review the project's progress.

Data Conversion Testing

The Data Conversion team will perform the necessary processes to transform the data from each of the four payers' existing systems to the Replacement MMIS structure and specific field definition. This data may be populated to many environments to validate the effectiveness of the system for volume, stress, and performance testing.

Volume, Stress, and Performance Testing

EDS is differentiated from other vendors by our commitment to volume and performance testing before operational readiness testing, thereby reducing the risk of going live with performance issues. We will aggressively test for production based on estimates of transaction volume supplied by the State. We will use volume-simulating tools from HP LoadRunner and proven volume-testing methods.

Output from the claims volume and performance testing will be made available to the back-end processes, such as monthly and quarterly reporting, management reporting, and interface testing. We will run a high volume of claims (a sampling of approximately 1 million claims) against the converted data. We will generate the input claims from converted claims history files. The

sampling will span a variety of claim types and will include all payers in the Replacement MMIS.

We also will use an automated tool, LoadRunner, to execute each relevant application's business functions within the targeted system's firewall. These consistent and repeatable tests will identify any issues in resource utilization, transaction response times, and overall system performance.

We will plan and execute a stress test to demonstrate that the system provides the required response times and throughput when fully loaded with production data and transactions. Stress testing will occur in the parallel testing environment. Endurance testing will subject the system to an average load over a long time span, such as 6 to 12 hours, to verify the stability of the system.

User Acceptance Testing

UAT will occur after system testing. This phase will allow the State to design and execute user-defined test cases. It is expected that the State will be the primary testing team during this phase. State participation is of great value in making sure the business policies and influences are considered, and we look forward to the State thoroughly testing the application to make sure it meets the requirements.

EDS will support the State by running batch cycles and allowing State testers to choose any test case from the EDS system test repository. The testing life cycle and iTRACE lend themselves to test case reusability in test cases by supporting multiple testing notebooks and test case statuses. Additionally, the testing metrics within iTRACE support the multi-phase approach to UAT.

During UAT planning, EDS will provide experienced staff members to train the State's UAT team. Training topics will include preparing input data using the Replacement MMIS Web pages, understanding the Replacement MMIS' processes, and reviewing outputs.

Parallel Testing

The purpose of parallel testing is to verify that the claims run in the current system, whether the Legacy MMIS+ or the DPH or ORHCC systems, will adjudicate in the same or a similar way to claims run in the Replacement MMIS. This will help to quickly track down problems in the conversion of reference, provider, recipient, and other data that is required to accurately process the claim. Additionally, this testing can track down issues or policy differences regarding edits, audits, and pricing algorithms and configurations before implementation.

The results of this testing should conclude that the Replacement MMIS correctly adjudicated the claims according to policy and data in this environment.

Data conversion can influence how the claim is adjudicated and should be validated in this process.

Regression Testing

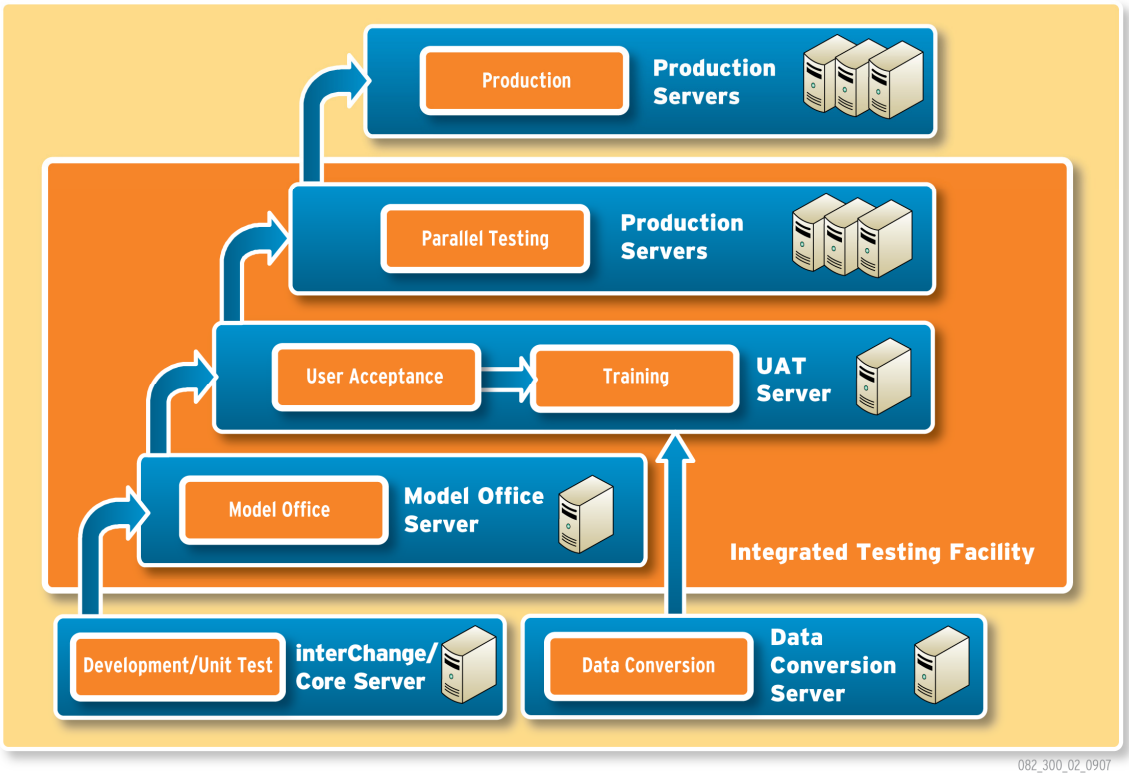
EDS will conduct regression testing during most testing phases. Using standard regression testing procedures, we will initiate specified test scripts. We will report the results of these tests to the State if any issues occur. Regression testing will include a test bed of cases that simulate a variety of claim types and business policies. Regression testing will be automated. Regression testing on component units will be performed to make sure no unintended changes occurred to previously working functions. We will confirm that the system as a whole was not also affected by any component changes.

Testing Environments

EDS understands that testing plays an important role in not only meeting an expected result, but also in making sure the system is cost-effective, consistently assumes a low level of risk, and can support future policy updates or changes. We will provide isolated test environments designed to make sure applications are thoroughly tested. Our solution includes a UAT environment that will allow the State to perform system functions to validate that the system meets the requirements and expectations of the user community. Operational policies also can be verified within these environments.

Multiple environments will be set up to thoroughly test and implement each component of the Replacement MMIS, as shown in the following exhibit, Testing Environment Structure. These environments are necessary for executing multiple testing disciplines concurrently.

Testing Environment Structure



We will provide isolated test environments to make sure applications are developed and thoroughly tested.

These physical and logical testing environments are described as follows:

- **Development/unit test environment—**This environment will be used by developers and architects to develop, debug, and unit test code and software components. It is used to assess system component compliance with requirements.
- **Data conversion environment—**This environment will be used to convert payer-specific files and other reference data to the Replacement MMIS file and database structure.
- **Model office environment—**This environment is used for system and inter-system testing. All system components are tested together, and data validation occurs. During inter-system testing, interfaces are tested with external systems, making sure interfaces meet their specifications and external systems can process that data.
- **User acceptance environment—**The State will be able to conduct its own test cases and analysis through this environment, verifying that the application meets the stated requirements. Testing will be conducted in a controlled, stable, isolated environment where components, as well as component integration, must pass extensive testing before being deemed

production-ready. The EDS team will support this environment by running cycles or helping to create test data that can be used by the State to perform tests. Application components will be moved to this environment after they have successfully passed system and inter-system testing.

- **Training environment—**This environment will be used to train staff and develop operational and system documentation.
- **Parallel testing environment—**This environment will focus on validating the accuracy of claim payment. The multi-payer system logic will price the claim according to specific rates and policies. Edits and audits also will be executed according to each specific payer's own policy.
- **Production environment—**This environment is used by the operational system and applications. It houses the daily operations of the State's applications in production.

The configuration of the testing environments will reflect production data as a subset of all claim types. The user acceptance, training, and parallel testing environments will be loaded with one year of converted claim history data. The reference files will be copies of production.

Integrated Testing Facility (ITF)

The ITF will consist of three different environments to enable multiple testing phases to be conducted concurrently. This facility will operate independently from the production environment but will mirror the same business policies and structures as production. If data parameters are changed on reference files in the production environment, corresponding changes will occur in the ITF to make sure expected results remain consistent.

The ITF's three environments are as follows:

- Model office environment
- User acceptance environment
- Parallel testing environment

During DDI, this solution will support 25 users at the EDS local site to simultaneously test the functions of the Replacement MMIS. The UAT environment also will be accessible remotely and will be protected through agreed-on security measures.

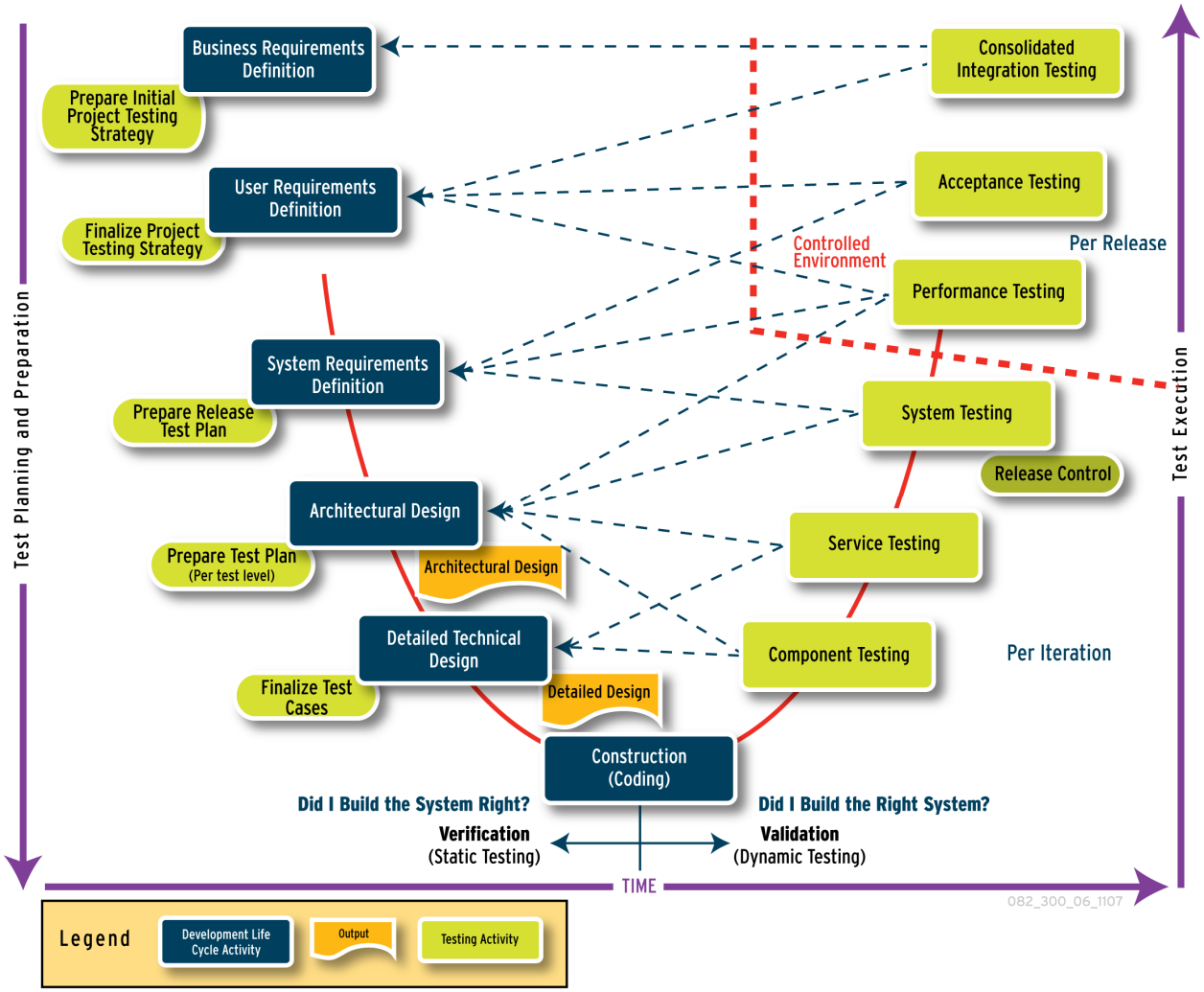
Application Testing Methodology

The Testing V Model is a well-known industry model for testing. It provides a visual example of the interrelationships between project activities and test planning, preparation, and execution. Most significantly, it illustrates the role

that testing can play in verifying compliance with the development process and validating the quality of application requirements, design, and code.

The following exhibit, Application Testing V Model, illustrates the model and specifies the input to and output from each test level. With the exception of formal performance testing, acceptance testing, and consolidated integration testing, which are executed during the final iteration for a project, all other test levels prescribed for the application under test are executed for the functionality delivered by each iteration.

Application Testing V Model



The Testing V Model provides a visual example of the interrelationships between project activities and test planning, preparation, and execution.

Step 1: Ambiguity Analysis

The first step in the risk-based testing process involves completing a systematic ambiguity analysis of the requirements that will drive application design,

development, and testing. Ideally, the project team completes an ambiguity analysis through a formal inspection of the draft requirements during the RV phase of a project. The goal of the ambiguity analysis is to eliminate any ambiguities or inconsistencies and to make the requirements as clear as possible.

A successful ambiguity analysis encourages a common understanding of the requirements among all project stakeholders, including project managers, developers, testers, and, most importantly, the users. Without a common understanding, users could have expectations that will not be met, or the project team could work to a plan that is misguided or incomplete. It is therefore essential to complete an ambiguity analysis of requirements that involves all project stakeholders before proceeding with the remaining steps in the risk-based testing process.

Step 2: Risk Analysis

After a successful ambiguity analysis, the risk-based testing process focuses on a risk analysis designed to reduce the risk of misdirected or incomplete test coverage. This risk analysis systematically determines testing priorities that provide the basis for the testing strategy for the project.

Step 3: Systematic Test Design

After the risk analysis is complete, testing teams apply systematic test design techniques to select just the right tests and deliver just enough testing. It is neither possible nor advisable to test any application or system exhaustively. Systematic test design that is specifically focused on managing and mitigating risk can and should be used as the basis for planning and developing the most effective and efficient tests.

Specifically, systematic test design is used to accomplish the following:

- Determine and focus the testing effort, with particular attention to high-priority, high-risk requirements
- Select what to test
- Allocate the right number and type of testing resources

Step 4: Requirements Traceability

After initial test design is complete, the testing team is ready to update the requirements traceability matrix that was developed during the RV sessions. This update maps each test case and any automated test scripts to corresponding requirements. The resulting matrix can reveal any gaps the testing team needs to fill and any redundant tests they need to merge and consolidate. More significantly, each test case inherits priority from its requirement.

Throughout test development and execution, the requirements traceability matrix also provides a comprehensive picture of test coverage and helps the testing team stay focused on high-risk, high-priority requirements.

Finally, the requirements traceability matrix helps the testing team to analyze the impact on testing of any proposed changes to requirements.

Step 5: Testing Metrics Collection and Reporting

After requirements traceability is established, the risk-based testing process focuses on the following two activities:

- Monitoring the progress of test preparation and execution and the status of defects
- Collecting and reporting testing metrics.

These metrics provide vital information to all project stakeholders. The testing reports offer the following:

- Ongoing insight into testing progress, test coverage, and defect resolution
- Timely opportunities for corrective action that can mitigate risk before it causes irreversible harm

Step 6: Testing Closedown

The final step in the risk-based testing process includes the activities associated with testing closedown.

Quality Assurance Strategy

We will work with the State to verify that the deliverables are correct and meet the requirements of the project. We will conduct formal internal reviews of the deliverables before delivery to the State for review.

Using our QA process, we will perform the following functions:

- Establish project quality standards and procedures and align them appropriately to the State's project objectives
- Define, collect, and evaluate metrics to verify that the project is progressing as expected and that the QA processes are being used as designed and with the intended quality results
- Review and approve the project quality plan
- Create and maintain a project quality plan that identifies the following items:

- Types of process audits and planned dates for these audits
- Project testing approach
- Work products that will be subject to walkthroughs
- Templates or processes that validate conformance by work product type

With each SLC 3 phase, the QA process will include a set of exit criteria that requires State approval and formally concludes that phase of the project. This final QA measure will be supported by incremental processes used throughout the phase and during the phased walkthroughs of project deliverables.

We will provide further information on our QA processes for reviewing deliverables and tasks in the Master Test Quality Assurance Plan (MTQAP) CDRL.

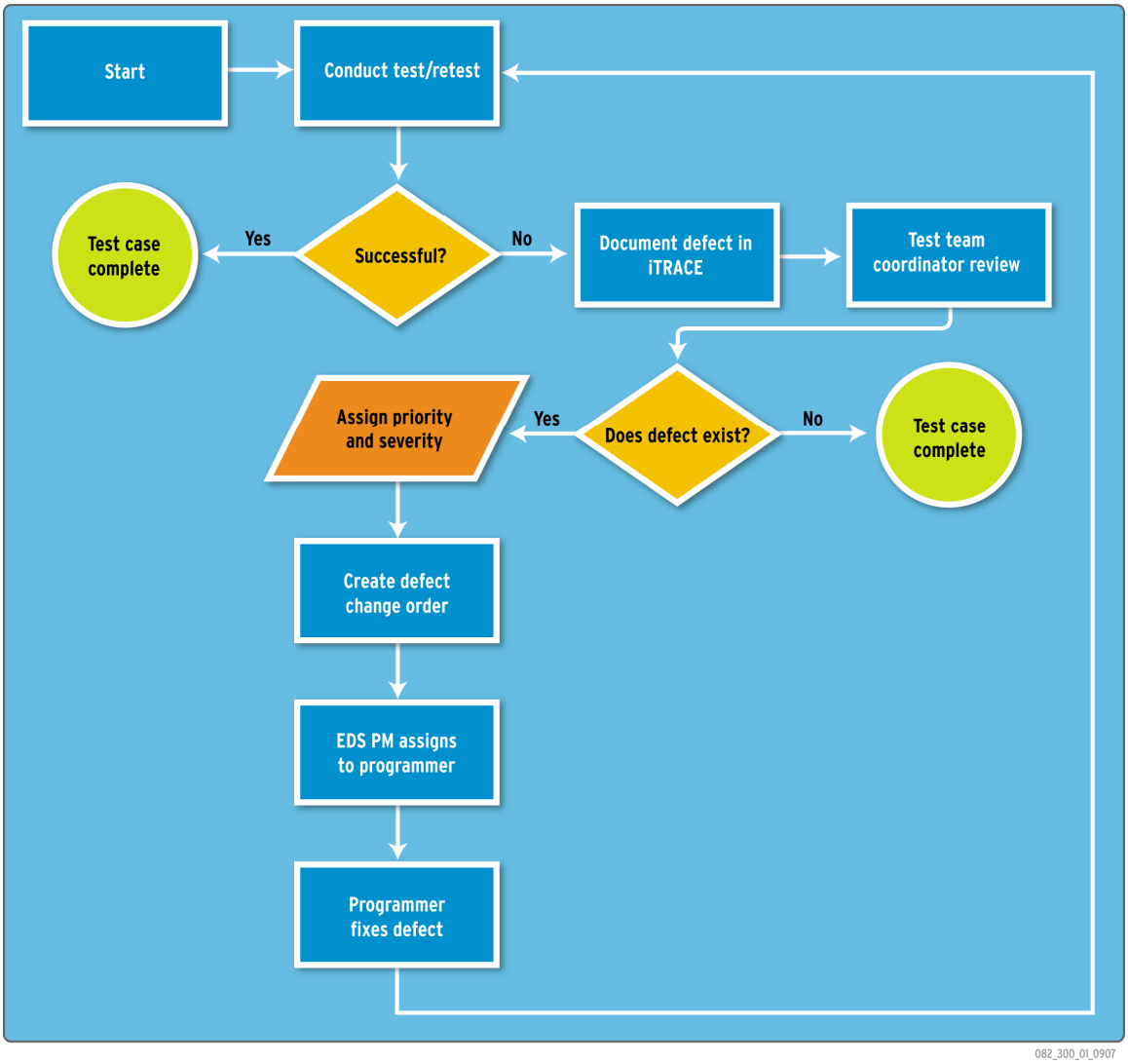
Walkthrough and Joint Reviews

The project work plan will detail our approach to providing walkthroughs and joint reviews of the deliverables, our communication process, and change management. Deliverable walkthroughs will occur in addition to the regularly scheduled status meetings with the appropriate project team members. These walkthrough sessions will help promote the State's active involvement at the proper management levels and focus attention on this vital activity. These activities will be an integral part of our quality approach during DDI.

Defect Resolution

The following exhibit, Defect Resolution Process, illustrates how we address defects during DDI testing and retesting.

Defect Resolution Process



We have a proven process to identify and resolve defects in the Replacement MMIS.

Throughout the process, the defect's status and disposition will be updated in TestDirector and iTRACE. Using the tool suite available in iTRACE, State and EDS staff members can quickly determine the status of a particular defect, system change, or test case.

If a test case is not successful, the defect will be documented and the test team coordinator will review the expected results and the actual results to determine if a defect does exist. When a defect is found, it will be assigned a severity and priority status, and a defect change order will be created in iTRACE. The project manager will assign the defect to a systems engineer who will resolve the defect. The test case will start at the beginning of the process, where it will be retested.

iTRACE will allow authorized users to run various queries to check the progress of defects. For example, a query may be submitted to display the number of defects for a project component, summarized by defect status. This information can be used to verify that defects are being addressed and allocate resources on an ongoing basis.

The following metrics will be generated in iTRACE:

- Total defects found weekly during the system and integration phases
- List of outstanding defects
- Current outstanding defects ranked by severity and priority
- List of defects classified by error type
- Total defects found per business analyst
- Number of defects found per testing notebook
- Number of outstanding defects assigned to business analysts and programmers
- Defects opened, resolved, and closed during time period
- Defects resolved by resolution type
- Number of days a defect remains in each status
- Summary reports of testing effort

One of the most useful features of iTRACE is the users' ability to import the data into Microsoft Excel, where they can present the data in various formats. We will work with the State to create processes and reports to supplement our work patterns that fit the project's needs.

QA and Testing Tools

To perform testing during DDI, we will use an industry-standard suite of tools from HP, the world leader in performance testing tools. This suite consists of three tools: LoadRunner, WinRunner, and TestDirector for Quality Center. In addition to the Mercury suite of tools, we also will use the Critical Logic Right From The Start (RFTS)/TMX tools. These tools and processes will improve quality by providing consistency and linkages to Quality Center. The use of the HP suite and RFTS also will save time based on past testing experiences.

LoadRunner

We will use LoadRunner to assist with volume and performance development testing of the online system. LoadRunner is the industry-standard performance testing product for predicting system behavior and performance. It can emulate hundreds or thousands of concurrent users to put the application through the

rigors of real-life user loads. This will allow the testers to stress an application from end-to-end and measure the response times of key business processes.

We will collect system and component-level performance information through a comprehensive array of system monitors and diagnostics modules. These metrics will be combined into a sophisticated analysis module that will allow us to isolate bottlenecks within the system. The test scripts and scenarios created by LoadRunner, along with the test results, will be stored in Test Director for Quality Center.

WinRunner

WinRunner provides the industry's best solution for functional test and regression test automation, addressing every major software application and environment. This next-generation automated testing solution deploys the concept of keyword-driven testing to radically simplify test creation and maintenance. Unique to WinRunner keyword-driven approach, test automation experts have full access to the underlying test and object properties, using an integrated scripting and debugging environment that is round-trip synchronized with the keyword view.

With WinRunner, we will achieve the following:

- Simplify creation of sophisticated test suites
- Verify correct functional capability across environments, data sets, and business processes
- Document and replicate defects for developers, allowing them to fix defects faster and meet project deadlines
- Allow regression testing of ever-changing applications and environments
- Collaborate as a tester work group by sharing automated testing assets, functions, and object repositories
- Become a key player in enabling the organization to deliver quality products and services and improve revenues and profitability

TestDirector for Quality Center

Quality Center is the central console for test activity management, execution, and reporting, as it supports everything from pure manual test approaches to various automated paradigms, including unit testing, system testing, regression testing, and performance testing. Quality Center can be accessed by every member of a project team, enabling the high visibility of test coverage information, defect trends, and application readiness.

TestDirector for Quality Center is another important component of the EDS testing solution during development. Using TestDirector, multiple groups and

individuals throughout the project team will contribute to the quality process in the following ways:

- Business analysts will define application requirements and testing objectives.
- Testers and project leads will design test plans and develop test cases.
- Testers will create automated scripts and store them in the repository.
- Testers will run manual and automated tests, report execution results, and enter defects.
- Developers will review and repair defects logged into the database.
- The project manager will export test and resource data in various reports or in native Microsoft Excel for analysis.
- The test manager will auto-generate test asset documentation in Microsoft Excel.

We have built an interface between TestDirector and iTRACE so that the results stored in TestDirector are accessible to the State and other authorized users in iTRACE. With this interface, we are getting the best from both products and maintaining the standard of open, current status of the testing initiatives.

Right From The Start (RFTS/TMX)

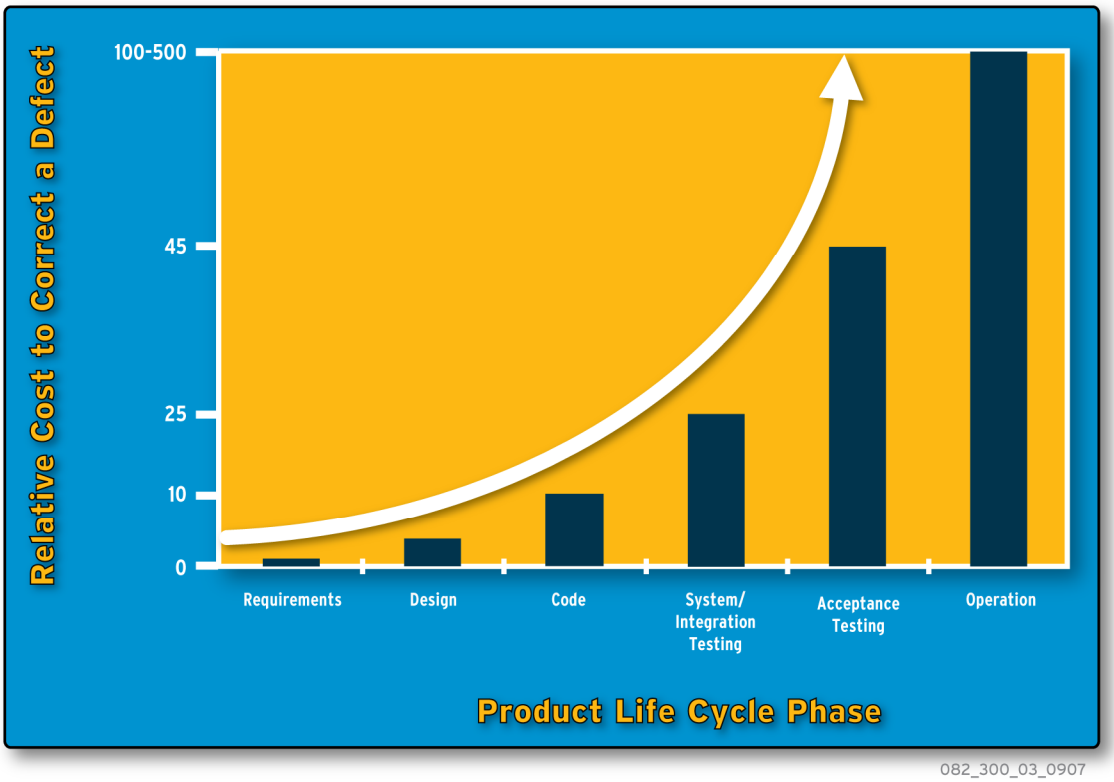
The RFTS test processes and technology will allow EDS to reduce the total test costs associated with the project while achieving the highest possible quality with the fewest defects. RFTS provides the EDS GTO testing team with a rigorous model framework to analyze functional specifications and quickly identify and resolve ambiguities and errors in functional logic before these problems are incorporated into the code.

The RFTS technology will automatically design and document the test cases and enable full functional coverage. RFTS also will accelerate automated test execution by generating test scripts directly from the test models. These scripts will be imported into the WinRunner tool for execution.

Based on multiple projects inside and outside EDS, we can expect a high percentage of potential functional defects to be found and resolved before coding. This will reduce the total test time by up to one-third, along with the rework costs associated with fixing defects. We also expect that development time will be reduced because requirements will be validated at a detailed level before coding, again eliminating miscommunication between the State and the developers.

The following exhibit, Escalation of Defect-Correction Costs, shows how the cost to correct a defect increases along the product life cycle time line, further emphasizing the value of identifying potential defects early.

Escalation of Defect-Correction Costs



With RFTS, we expect 95 percent or more of potential functional defects to be found and resolved before coding.

Additionally, this model-based test approach means that when changes occur to requirements, test cases will be automatically updated from changes to the model rather than manual test case maintenance. Test requirements, traceability, and other deliverables from the RFTS process fit into the EDS test documentation and management standards and support tools. TMX, the keyword automated testing solution, will interface with WinRunner to deliver rapid automation of test cases. TMX will allow our team to build test scripts directly from requirements, in parallel with code development.

RFTS/TMX will allow us to achieve the following:

- Exercise a high degree of control over the quality of requirements
- Detect and remove requirement defects early
- Eliminate most, if not all, rework costs caused by incomplete or inaccurate requirements
- Reduce the initial rate of test failure resulting from defects

iTRACE

EDS' project team will use iTRACE to manage and serve as the testing documentation repository for the testing phases of the project, including the recording of test cases, their current status, and test results. Initially, RFP requirements will dictate the design of test cases. As new requirements emerge and old ones change, new test cases may be added, some may be changed, and others deleted. Every test case will identify the corresponding requirements.

The testing effort will be enhanced with the testing tools and processes built into iTRACE, such as the baseline tool. The baseline tool is a utility accessed through iTRACE that allows users to create baseline test data. The baseline data will contain a mixture of test data created by the testers, the conversion team data, and baseline data created from other environments. This utility will allow testers to identify data they would like to use and automatically populate it in the baseline set of data. The testers can incorporate data from any other environment, including conversion. The robust utility tools used to bring in data from different environments will allow testers to set up and simulate realistic data and processes.

The system will produce reports by subsystem and standard reports that summarize test case metrics used to evaluate progress and the current status of each subsystem. Test case tracking, as provided by iTRACE, will be used for each phase of testing. We will meet with the State to review the test cases and make modifications as necessary. Test cases will include the following key activities:

- Testing manual functions
- Testing automated functions
- Testing internal and external interfaces
- Communicating test results
- Tracking and correcting issues

Within iTRACE, we will maintain detailed project testing status information by subsystem or business area. From this Web page, users can find any information they need about the implementation status of that business area or subsystem.

Metric Reporting Suite

The Metric Reporting Suite is a standardized metric reporting system in interChange that provides project management with a dashboard view during the life of a testing cycle. The interChange Product Testing team and the GTO have worked together to implement a metrics package that provides a dashboard view into the ongoing testing cycles for interChange releases. This dashboard view of metrics can be provided to the key stakeholders using a Microsoft PowerPoint presentation including metrics charts and data tables. Various views of the statuses of the development of test cases will be provided to give an

accurate representation of the progress being made and if any bottleneck issues are evident.

The project manager can react promptly and set up the necessary corrective actions. Reporting can be selective and received on a consistent interval. The project manager also can review measures that were forecasted for the project against the actual development progress.

QA reviews will be included in the test case development process to make sure the requirements are being met and validate the expected results and system functionality. This function of the Replacement MMIS will give a proactive measure to successful execution during system testing and will reduce the number of identified defects or unexpected results.

During system testing, certain metrics will summarize the types and severity of defects. This measure will help the project manager manage resources in a more productive manner. These QA and testing tools will allow EDS to accurately share with the State the progress of the project throughout DDI, which will minimize risk.

Interface Coordination

The EDS management team will verify that effective and efficient communication protocols and lines of communication are established and maintained with the appropriate entities, including vendor interfaces. We recognize that successful projects require strong, open communication. The account will have an interface coordinator to make sure issues are clearly understood and effective cooperative resolutions are reached. Interface testing will occur during the inter-system testing stage. This will require coordination between and among the external testing teams to make sure a comprehensive test occurs, even for interfaces that are not changing.

Rigorous Testing Means Quality Assurance

The approach described in this section has been proven with the successful implementation of interChange in Kentucky, Kansas, Oklahoma, Tennessee, and Pennsylvania. Through this process, every element of the Replacement MMIS' operation will be tested and verified to work and perform according to the final requirements and design agreed to by the State and EDS. We invite the State to become active participants in the testing process to make sure this complex implementation of a multi-payer MMIS meets the needs of the stakeholders.

To demonstrate our successful approach to testing, we provide a sample system test plan, the Kentucky MMIS System Test Plan, and sample regression testing guidelines, Kentucky MMIS Regression Test Guidelines, following this page. As

stated in RFP section 50.2 Technical Proposal Requirements, these samples do not count toward any page limit.

New KY MMIS System Test Plan

Kentucky MMIS Project

Cabinet for Health and Family Services
Kentucky Medicaid Office

March 8, 2006

SAMPLE

Cabinet for Health and Family Services Kentucky Medicaid Office	
Role:	Name:
Author	Tina Taylor
Reviewer	Dean Taunton, Scott Lowry, Betsy Elrod
EDS Management	Ricky Pope
Client	Commissioner Shannon Turner, J.D. Deputy Commissioner Jan Howell, J.D. Sandeep Kapoor
DELIVERABLE TITLE: New KY MMIS System Test Plan	DATE SUBMITTED: March 8, 2006
LOCATION and FILE NAME: New_KY_MMIS_System_Test_Plan_FINAL.doc	AUTHORING TOOL: MSWord2003

Document Change Log

Version	Changed Date	Changed By	Reason
1.0	08-Mar-2006	Tina Taylor	DMS approved FINAL version 1.0

Table of Contents

1 Executive Summary

1.1 Purpose

This document is intended to present an overall approach to system testing the New KY Medicaid Management Information System (MMIS).

The purpose of this test plan is to:

- Describe the roles of the test team, as well as other members of the implementation team outside the testing unit but key to the success of testing;
- Define the various types of testing to be utilized in testing the New KY MMIS;
- Define the process to be used in the generation and execution of test cases; and,
- Define the overall communication process as related to System Testing.

1.2 Scope

The scope of this document is to define the methodologies, processes and tools implemented to insure the New KY MMIS is thoroughly tested in an efficient and timely manner.

The System Test Plan is a comprehensive "living" document that defines EDS' approach to system testing, and the methodology used in the system testing effort as directed by the Commonwealth of Kentucky. The following sections represent a thorough understanding of the business requirements and the business processes needed to ensure that the New KY MMIS is properly tested prior to implementation:

- System Test Team;
- EDS Plan for System Testing Task
- Test Cases
- Test Environments
- Defect Resolution
- System Test Schedule
- Reviewing Test Results
- Documentation
- Management of the System Testing Effort

1.3 System Testing Overview

The System Test Plan presents EDS' plan for testing the New KY MMIS. The testing process ensures that the MMIS meets the design specifications as approved by the Commonwealth of Kentucky in the Comprehensive Detailed System Design.

System testing performs two primary functions:

- The System Test Plan is a baseline of requirements directed by the Commonwealth of Kentucky; and, directs the execution of all testing of the New KY MMIS and all interface components. This test plan identifies the approach to system testing and integration of all functional modules, interfaces, and system components. Test results are tracked and the identified defects recorded.

- The plan provides focus and structure for the testing process and information about the relationships, roles, approach, techniques, test scenarios, data generation, and execution processes required to ensure that the MMIS system is adequately tested prior to Implementation. The primary goal of this plan is to provide a roadmap for effective testing of a compliant and reliable New KY MMIS.

Testing deliverables, procedures, schedules, and tools maintained for delivery to the Commonwealth of Kentucky are posted in the Project Workbook.

1.3.1 Objectives/Purpose of System Testing Plan

This test plan was written to achieve the following objectives to:

- Provide the focus and structure for the testing process;

- Provide detailed information about the roles of the testers, as well as other members of the implementation team outside the testing unit;

- Define the testing approaches and techniques;

- Define the various types of testing to be utilized in testing the New KY MMIS;

- Define the process to be used in the generation and execution of test cases; and,

- Define the processes to be followed to ensure that the New KY MMIS is adequately tested.

The subsequent sections of this plan address each of the above objectives to provide a clear understanding of the processes that will be employed to test the New KY MMIS.

1.3.2 Approach to System Testing

The primary objective of system testing is to detect errors in the software and eventually, to ensure the software's compatibility with the hardware and the ability of both software and hardware to perform together to meet design specifications, based on defined requirements. Initially, the original RFP requirements are the driving forces behind the design of the test notebooks, test scenarios and test cases. As new requirements emerge and old ones are changed, new test cases are added and others may be changed or deleted.

Functionalities that already exist in the base system that are not required by the RFP are tested to ensure that they function as designed and do not impede or prevent the performance of the RFP required functions. These functionalities are brought into the New KY MMIS "as-is" for future development. Therefore, the testing executed against these functionalities is only to validate that the presence of the programs, code and other system components does not impede Commonwealth-defined processes.

1.3.3 Tracking and Reporting

Project Workbook is the electronic repository for the collection of disciplined work products and reference information, that is used or created when planning or managing test scenarios/cases, test results, test data, and test status. The purpose of Project Workbook is:

- To organize project-related documentation;
- To increase communication among team members;
- To provide an audit trail of project work products, events, documents, and communication;
- To track conformance to the Commonwealth of Kentucky's requirements; and,
- To reflect the most recently approved direction for the project.

Access to Project Workbook is granted to all project team members and all Commonwealth staff as requested, and serves as the complete and standard reference for all aspects of testing. The workbook is large and divided into logical volumes and folders that organize work performed.

Using Project Workbook provides the following benefits to team members:

- Tracks conformance to the Commonwealth's requirements;
- Aids in the development of the project;
- Organizes documentation;
- Increases communication among project team members;
- Helps to estimate future projects;
- Provides an audit trail;
- Establishes a reference library; and,
- Reflects the most recent approved direction.

Benefits to the Commonwealth are:

- An audit trail to satisfy requirements and protect the Commonwealth's interests; and,
- An accessible resource to distribute information to the Commonwealth. The Commonwealth accesses only the appropriate or applicable sections such as plans, outputs, reviews, and standards.

EDS implemented the workbook during the start of the project with a testing tab to house specific test-related information. Test cases are organized into a series of notebooks. Each notebook contains test cases which focus on a particular MMIS subsystem. For example, a notebook focuses on the normal operation of the Provider subsystem. Within the notebooks, business functions are created to further organize the test cases. As an example, a set of cases may be written to ensure each provider type can be successfully enrolled into the system.

1.3.4 Testing Types

This section provides brief descriptions of the different testing types performed during system testing. These phases are defined in greater detail in a subsequent section of this document.

- **Unit**
  EDS Functional Area Developers (FADs) perform unit testing during the change order process. Change orders are assigned to FADs for further design, development and testing, and are targeted for a particular model office release. Unit testing serves to prove the accuracy and completion of the objects per the detailed design specification.

- **System Module/Subsystem/Function Testing**
  System Module/Subsystem/Function Tests are a systematic approach for ensuring that each functional area or subsystem in the new system meets all of the requirements as defined in the Comprehensive Detailed System Design (DSD) and Request for Proposal (RFP). The EDS Functional Area Business Analysts (FABAs) prepare test cases/test data which are reviewed and approved by the Commonwealth prior to execution.

- **Integration Testing**
  Integration testing includes testing multiple functions within one subsystem, as well as across multiple subsystems and business areas, as appropriate. The EDS Test Team, with input from Commonwealth staff, verifies that the system performs according to specification during Integration Testing.

- **Parallel**
  EDS FABAs and DMS Customer Analysts review the outputs of parallel testing to verify the accuracy and consistency of outcomes between the Legacy KY MMIS and the New KY MMIS. Parallel Testing is used to verify the New KY MMIS' ability to adhere to the defined Kentucky claims processing policies and procedures in comparison with the Legacy KY MMIS.

- **Regression**
  Regression testing discovers if the program is regressing to a less stable state. Any change to either enhance functionality or fix a defect can create new defects or reveal old defects for the first time, sometimes in unrelated areas of the software. The goal of regression testing is to demonstrate that nothing has been broken in the application during the process of modification.

- **Performance/Load**
  The performance/load test phase encompasses system response and volume/stress testing. The system response test verifies that the system response time satisfies the targeted performance criteria established for screens and functions. The volume/stress test addresses the handling of large amounts of data, and, a large concurrent audience using the New KY MMIS applications.

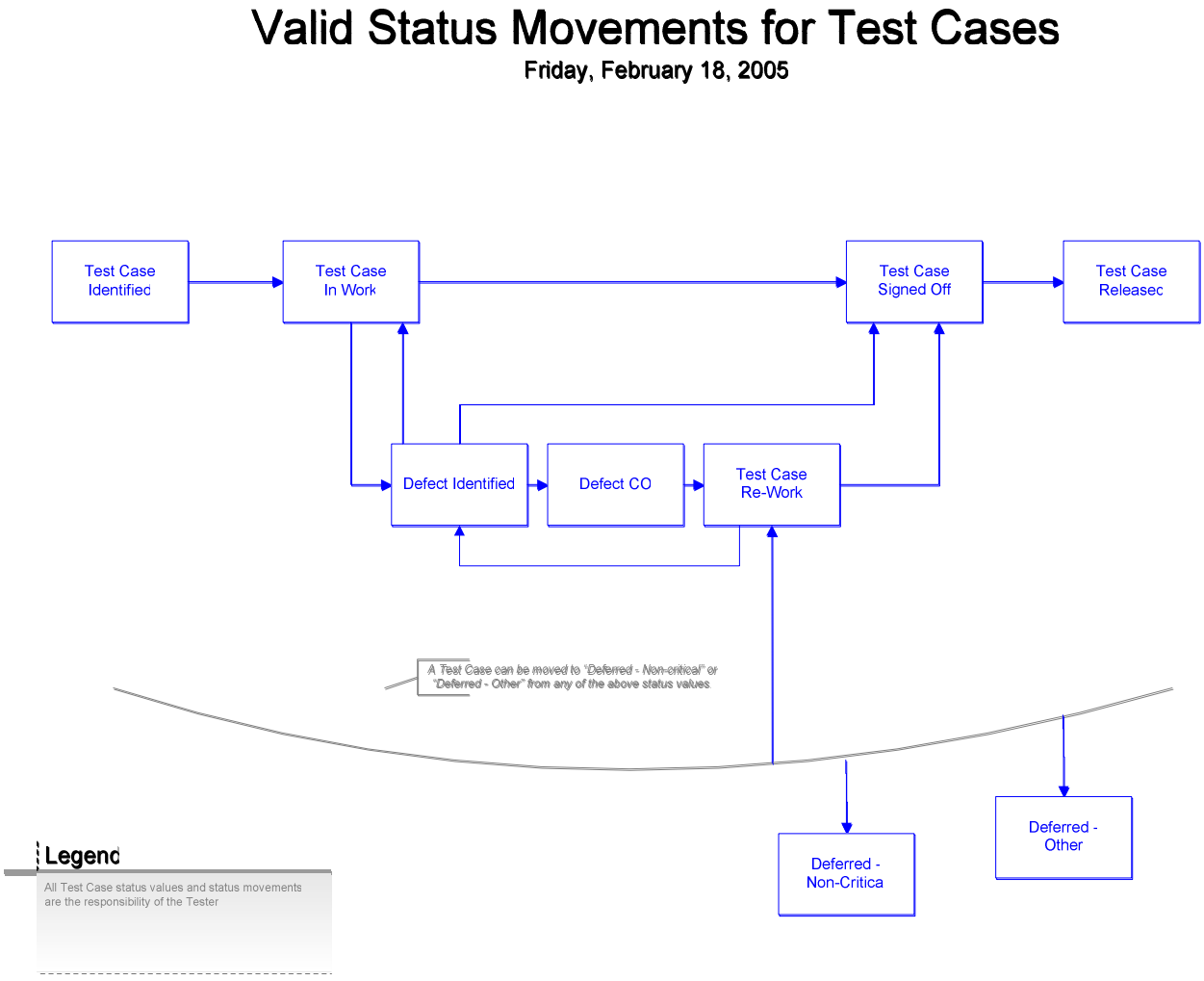
- **User Acceptance**
  User Acceptance testing is performed by Commonwealth personnel with the assistance of the EDS system testing and technical teams. This process allows the Commonwealth to execute their own test cases and/or execute test cases developed by EDS and review the results.

1.3.5 System Testing Process

- System testing ensures that the whole system performs according to the business rules specified by the Commonwealth in the project requirements documentation. During system testing, tests are defined to ensure that the system does not perform incorrectly when unusual or incorrect data is encountered. As all parts of the system are available, interactions between the various subsystems are tested by entering data through normal interfaces. External interfaces are also tested as they become available.
- The New KY MMIS testing work pattern provides the general steps and information for developing test scenarios, test cases, and test data and is located on the testing page of the Project Workbook located at pwb.kyxix.eds-mscs.com/kyxixddi/Testing.

1.3.5.1 Perform System Testing

The following process flow diagram chronicles the movement of test cases.



- **Executing test cases**
  Executing test cases is the process of finding defects by exercising or evaluating a system or system component by manual or automated means to identify differences between expected and actual results or to verify that it satisfies specified requirements.

  Testing performs and validates all test cases and meets the objectives of the system test plan. The results are documented for review. Any discrepancies found between the expected test case results and the actual results are documented, analyzed, and resolved. Changes to specifications, to the test data, or to the test case are tracked and, if necessary, part or all of the test scenario is re-executed. The following steps are used to execute test cases:

- **Test Execution** – Testers use the test cases along with the change order specifications, testing all processing paths using the test data as previously defined in the test cases.

- **Results Comparison** – After the test has been executed, the actual results are compared against previously defined expected results

- **Validation Criteria Satisfaction** – The test is evaluated to determine that it has passed or failed the defined validation criteria in the test case. During this process a tester will ask: Are all of the logical paths within the test notebooks and all expected results for each processing path identified? Are all abnormal situations identified and correctly handled? Are all expected results shown in the test case execution actual results? Are all test results for each logical path documented and retained?

1.3.5.2 Approve System Testing

EDS and the Commonwealth of Kentucky collectively reviews and approves system testing by participating in a series of system test result reviews. The system test results are analyzed for accuracy and adequacy. Discrepancies are documented and resolved, and posted in Project Workbook. An additional walkthrough may be conducted, depending on the extent of any corrections to the system test results. The EDS tester is responsible for re-evaluating the corrections in the test scenarios.

EDS and the Commonwealth of Kentucky collectively identify the key measures of success for system testing prior to test completion. An example would be to outline the number of each claim type to run through the system along with the number that will suspend, the number that will deny and the number that will pay. When all measures of success have been met, the New KY MMIS Project is ready to move to production.

When the Commonwealth review period is complete and the system test results are deemed acceptable, the Commonwealth will return the sign-off sheet to indicate acceptance. When the sign-off sheet is received, EDS will post a scanned copy of the completed sign-off sheet to the Project Workbook.

2 System Test Team

This section provides details on the team responsible for conducting system testing.

2.1 Approach to Staffing

EDS' approach to staffing for system testing begins with developing a strategic plan to analyze the resource needs of the New KY MMIS. Our overall goal is to provide a superior testing environment that ensures the success of this project. Therefore, EDS' selects individuals with core competencies in support of the testing effort.

We accomplish this task through careful resource planning. We look to qualified individuals who have made significant contributions in the technical arena, and, in client facing situations. First, we look to employees that have been with EDS for many years, possess the technical skill set required for testing, and who have made significant contributions to past project management activities that resulted in increased operating performance and improved quality.

The New KY MMIS project resources are determined and maintained by the New KY MMIS Project Management Team. An organization chart is posted on the Administrative page of Project Workbook at pwb.kyxix.eds-mscs.com/kyxixddi/Administrative.

2.2 Test Team Organization

Participants in system testing are involved in several activities, including:

- Developing procedures for system testing including standards of testing, development of routines for consistency of testing, establishing scenario result terminology for ease of reporting;
- Creating original test scenario specifications and, as testing continues, creating additional scenarios as needed;
- Selecting or generating test data using a combination of new data and base system data and converted files and converted claim history;
- Executing test scenarios for their functional area and coordinating tests and results with all affected functional areas impacted by a single test;
- Testing security;
- Providing feedback to appropriate teams responsible for modifying processes and procedures as testing progresses to ensure the accuracy of the documented operational business procedures; and,
- Verifying that test results are complete, accurate and documented in the PWB via the DocoTool.

2.3 Roles and Responsibilities

When the system testing process begins, the Commonwealth of Kentucky and EDS staff have specific roles and responsibilities as follows:

2.3.1 EDS Project Manager (PM)

The EDS Testing PM plans, directs, and coordinates the test team's activities through all types of testing for the New KY MMIS. They demonstrate ownership of the system testing effort by:

- Creating a communication plan that ensures appropriate information is exchanged among key project stakeholders;
- Advising senior management on project capability and risk – and work to mitigate risk;
- Controlling project requirements, scope, and change management issues;
- Coaching and advising team members to accomplish project goals and schedule and providing project status reporting and work plan updates to the Program Management Office;
- Working with management and Test Team Leads (TTLs) to allocate and level resources and develop formal project corrective actions required to achieve satisfactory delivery;
- Assisting in the resolution of issues and escalating them according to organizational and project standards;
- Performing project management and monitoring the project's progress based on comparing time estimated to complete testing tasks with time actually spent on testing tasks;
- Ensuring time reporting is accurate and completed by all team members; and,
- Communicating with other Business Area PMs to ensure a consistent approach for managing functional areas.

2.3.2 EDS Test Team Lead (TTL)

- The EDS TTL is the most knowledgeable business resource for their assigned subsystems. They accomplish successful testing for their assigned subsystems by:
- Communicating directly with the EDS teams and the Commonwealth, acting as the primary point of contact for assigned subsystems;
- Supporting planning, scheduling, and monitoring of subsystem testing tasks assigned to the subsystem team;
- Providing project plan/schedule updates according to methods and schedule set by the Testing PM and escalate scope and other issues, as appropriate, to the Testing PM and Business Area Project Managers;
- Adhering to the change management process and, depending on size of their area of responsibility, creating business impact documentation for the detailed specifications for Functional Area Developers;
- Serving as the primary mentor of Functional Area Business Analysts (FABAs) and lending requisite interChange expertise in assigned subsystems;
- Work in partnership with their respective Technical Functional Area Leads (TFALs), working with the Commonwealth to verify and/or clarify requirements and ensuring that individual subsystem issues are documented and tracked to closure;

- Participating in and ensuring client walkthroughs are scheduled and completed and ensuring business process documentation is updated and included in the walk-through packet as appropriate;
- Reviewing deliverables for correctness and completeness and reviewing and approving test case scenarios and test case results developed by the FABAs for submission to the Commonwealth;
- Coordinating work on assigned tasks with other members of the subsystem team;
- Compiling and providing testing estimates for the subsystem; and,
- Working with test team, infrastructure team, conversion team, and operations team to insure that all aspects of the subsystem are ready for implementation.

2.3.3 EDS Functional Area Business Analyst (FABA)

The EDS FABA serves as the primary resource for actual testing of the New KY MMIS. Their responsibilities include:

- Developing test cases from RFP requirements and leveraging proven test cases from the base system;
- Developing test cases to validate change order functionality;
- Creating or modifying test data to meet test case criteria;
- Executing test cases;
- Verifying and documenting test case results;
- Maintaining accurate statuses for test cases, change orders, and defects;
- Identifying, documenting and retesting defects;
- Regression testing as necessary with code promotions/releases;
- Providing input to create or modify business documentation as necessary;
- Participating in walkthrough documentation creation and attending Commonwealth walkthroughs as necessary;
- Accepting ultimate responsibility for the accuracy and completeness of the test cases developed for assigned subsystems;
- Becoming intimately familiar with the RFP requirements and proposal response associated with assigned business functions;
- Identifying business design changes and documenting change orders as needed;
- Interacting with the Technical Functional Area Lead and Functional Area Developers while researching and analyzing change orders and defects;
- Supporting FADs in solving technical problems by providing business knowledge;

- Providing testing status updates to TTL assigned to subsystem;
- Providing testing estimates to TTL; and,
- Performing backup role for TTL.

2.3.4 EDS Technical Functional Area Lead (TFAL)

The EDS TFAL is the most knowledgeable technical resource for their assigned subsystem. The demonstrate ownership and primary responsibility for the successful implementation of their assigned subsystem within the New KY MMIS by:

- Communicating directly with EDS Account team and Commonwealth customer regarding their specific subsystem;
- Attending requirements validation/analysis sessions for their specific subsystem to fully understand their subsystem's requirements and documenting all Change Orders and their subsystem DSD documents resulting from requirements validation/analysis sessions;
- Works in partnership with their respective TTLs, functioning as the technical expert during project presentations to the customer;
- Coordinating on-time submission of project deliverables as assigned for their subsystem (for example: RSD, GSD, DSD);
- Inspecting deliverables for correctness and completeness and ensuring that system documentation is updated;
- Controlling scope within their assigned subsystem;
- Adhering to the change management process;
- Identifying technical design changes for their subsystem and documenting change requests as needed (and depending on the size of their area of responsibility, creating detailed specifications for FADs);
- Reviewing technical design changes for their subsystem through participation in design walkthroughs with Functional Area Architect (FAA), FADs and TTLs;
- Reviewing application code changes for their subsystem through participation in construction walkthroughs with FADs and accepting ultimate responsibility for the accuracy and completeness of the technical solution for assigned subsystem;
- Participating in work product reviews and enforcing adherence to standards and processes;
- Accepting primary responsibility for troubleshooting errors in system programs and responding to defects with explanation or code corrections;
- Providing all cycle support as necessary for testing and ensuring that the databases are maintained to meet testing needs;
- Supporting the review of testing results to ensure accurate testing is occurring; and,

- Supporting creation of the implementation plan for their subsystem and reviewing with the FAA, FADs and TTLs.

2.3.5 EDS Functional Area Developer (FAD)

The EDS FAD plays a key role in the construction phase of the project. They demonstrate ownership and responsibility for success in their assigned functional area in the New KY MMIS by:

- Assisting with the entry and maintenance of requirements and Change Orders in the Project Workbook;
- Maintaining accurate statuses for their change orders and defects;
- Adhering to standards and processes and participating in work product reviews;
- Reviewing business/technical design changes, as identified through change orders, with TTL/TFAL;
- Performing application code changes for the change orders for their subsystem(s);
- Reviewing application code changes with TFAL for assigned functional area;
- Performing unit testing of changes made;
- Documenting defects throughout all testing phases;
- Perform backup role for TFAL as needed; and,
- Preventing defects wherever possible and eliminating defects when identified during design, construction or testing.

2.3.6 Commonwealth Leadership

The Commonwealth Leadership team is responsible for oversight of the System Test Plan. They play a key role in the overall success of the project by:

- Serving as the contact for problem resolution requiring a higher level of approval authority;
- Receiving and analyzing status reports on progress during testing; and,
- Working with EDS leadership to resolve any concerns or issues with the project.

2.3.7 Commonwealth Analysts

The Commonwealth Analysts are responsible for reviewing and approving test scenarios. They support the system testing effort by:

- Reviewing and approving test results including documentation updates;
- Serving as the point of contact for test data validation and continuity;

- Working closely with the TTLs and test team members to develop test scenarios that accurately reflect current state policy and processing; and,
- Developing and executing User Acceptance Test scenarios.

2.3.8 Commonwealth Users

The Commonwealth Users perform a similar role to that being performed by EDS FABAs. The primary difference between the roles is that the Commonwealth Users are not primarily responsible for the defect resolution or FAD interaction.

An organization chart that graphically represents the EDS Test Team by organization and role is included on the Administrative page of the Project Workbook located at https://pwb.kyxix.eds-mscs.com/kyxixddi/Administrative/.

3 EDS Plan for the System Testing Task

To ensure effective system testing of the New KY MMIS, it is imperative that the levels of testing are well defined and the relationships between the testing levels are documented. This section describes the levels of system testing and outlines the role each plays in the overall MMIS testing process.

3.1 Unit Testing

During this phase of design and development of Change Orders, an assigned FAD retrieves the affected system objects using the appropriate configuration management tools and develops the technical designs.

At the same time that the final technical designs are being developed, the specific test cases needed to unit test the New KY MMIS are developed and linked to the business process / system object combination in the Project Workbook. These links are added to any test cases already associated with that object and included in Unit and system testing to ensure compliance to requirements. A peer review or walkthrough is conducted to review the design and testing plan before actual development begins.

An EDS FAD codes and unit tests the New KY MMIS and prepares the Change Order for its scheduled release. The FAD then executes the Unit Test Plan, updates and verifies the test results. Throughout this process, additional test cases are developed and added to the test case table. The requirements and system object documentation are updated and enhanced. When testing and development are complete and documented, the results are presented and approved in a walkthrough. The walkthrough serves as the final verification step prior to release to the Model Office environment.

After the Unit Test step is complete, the applications, test data, and conversion data associated with the Change Order serves as a model for future releases.

3.2 System Module/Subsystem/Function Testing

System Module/Subsystem/Function Testing of the New KY MMIS is defined as the testing of the individual business functions or subsystems of the New KY MMIS to verify their ability to perform their designed business functions in a stable, consistent manner. It is performed after a business function or subsystem has been successfully unit tested and promoted into model office by the technical team. Successful System Module/Subsystem/Function Testing validates the unit testing of a business function and provides a performance baseline for integrated testing.

During system testing, the components of the New KY MMIS are tested individually. The testing concentrates on the ability of the area being tested to perform the functions it was designed to perform without having to interact with the other components of the New KY MMIS. For example, the claims entry function must be able to capture defined claims data from a claim form. When necessary, it must be able to perform the editing functions that it was designed to do, to distinguish between valid versus invalid data and accept only valid data. The service authorization function must be able to accept, retain and display service authorizations.

System Module/Subsystem/Function Testing overlaps the early stages of the System Integration Testing. This allows for the reduction of the overall testing time. This testing phase uses application executables generated by the development team.

3.3 System Integration Testing

System Integration Testing is an integral part of system testing and it verifies the ability of the different functions to successfully interact with each other and perform the necessary updates to and from each other. It also verifies that all connected modules meet the technical design requirements documented in the Comprehensive Detailed System Design (DSD). System integration testing is designed to document and test the flow of data between systems and subsystems across the entire MMIS, takeover systems, interfaces and other associated systems and components. It uses interfaces, hardware, and software to verify that the entire system performs correctly end-to-end.

System Integration Testing is discussed in greater detail in the "System Integration Test Plan" document, located on the Testing Page of the Project Workbook located at pwb.kyxix.eds-mscs.com/kyxixddi/Testing.

3.4 Parallel Testing

Parallel Testing is conducted as an integral part of system testing. EDS has had significant success generating input transactions from claim history to support parallel testing against the current MMIS. Claims are input through the new KY MMIS and compared against the results obtained in the existing MMIS using a specialized reporting capability. If variations are detected, they are analyzed and reported. Defects can also be recorded to ensure that corrective action is taken if required. The process of parallel testing against claim history files allows EDS to verify that many of the major components of the MMIS are functioning properly. It has the ability to verify program logic as well as the data converted for reference, provider, recipient, and other subsystems that provide input to the claims adjudication process. Success of parallel testing is dependent on the successful entry of benefit plan information.

3.5 Regression Testing

Regression testing occurs throughout system testing. Whenever a new release begins, the environment is systematically restored to a baseline configuration. This includes restoring the database, file systems, and baseline data to a known point. A standard set of beneficiaries, providers, reference data, and other data input sources determined by the testers are loaded into the database to begin the process. The restoration process allows a standard set of test cases to be regression tested on every release. This ensures that previously working applications are not affected by new changes being released. In addition, this step provides for the ability to enhance the baseline test cases over time, thereby improving our capability to detect errors in the system as the development/maintenance cycle proceeds.

- Regression testing is discussed in depth in a separate deliverable titled "New KY MMIS Regression Test Guidelines", located on the testing page of the Project Workbook located at pwb.kyxix.eds-mscs.com/kyxixddi/Testing.

3.6 Performance/Load Testing

Performance/Load tests are executed using emulators instead of actual external systems. The emulators ensure that the application is isolated from slow responses from the external systems that affect the results of the tests, per the defined performance specifications.

EDS will utilize the Microsoft Web Application Stress Testing tool for testing the performance of the web applications. The tool simulates screen entry sequences which are recorded up front.

3.7 User Acceptance Testing

User Acceptance Testing is formal testing conducted to allow the Commonwealth or other authorized entity to determine whether a system satisfies its acceptance criteria and whether to accept a system or component of a system. This testing will be performed after the successful completion of System Integration Testing. User Acceptance Testing is performed by representatives or employees of the Commonwealth. This level of testing will give Commonwealth testers the chance to validate the test cases that were submitted by the EDS testers or submit additional, new test cases.

User Acceptance Testing builds upon the testing performed in Integrated System Testing to ensure that all subsystems function as specified in the DSDs. This type of testing is similar in nature to System Module/Subsystem/Function Testing and Integrated System Testing. The difference is that it is performed by Commonwealth Analysts or by FABAs at the request of the Commonwealth.

The User Acceptance Testing environment will be populated converted Kentucky MMIS production data from the legacy MMIS system.

User Acceptance testing is discussed in more detail in the User Acceptance Test Plan on the Project Workbook at pwb.kyxix.eds-mscs.com/kyxixddi/Testing.

4 Test Cases

The development of test notebooks, test scenarios and test cases use a similar approach in each of the testing phases (Unit, System Module/Subsystem/Function, System Integration, Parallel, Regression, Performance/Load, and User Acceptance). All documentation for each testing phase is maintained in Project Workbook.

The Comprehensive Detailed System Design documents contain the subsystem description, data model, and the system flow. These documents also contain system requirements and design material such as Change Orders, Letters, Reports, Web Pages and Internal and External interfaces. This information is then used to create test notebooks.

These test notebooks are expanded on by the testers using information appropriate to the particular phase. Test scenarios are then developed to cover specific criteria.

4.1 Identification of Test Cases

Thousands of test cases have been created and executed to test the functionality of the base interChange application. Test cases applicable to system testing the New KY MMIS will be identified by the TTLs and FABAs for their subsystems and entered into a testing spreadsheet. Examples of the testing spreadsheets are on the Project Workbook at pwb.kyxix.eds-mscs.com/kyxixddi/Testing. Upon the successful review and approval by the Commonwealth, the test cases identified in the testing spreadsheets are loaded automatically into the New KY MMIS DocoTool.

4.2 Development of Test Cases

Test cases are constructed for the processes for each subsystem. Test cases are designed to test both the positive and negative side of an activity. For example, it is just as critical for the tester to ensure that valid data can be processed as it is to prove invalid data is prevented. The tester also tests to verify consistency and continuity across subsystems during System Integration Testing.

This section lists general testing characteristics. Depending on the actual item or function being tested, the general testing characteristics could include one or more of the following:

- Field Edits;
- Dates;
- Balancing and Controls;
- External Interfaces;
- Internal Interfaces;
- General Output Testing;
- Headers and Footers;
- Totals/Subtotals; and,
- Field lengths;

- Field data type validation; and,
- General Processing Logic.

The core of system testing is an ever-expanding set of test cases designed to detect errors in MMIS software. The primary sets of test cases are written to detect errors in the normal operation of the MMIS. For example, when a provider correctly submits an Enrollment Application, then the system must enroll the provider correctly. Or when a provider submits a claim correctly then the system must pay the claim correctly. By focusing first on the mainline processes, system testing will ensure that the majority of work performed by staff is at peak efficiency.

The secondary sets of test cases are written to detect errors in the exception processing of the MMIS software. For example, if the claim is submitted with invalid information like a duplicate claim, then the system should detect the error and handle it appropriately. By focusing on these test case types second, testers are assured that their cases will not be stopped in other parts of the system.

4.3 Structuring Test Cases in Project Workbook

The hierarchy for organizing test cases is Testing Notebooks, Business Functions, and Test Cases as seen in Figure 1.

- Testing Notebook – A grouping of business functions which address a major subject area within the system;
- Business Function – A group of test cases which address a major function of the subject area within the system; and,
- Test Case - At least one test case is developed for each business function.

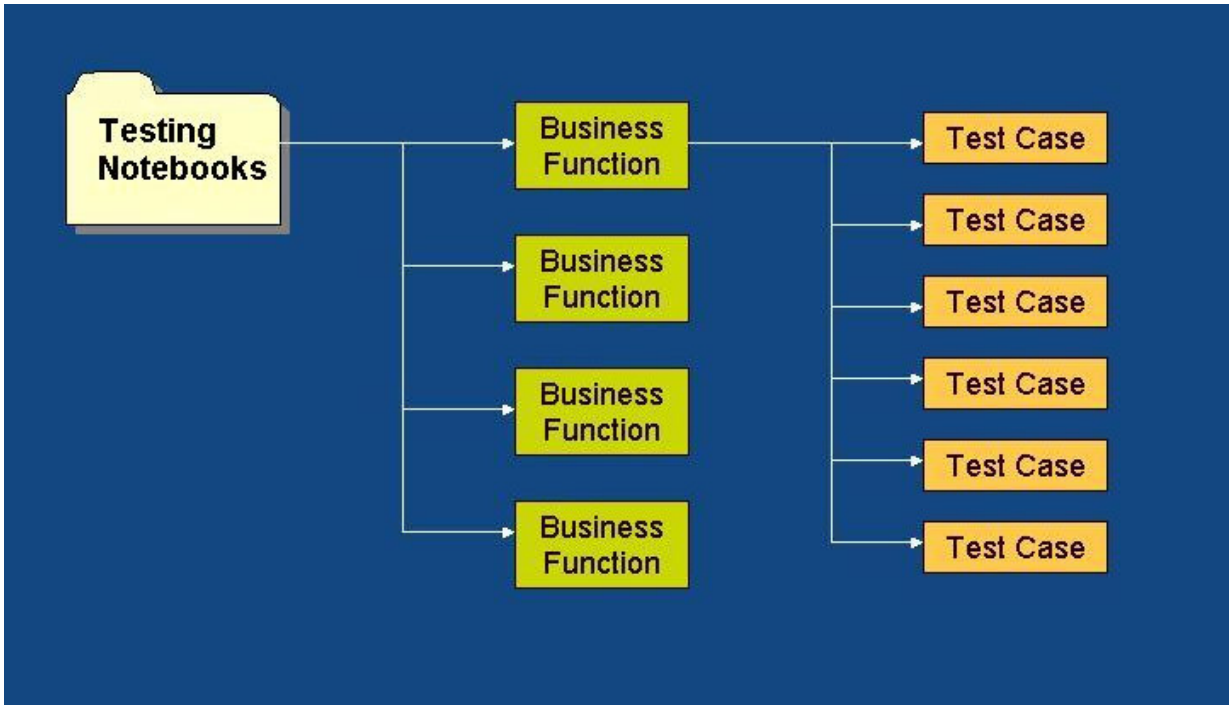


Figure 1

As seen above, test cases are organized into a series of notebooks. Each notebook contains test cases that focus on a particular business function. For example, a notebook may focus on the normal operation of the provider enrollment process. Within the notebook, business functions are identified to further organize the cases. As an example, a set of cases may be written to ensure that each provider type can be successfully enrolled into the system as shown in Figure 2.

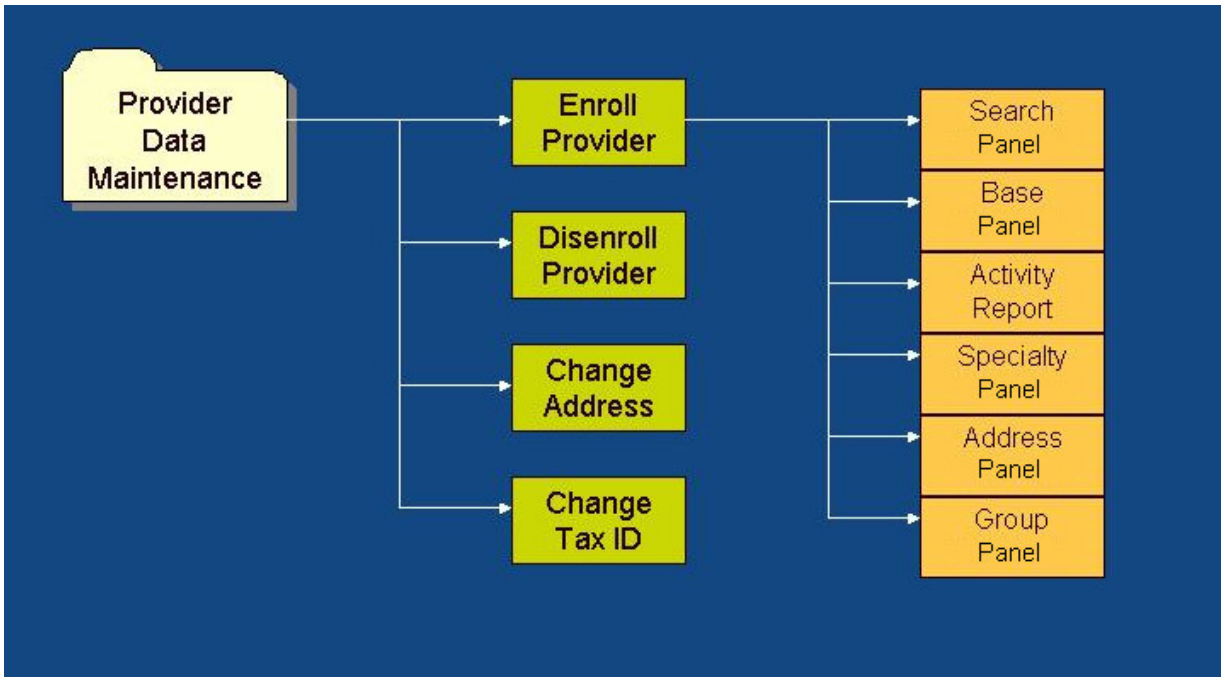


Figure 2

Testing from a business view performs two functions:

- Validates that the system objects function correctly and independently
- Validates that the system objects function correctly as an integrated unit to perform an identified business function

Throughout the testing effort, new situations may be identified, existing ones may be modified, and due to design changes, some may be removed. The disposition of each case, whether it passes, fails, is added, changed, or canceled is documented.

Test strategies vary slightly based on the type of system object being tested. MMIS panels/windows are tested through manual user input and validation of panel/window function and performance. Batch process, transaction, and report testing can be automated using data from EDS' benchmark input database. The intent of automation is to provide consistent output that can be examined on a regular basis to ensure that database or application changes did not influence testing accuracy. Automation also reduces the level of effort to verify the system is functioning correctly. The EDS and DMS Test Team decides which test cases and test inputs are candidates for automation.

A standard set of test criteria for reports and panels/windows can be found on the Testing Page of the Project Workbook at https://pwb.kyxix.eds-mscs.com/kyxixddi/Testing/.

4.4 Test Case Execution

When test cases have been constructed or compiled and the test data prepared, the tester actually executes the test. The test data is entered into the applicable environment, which simulates the New KY MMIS. Data is entered, using the newest version of the panels/windows, all processes are run and reports and letters are produced. The tester compares the expected result to the actual result to validate the test case.

A test case will proceed through multiple statuses during its development and execution. The typical statuses a test case will proceed through are: "Test Case Identified", "Test Case Written", "Test Case Released to Model", "Test Case In Work", "Test Case Passed in Model", and " Test Case Signed Off". A complete list of statuses can be found on the Project Workbook at pwb.kyxix.eds-mscs.com/kyxixddi/Testing.

If the test case has the expected result, the status of the test case is changed to "Test Case Passed in Model" and is considered complete. If the test case does not have the expected result, the tester will review the test to confirm the appropriateness of the data. If the test data is the problem, the data is changed as needed, and the test case retested. If the unexpected result is caused by a design or logic discrepancy, a change order is written against the test case. The change order has a type of "Defect Identified" to differentiate the change order from a RFP requirement, enhancement, or other change order type. By monitoring the status and defects, an accurate measure of the system testing progress can be determined.

5 Test Environments

The environment in which the testing is performed is as important as the testing itself. The test environment provides the necessary background within which the test cases are executed. Ideally, a test environment should simulate the production environment, albeit on a smaller scale. It should contain the same information, and present the same conditions and restrictions. Following are the different environments used in system testing the New KY MMIS.

- **Development** – the Functional Area Developers perform unit testing in the development environment. This environment is very limited and consists of Oracle databases and a file system and is used by the FADs solely to perform unit testing of new or modified code. This environment is accessible only to the technical team during the testing phase of the implementation. After the FADs are satisfied with the results of their unit testing in this environment, the code is promoted, through established change management procedures, to model office for more extensive testing by the Functional Area Business Analysts. This environment is configured and maintained by the EDS technical team.

- **Model Office** – this environment is a replicated version of the New KY MMIS production environment and is used for System Module/Subsystem/Function, System Integration and Performance/Load Testing by the Functional Area Business Analysts. An ideal model office environment will contain all the tables, databases, and architectural features of the production environment. The model office environment has only truncated versions of the databases contained in the production environment, although such databases contain the same variations, percentages and features contained in production. The testers also generate test data in this environment that will be used for system testing. Some of the existing data will be modified to meet testing criteria. This environment will be retained for testing of enhancements or modifications after the implementation period. It will be configured and maintained by the EDS technical team.

- **User Acceptance Test** – this environment is used for User Acceptance Testing. Prior to going live, Commonwealth testers execute their test cases in this environment which contains all the functional areas that have been successfully system tested. Defect Change Orders created during User Acceptance Testing are first tested in Model Office prior to going to Production.

- The User Acceptance Test environment is configured and maintained by the EDS technical team. The EDS Conversion Team will populate the environment with converted Kentucky MMIS production data from the legacy MMIS system prior to the start of User Acceptance Testing.

- **Production** – the end product of the implementation. This environment is initially configured to support the capacity and system performance testing and parallel testing. Large volumes of claims, recipient and reference file transactions are put through this environment to evaluate the performance and tune the environment accordingly. The production environment contains the system that will be used to process “live” data after the system becomes fully operational. Functions that are successfully tested in model

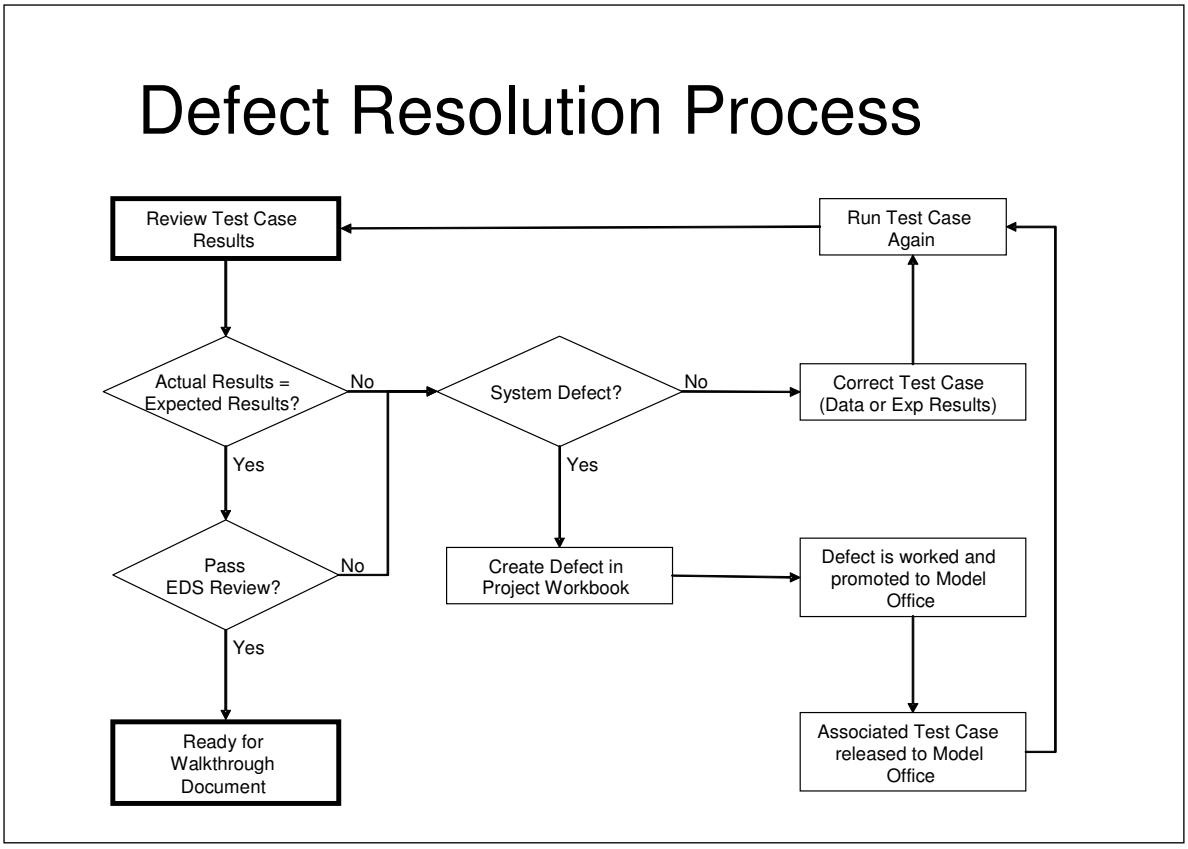
office are promoted to this environment in preparation for full production processing. During the operational phase of the contract, defects that may have to be resolved or enhancements that may be implemented are developed and unit tested in the development environment, and tested in the model office environment before they become part of the production environment. The maintenance of this environment is the responsibility of the EDS technical team.

6 Defect Resolution

Defect resolution is the identification, tracking and correction of deficiencies discovered during the testing phase of implementation. This could happen anytime during the testing phase, although the majority of defect resolution is performed during System Module/Subsystem/Functional testing and System Integration testing.

6.1 Defect Resolution Process

When a tester does not obtain the expected results from a test scenario, the tester reviews the test cases to confirm the appropriateness of the data. The tester also reviews the functions related to the test cases to make sure they are set properly. An example would be to access and view the settings of a particular edit or audit to ensure that the data within the tables are accurate and appropriate. If the data and the related settings are correct, the tester creates a defect in the Project Workbook. The following drawing depicts the actions taken when a defect is discovered:

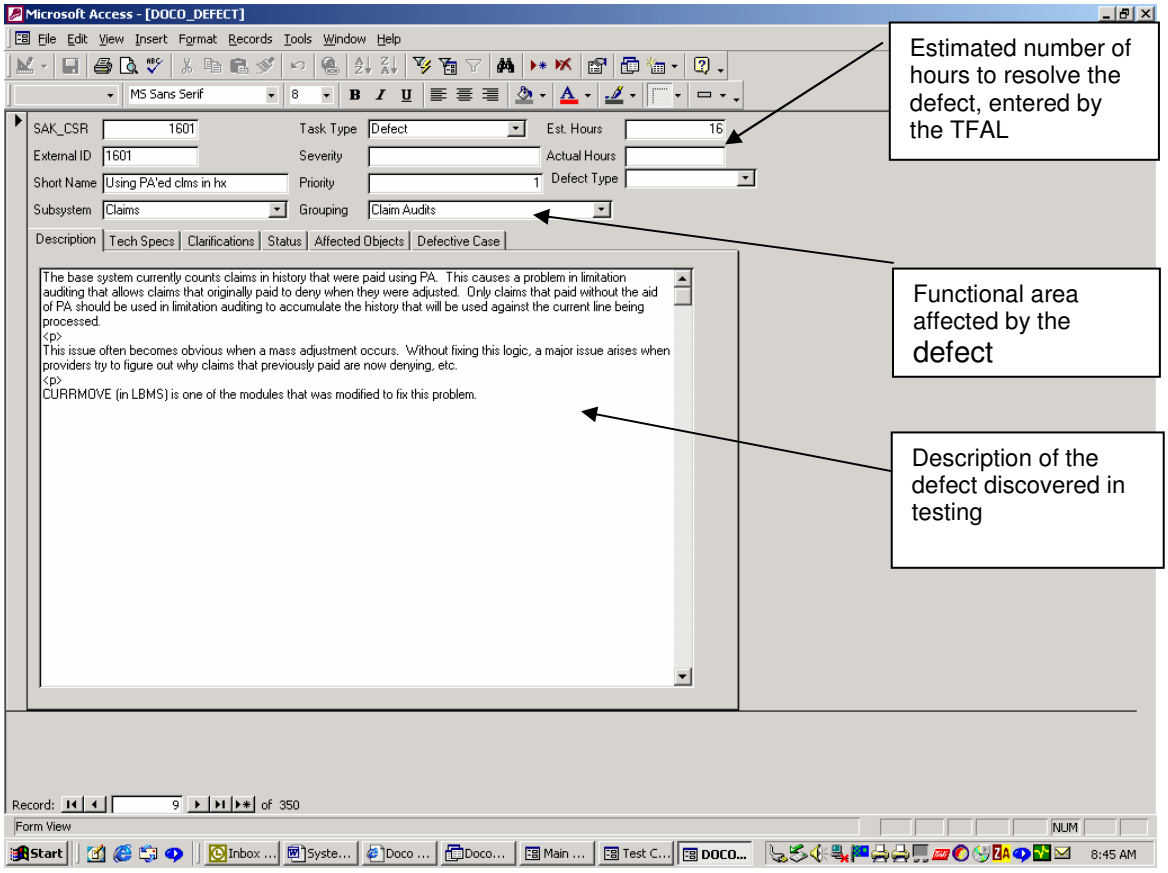


6.2 Defect Tracking Tool

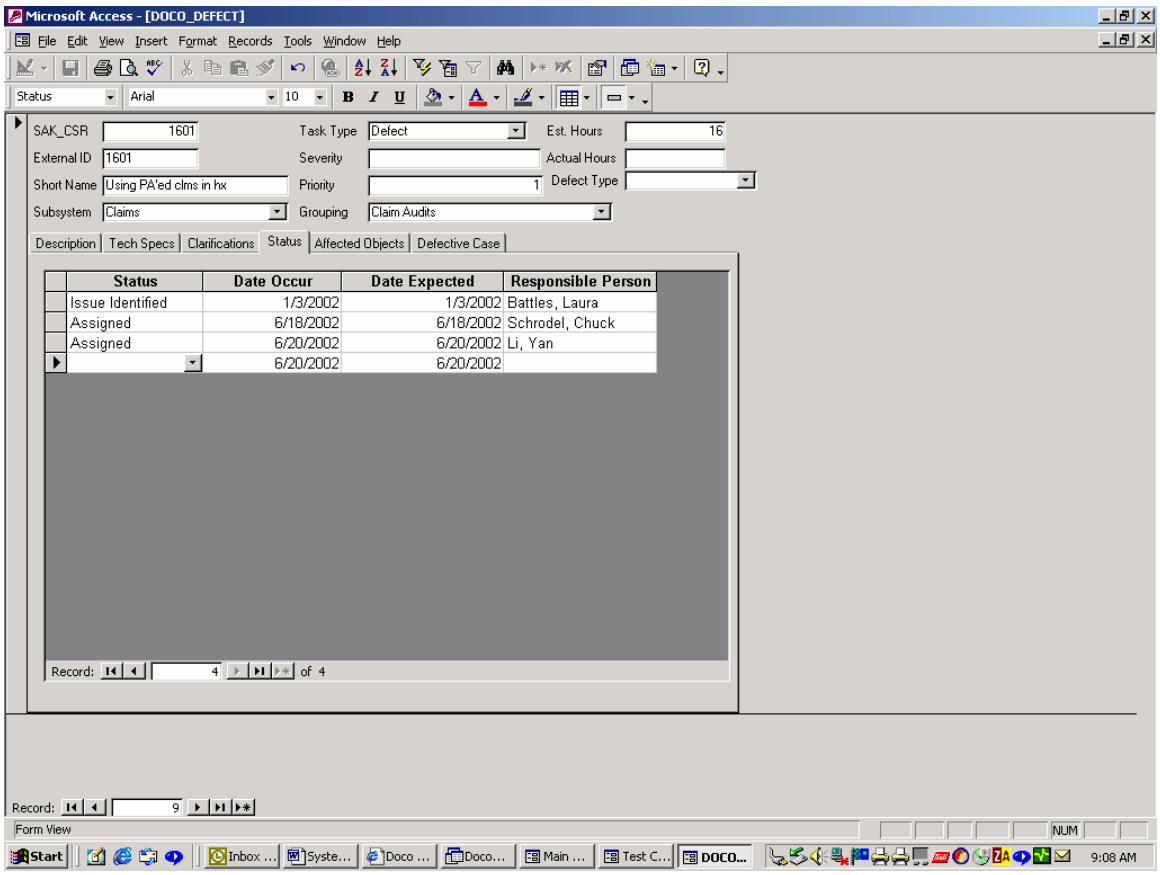
EDS recognizes the need for standard testing tools for the delivery of quality software systems. Historical system development has allowed for the evolution of Project Workbook and the DocoTool as a defect tracking tool. Identified defects are documented in and tracked through Project Workbook.

Below is a sample defect that was entered in the DocoTool in Project Workbook. This is a page out of the Oklahoma Project Workbook since we have not yet identified any defects in the New KY MMIS.

The defect is in the claims processing area which involves auditing related to prior authorization. The TFAL estimated that it will take 16 man hours to resolve the defect based on his knowledge of the affected functional area and what it will take to code and unit test the correction to the defect.



Defect window showing the description of the defect



Defect window showing the assignment of the defect to a FAD

The screen print above shows the defect as being identified by Laura Battles and assigned to a Technical Functional Area Lead (Chuck Schrodel), who in turn assigned it to a FAD (YAN Li). After the FAD corrects the defect and successfully pass unit testing, then she will make the tester the “Responsible Person” and change the status to retest.

Identified defects are contained and tracked through Project Workbook.

ESCALATION PROCESSES

The following steps are taken when a defect is discovered in testing:

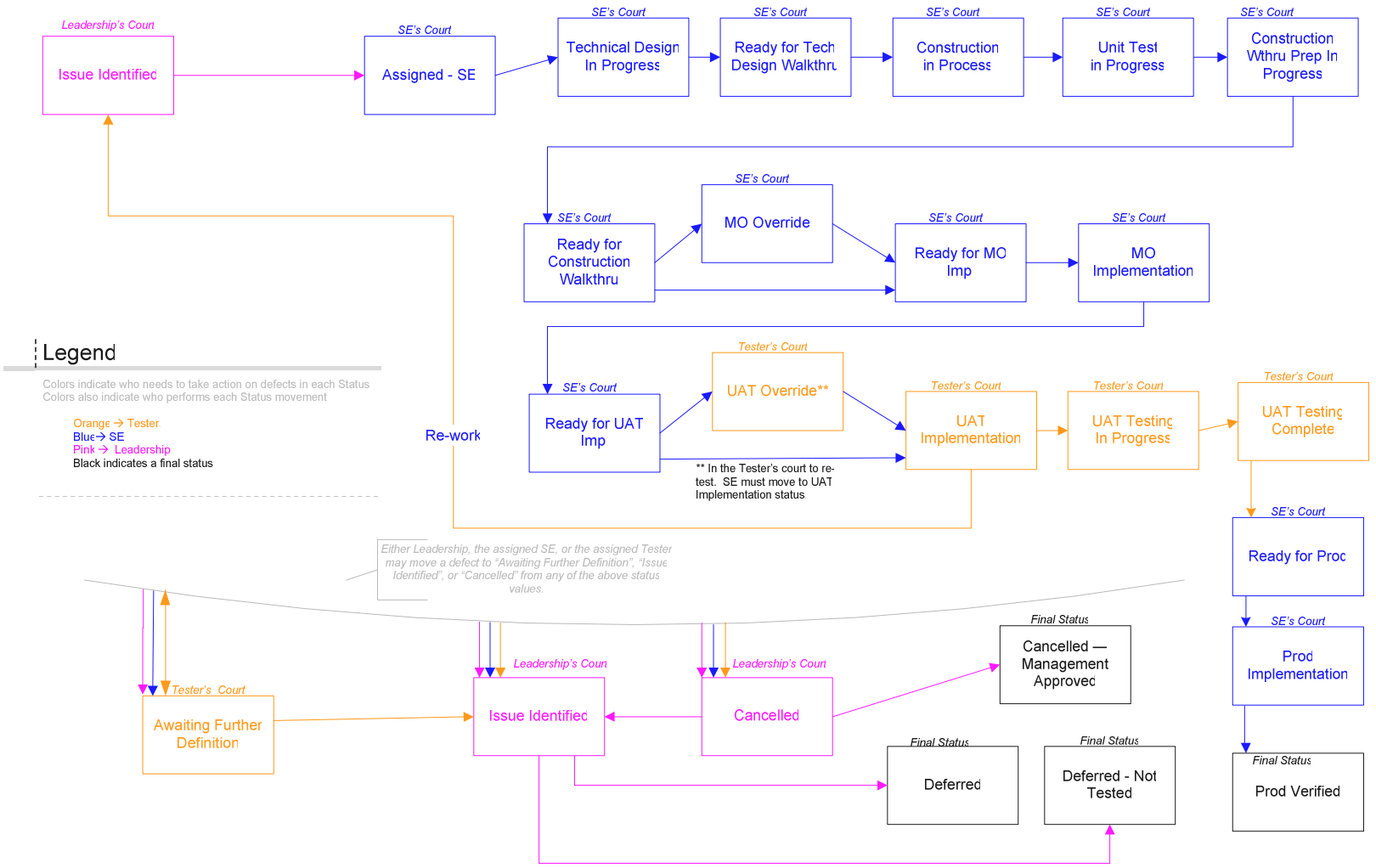
1. The problem is discovered in system testing.
2. The tester documents the test results in Project Workbook. The status of the test case is “Defect Identified”.
3. The tester enters the defect in DocoTool.
4. The tester assigns the defect to the Technical Functional Area Lead (TFAL) by making the TFAL the “Responsible” person and setting the status of the defect to “Assign”.
5. The TFAL reviews the defect and assigns it to a FAD by making the FAD the “Responsible” person. The status remains “Assign”. The TFAL also assigns work hours for the task for the FAD that can be tracked through EDS’ internal time tracking tool.

6. The FAD resolves the defect and unit tests the correction. If the unit test is successful, then the FAD takes step # 7. Otherwise, the FAD analyzes the results of the unit test, corrects it and repeats unit testing.
7. The FAD enters the resolution in DocoTool, including the date/time/cycle or build release that the defect can be retested by the system testers, allowing for the appropriate amount of time needed to migrate the corrected code to model office. The FAD sets the status of the defect to “Retest” and changes the “Responsible” person to the original tester.
8. The tester retests the test case and if the retest is successful, the tester sets the status of the defect to “Closed” and enters a “Complete” date.
9. If the retest is unsuccessful, the tester updates the description of the defect with the outcome of the test. The tester then changes the “Responsible” person back to the FAD, and resets the status back to “Assign”.

The diagram on the following page shows valid defect status movement.

Valid Status Movements for Defects

Wednesday, March 09, 2005



6.3 Roles and Responsibilities

When resolving defects during system testing, the Commonwealth of Kentucky and EDS staff have specific roles and responsibilities, and are as follows:

- **EDS Project Manager** – The PM maintains oversight for the progress of System Testing. They act as the mediator to resolve problems. They are responsible for assigning resources to each defect and participate in assigning priority and severity to each defect.
- **EDS Functional Area Business Analyst** – The FABA team initiates any defect correction that results from failed test scenarios. They serve as the liaison between the Customer Analysts and Users and EDS FADs. If defects are identified by the Customer Analysts, then the FABA creates the defect in the DocoTool and takes ownership of the resolution of that defect.
- **EDS Functional Area Developer** – The FAD Team is responsible for troubleshooting errors in system programs and responding to defects with explanation or code corrections. The FAD Team supports the review of testing results to ensure all defects are resolved.
- **Commonwealth Leadership** – The Commonwealth Leadership team is responsible for oversight of the Defect Resolution Process. They serve as the contact for problem resolution requiring a higher level of approval authority. They participate with the EDS PMs in assigning priority and severity to each defect.
- .**Commonwealth Analysts/Commonwealth Users** – The Commonwealth Analysts and Commonwealth Users may identify defects. They provide documentation to the FABA of any identified defects; however, they are not responsible for defect resolution.

7 System Test Schedule

Testing is scheduled and conducted according to the New KY MMIS Work Plan. The project plan below shows the start and finish date for each of the major types of system testing to be performed.

SYSTEM MODULE/SUBSYSTEM/FUNCTION TESTING		
Prepare KY interChange System Module/Subsystem/Function Test Case/Test Data Sets	**9/19/2005**	**4/4/2006**
Prepare Test Case/Test Data Sets for Member Management	9/26/2005	3/10/2006
Prepare Test Case/Test Data Sets for Managed Care	2/7/2006	3/23/2006
Prepare Test Case/Test Data Sets for Benefits Administration	10/4/2005	3/14/2006
Prepare Test Case/Test Data Sets for Provider	11/1/2005	2/28/2006
Prepare Test Case/Test Data Sets for Third Party Liability (TPL)	9/26/2005	2/27/2006
Prepare Test Case/Test Data Sets for Service Authorization and Prepayment Review	10/3/2005	3/2/2006
Prepare Test Case/Test Data Sets for Reference	10/20/2005	3/7/2006
Prepare Test Case/Test Data Sets for Claims	11/8/2005	3/13/2006
Prepare Test Case/Test Data Sets for Buy-In	11/8/2005	3/7/2006
Prepare Test Case/Test Data Sets for Encounter (Claims)	11/8/2005	3/13/2006
Prepare Test Case/Test Data Sets for Financial	10/7/2005	3/10/2006
Prepare Test Case/Test Data Sets for Quality Assurance and Audits	2/20/2006	4/4/2006
Prepare Test Case/Test Data Sets for Early Periodic Screening, Diagnosis, Treatment (EPSDT)	9/19/2005	3/6/2006
Prepare Test Case/Test Data Sets for Management and Administrative Reporting (MAR)	2/20/2006	4/4/2006
Prepare Test Case/Test Data Sets for Surveillance and Utilization Review (SUR)	2/17/2006	4/3/2006
Prepare Test Case/Test Data Sets for Decision Support System/Data Warehouse (DSS/DW)	2/17/2006	4/3/2006
Prepare Test Case/Test Data Sets for External Data Sharing and Exchange	10/24/2005	3/14/2006
Execute System Module/Subsystem/Function Tests	**4/12/2006**	**7/24/2006**
Member Management - System Test	4/14/2006	6/13/2006
Managed Care - System Test	4/19/2006	6/19/2006
Benefits Administration - System Test	4/4/2006	6/15/2006
Provider - System Test	3/30/2006	6/5/2006
Third Party Liability (TPL) - System Test	4/4/2006	5/31/2006
Service Authorization and Prepayment Review - System Test	4/7/2006	6/5/2006
Reference - System Test	4/13/2006	6/8/2006
Claims - System Test	4/6/2006	6/14/2006
Buy-In - System Test	4/6/2006	6/7/2006
Financial - System Test	4/12/2006	6/13/2006

Quality Assurance and Audits - System Test	5/5/2006	7/6/2006
Early Periodic Screening, Diagnosis, Treatment (EPSDT) - System Test	4/6/2006	6/7/2006
Management and Administrative Reporting (MAR) - System Test	5/2/2006	7/3/2006
Surveillance and Utilization Review (SUR) - System Test	5/4/2006	7/5/2006
Decision Support System/Data Warehouse (DSS/DW) - System Test	5/4/2006	7/24/2006
External Data Sharing and Exchange - System Test	4/14/2006	7/24/2006
Assemble Comprehensive System Testing Results	**8/22/2006**	**9/13/2006**
MILESTONE: DMS Approval of Comprehensive System Testing Results	**10/11/2006**	**10/11/2006**
PARALLEL TESTING		
Parallel Testing	**6/15/2006**	**8/11/2006**
Parallel Testing Environment	6/15/2006	6/30/2006
Parallel System Test - Session 1	7/3/2006	7/11/2006
Parallel System Test - Session 2	8/4/2006	8/11/2006
INTEGRATED SYSTEMS TESTING		
Integrated Systems Testing	**9/26/2005**	**8/25/2006**
Integration Test Plan, Plan Template and Results Template	9/26/2005	4/11/2006
Prepare Test Case/Test Data Sets for Integrated Systems Tests	3/10/2006	3/15/2006
Integrated System Test	**5/12/2006**	**8/25/2006**
Execute Integrated System Test - Session 1	5/12/2006	5/31/2006
Execute Integrated System Test - Session 2	5/31/2006	6/16/2006
Integrated - System Test Results	**4/20/2006**	**8/25/2006**
Technical System Testing, Support & Rework for Integrated Testing - Session 1	4/20/2006	5/8/2006
Technical System Testing, Support & Rework for Integrated Testing - Session 2	5/8/2006	5/24/2006
Technical System Testing, Support & Rework for Integrated Testing - Session 3	5/24/2006	6/12/2006
Technical System Testing, Support & Rework for Integrated Testing - Session 4	6/12/2006	6/28/2006
Integrated - System Test Results	5/19/2006	8/11/2006
Integrated - System Test Results DMS Review	8/11/2006	8/25/2006
CHECKPOINT: All Testing (System, Interface, Parallel and Integrated) Complete	**10/11/2006**	**10/11/2006**
USER ACCEPTANCE TESTING		
KY interChange - User Acceptance Testing (UAT)	**1/17/2006**	**11/9/2006**
User Acceptance Test Plan and Template	1/17/2006	4/11/2006

Prepare Test Case/Test Data Sets for User Acceptance Test	4/12/2006	6/8/2006
Load User Acceptance Test Environment with Converted Data/Files & Data Warehouse	5/24/2006	6/8/2006
Test Tracking and Reporting System (TTRS)	2/23/2006	3/29/2006
Execute User Acceptance Test	**6/8/2006**	**7/7/2006**
Execute Structured Data Test Cycles - UAT	6/8/2006	7/7/2006
UAT Execute Support	6/8/2006	7/7/2006
Prepare User Acceptance Test Resolutions Document	**7/7/2006**	**8/4/2006**
Compile Final User Acceptance Test Resolutions Document	7/7/2006	7/14/2006
Conduct Walkthrough with DMS - User Acceptance Test Resolutions Document	7/14/2006	7/18/2006
Revise Final User Acceptance Test Resolutions Document based on Walkthrough	7/18/2006	7/21/2006
DMS Review - User Acceptance Test Resolutions Document	7/21/2006	8/4/2006
MILESTONE: DMS Approval of User Acceptance Test Resolutions Document	**8/4/2006**	**8/4/2006**
CHECKPOINT: All Testing (System, Interface, Parallel and Integrated) Complete	**10/11/2006**	**10/11/2006**

A Microsoft Project Gantt Chart located on the Project Management page of the Project Workbook at https://pwb.kyxix.eds-mscs.com/kyxixddi/ProjectPlan/ demonstrates the timeline for the various phases of system testing. The chart includes the following scheduling components:

- Tasks for each type of testing accomplished during the System Testing task – Unit, System Module/Subsystem/Function, System Integration, Parallel, and User Acceptance;
- Tasks that must be performed prior to beginning the actual testing such as writing test cases, creating test data to support testing, test case execution, etc.;
- Tasks to reflect the approval of test results;
- The dependencies between system testing tasks, to show the progression of the system testing effort;
- Scheduled start and end dates for each task;
- Duration of each task; and,
- Staff assigned to each task.

8 Reviewing Test Results

EDS provides testing notebooks, test cases, and test results from System Module/ Subsystem/Function and System Integration testing to the Commonwealth for acceptance before the User Acceptance testing phase.

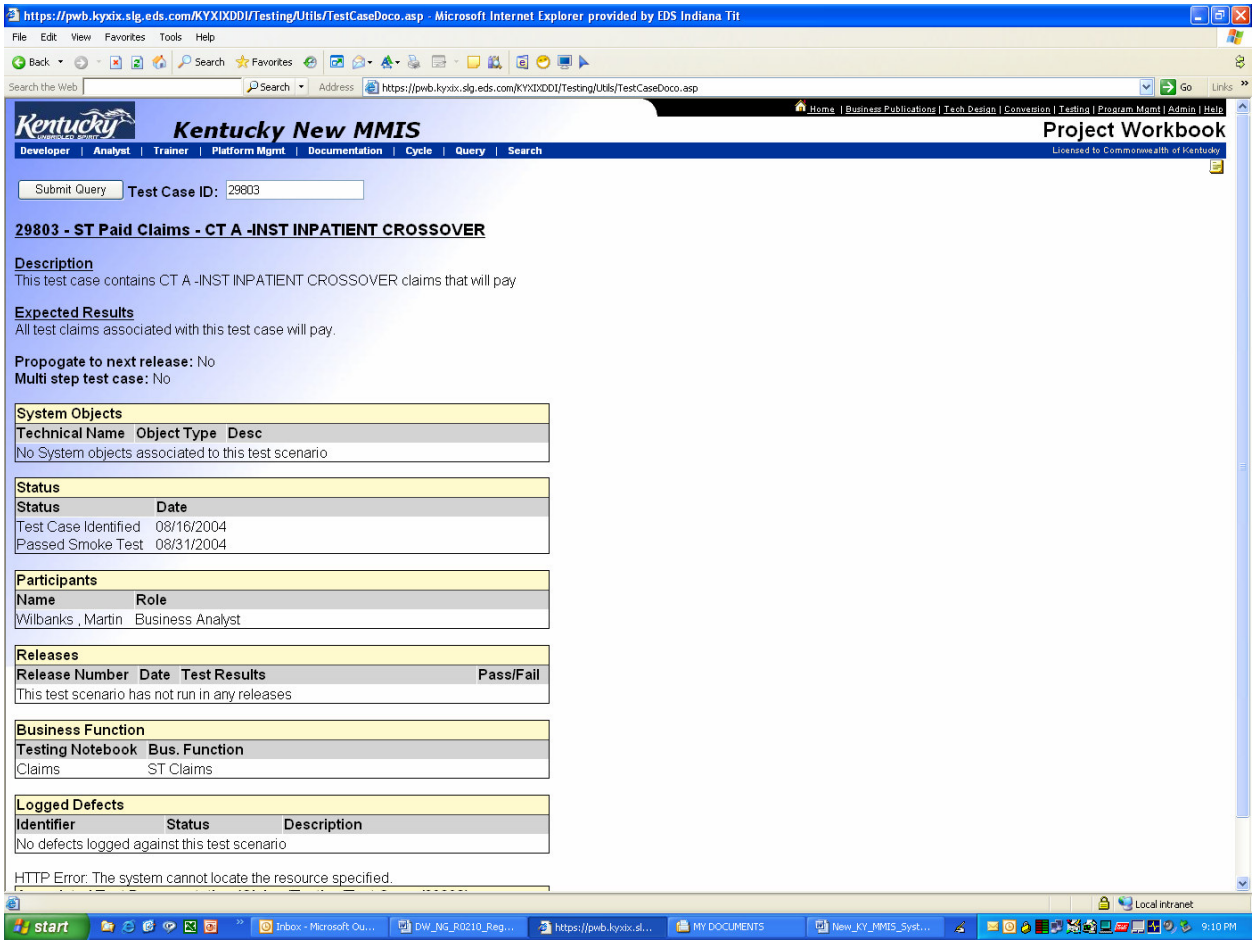
Walkthroughs and joint reviews of System Module/Subsystem/Function and System Integration test results are an integral part of our quality approach during design and development. Walkthroughs of the System Module/ Subsystem/Function and System Integration Test results serve the Commonwealth of Kentucky by:

- Facilitating understanding, answering questions, and expediting the deliverable approval process
- Determining the Commonwealth's satisfaction or concern with the output

The New KY MMIS work plan details our approach to providing walkthroughs of the deliverables. The work plan also details our communication with the Commonwealth of Kentucky for the review of system test deliverables. Deliverable walkthroughs occur in addition to the regularly scheduled status meetings with the Commonwealth. Separate walkthrough sessions help promote active involvement at the proper management levels and focus attention on this vital activity.

To receive Commonwealth sign-off, EDS provides the deliverable in hard copy and electronic form with a cover memo attached for signature. Our work plan provides for a one-day detailed walkthrough of deliverables (by subsystem when applicable), a 10-day review period of the completed deliverable, followed by a five-day final approval period. We assume that no review will take longer than 10 days because it would unnecessarily delay the project and jeopardize the on-time delivery. When the deliverable is satisfactorily revised and signed off, we record this successful milestone in the project plan. This standard approach helps promote an organized process for deliverable and milestone sign-off.

All individual test case results and their corresponding documentation may be viewed in Project Workbook. Below is an example test case result that can be viewed by DMS for approval:



This pictorial represents the test case result for Test Case ID 29803 posted to Project Workbook.

9 Acceptance Criteria

System test results and deliverables are organized and presented by the EDS Test Team throughout the system testing phases. The presentation of deliverables follows the standards documented on the Deliverables Management page of the Project Workbook at pwb.kyxix.eds-mscs.com/kyxixddi/projmgmt/DeliverableMgmt.

Commonwealth acceptance of system testing for the New KY MMIS begins with the review and approval of the System Test Plan template through final approval of the User Acceptance Test Resolutions document. The EDS Testing PM will work with the Commonwealth to determine the format of test results documentation for each phase.

System testing documentation deliverables include:

- System Test Plan – Defines EDS' approach to all phases of system testing the New KY MMIS.
- User Acceptance Test Plan – Defines approach to performing User Acceptance Testing of the New KY MMIS.
- Comprehensive System Testing Results – EDS will provide for Commonwealth review and approval testing results at the conclusion of all System Module/Subsystem/Function Testing.
- User Acceptance Test Resolutions Document – EDS will provide for Commonwealth review and approval testing resolution documentation at the conclusion of User Acceptance Testing.

System testing documentation checkpoints include:

- Regression Test Guidelines – Outlines EDS' approach to Regression Testing in greater detail than what is covered in the System Test Plan Deliverable.
- System Integration Test Plan – Outlines EDS' approach to System Integration Testing in greater detail than what is covered in the System Test Plan.
- System Test Case/Test Data – EDS will provide spreadsheets by subsystem which contain test case/test data information for each subsystem within the New KY MMIS.
- System Test Case/Test Data Results – EDS will provide for Commonwealth review and approval subsystem test results. The organization and presentation of test results is by notebook so that it is clear which sections of the application are completely tested and approved. Only passed test cases will be presented in the walkthroughs.
- Parallel Testing Results - Session 1 and 2 – EDS will provide for Commonwealth review and approval results of each parallel test of the New KY MMIS.
- System Integration Test Results – EDS will provide for Commonwealth approval of the comprehensive document detailing the outcome of System Integration Testing.

10 Documentation

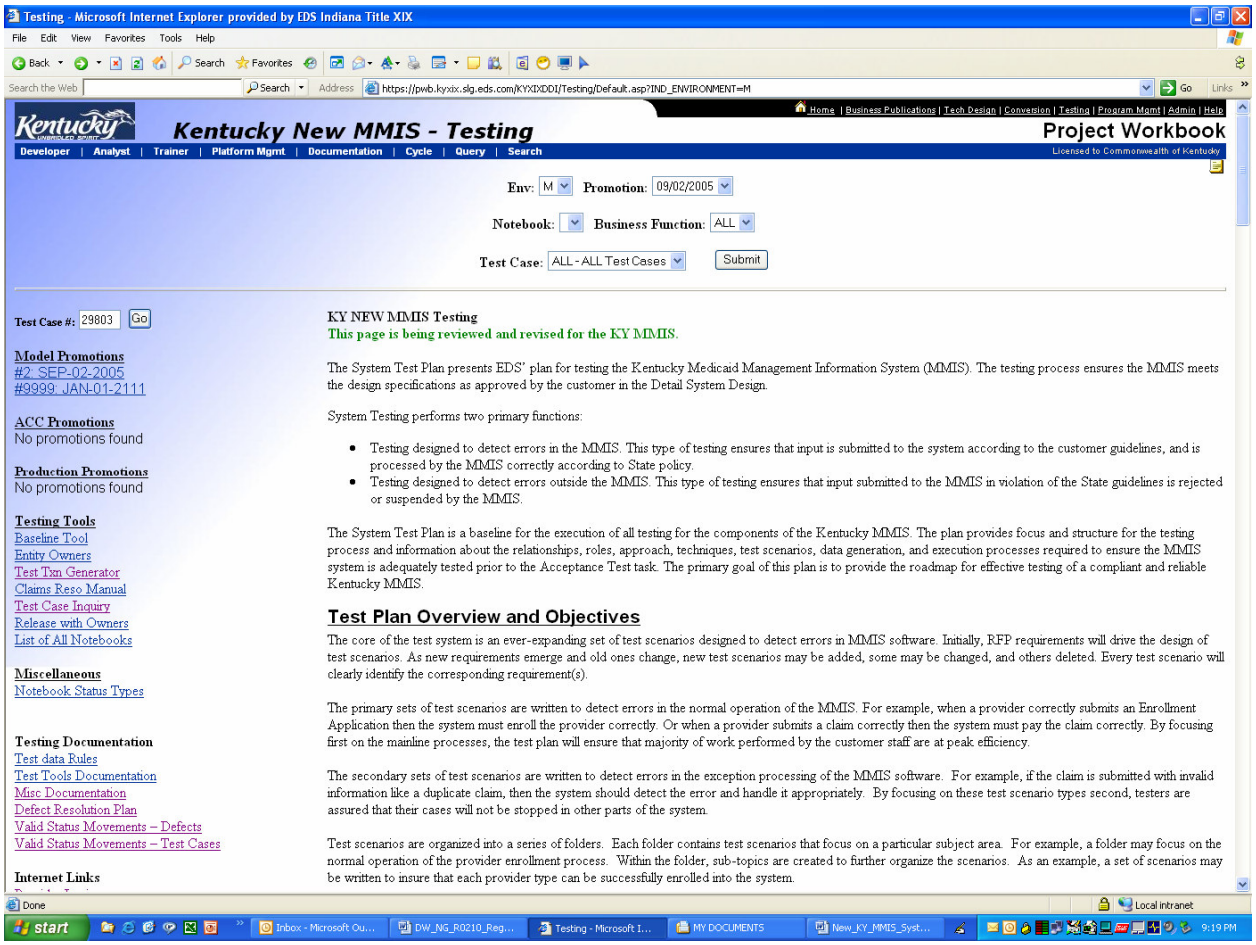
EDS produces and maintains system and operations documentation that is up to date after changes are identified from actual test results. A high-level flow diagram for each subsystem graphically shows the flow for programs, input and output files.

Job streams, including programs, inputs and outputs, controls, job stream flow, operating procedures, and error and recovery procedures are documented within the system documentation. Inputs are named, described, and illustrated in the inputs section of each subsystem DSD.

Outputs are documented and illustrated in the outputs section of each subsystem DSD. Each field of each output is clearly defined in the outputs section of each subsystem DSD. All files and records, including intermediate and work files, are documented in detail in the Job Scripts and Programs sections of each subsystem DSD.

Project Workbook is used to capture documentation. The following Web page shows a sample of the testing documentation and tools available through Project Workbook.

Sample Testing Documentation and Tools



The left column provides authorized users with access to documentation and tools related to testing and the test cases. Included is a series of Web pages to illustrate the ease with which a user or tester can create test scenarios.

11 Management of the System Testing Effort

11.1 Communication

Effective Communication involves determining the information and communication needs of the project: who needs what information, when they will need it, determining how the information is to be disseminated, tools and techniques for communication, and distribution. By determining these needs early on, and preparing for unexpected requests for information, EDS has identified a key factor to ensuring the success of the New KY MMIS system testing.

A formal Communication Plan has been developed to communicate with project stakeholders, and is located on the Program Management page of the PWB at https://pwb.kyxix.eds-mscs.com/kyxixddi/ProjectPlan/. This comprehensive plan is reviewed periodically throughout the project and revised as needed to ensure continued applicability to the testing organization structure. An important goal of the Communication Plan is to keep the Commonwealth of Kentucky abreast of system testing activities, including notifying the Commonwealth of problems encountered during testing, testing progress and adherence to the test schedule.

The following types of communication are used for system testing:

- **Project Workbook** – Project Workbook is used to facilitate the testing effort, and serves as the repository for all system testing information, including test scenarios/cases, test results, test data and testing status. Test scenarios are organized into a series of notebooks that are viewable via the workbook. Each notebook addresses a major subject area within the system. These subsystems are aligned around the Commonwealth's organization to facilitate knowledge input into the definition of business processes and test scenarios.
- **Notebook tabs** – For each subsystem, a further breakdown of the topic is created, referred to as notebook tabs. Each of these tabs has the various subsystem objects that support that area of the business associated with it. These objects are the focus of test scenarios written for that folder tab. EDS and the Commonwealth of Kentucky use Project Workbook extensively throughout the system testing effort to capture and monitor the test scenarios/cases, results, data, and status.
- **Test Team Status Meetings** – Test Team Status Meetings brings the team together to assess progress, identify issues and develop a plan of action to address the issues. It is not a time to solve problems or a substitution for one on one interaction between the system test project manager and team members. The status meeting will serve to inform the team of:
    - Overall system testing effort and status;
    - Testing developments influenced by external sources;
    - Team progress on assignments;
    - Schedule Progress;
    - Test Plan Changes;
    - Issues and Risks; and,

    - Issue Resolution.

- **Status Reports** – Status and Performance Reporting involves the documentation of the program's performance against the work plan and addresses audiences both internal and external to the program. Status and Performance Reporting is necessary to ensure that progress is being made against the work plan, significant issues and risks are identified as early as possible (so mitigation steps can be planned/enacted), and to track key program milestones. In the case of the New KY MMIS project, Status and Performance Reporting takes the form of a weekly status reports, CMS Quarterly reports, and ad-hoc reports.

    - The weekly status report is posted to Project Workbook each Wednesday at 5PM and is current as of the previous Friday. The report is broken down into three main sections which correspond to the three key areas of the overall KY MMIS project: Transition, New KY MMIS, and Interim Decision Support System (DSS). Each section contains a dashboard showing the overall status of each of these key areas, a list of any significant issues or risks, a list of tasks that were due within the past two weeks and which are due in the coming month, and various charts showing different perspectives on the area's progress.

    - There is a Status Report Review meeting each Thursday where EDS and the Commonwealth review the latest report. The meeting is currently being held in the EDS temporary facility at 106 Diagnostic Drive. Hard copies of the report are provided at the meeting for all attendees.

- **Phone and/or Email** – The Project Workbook is used to post contact phone and e-mail addresses. The contact list is updated periodically and reveals the stakeholders name, location, position, phone number and an email address. The contact list is located on the Home page of the Project Workbook at https://pwb.kyxix.eds-mscs.com/kyxixddi/Default.asp.

11.2 Quality Assurance

EDS' quality assurance methodology relative to system testing provides a quality structure for delivering quality products and services through thorough system testing and defect reporting utilizing Project Workbook. This includes rigorous standards and processes and periodic assessments to validate the effectiveness of the System Test process.

The framework consists of:

- **Identify** – determining the objective to be accomplished during system testing;
- **Initiate** – determining the scope of testing and the resource roles;
- **Diagnose** – gap analyze the current state vs. the desired state, and bridging the gap to obtain the desired testing objectives;
- **Establish** – work the testing phases to the project plan to achieve outlined objectives;
- **Act** – work with cross-functional groups to execute the system test plan; and,
- **Learn** – from test results by analyzing and refining processes in the work plan and identify areas for improvement and repeating the cycle for further improvement.

Project Workbook stores all system testing documentation, in the appropriate sequence and project folder. It outlines and documents systems testing from initiation to conclusion identifying project resources expended, technical design, and documentation. Requirements for system test cases are documented and traced in system test traceability matrices, which map to the Project Work Plan.

Defect statistics are collected and analyzed to determine actual results against target ranges. Variances and thresholds are reviewed and data scrutinized against pre-defined values. When test results exceed allowable variances, root cause analysis is performed to determine areas for improvement. If necessary, adjustments are made to processes, standards, or procedures, to maximize testing effectiveness.

11.3 General Oversight

The EDS leadership team monitors the progress of system testing on a continual basis. Each test notebook, test scenario and test case has a status associated with it. If a defect is detected a change order is written against the test scenario. The change order has a change order type of "defect" to differentiate the change order from a RFP requirement, enhancement, or other change order type. By monitoring the status and defects, an accurate measure of the system testing progress is determined.

General oversight is provided by the Testing Project Manager, who closely tracks and monitors testing tasks against the System Test plan, identifies deviations and manages corrective action until System Test closure. This includes gathering the required project management elements for tracking, performance monitoring, and control. EDS uses various metrics to monitor open and closed defects for trend analysis to confirm that quality is inherent in the delivery of the New KY MMIS.

The system testing effort is further strengthened by:

- Monitoring testing progress relative to the project plan;
- Coordinating the overall system testing effort with the work plan;
- Monitoring defects and resolutions;
- Providing a strategy for testing delays and mitigation from other states;
- Developing a strategy for handling a high volume of defects;
- Providing back-ups in the event of high employee turnover; and,
- Utilizing Project Workbook to support the oversight of the system testing effort.

Providing a dedicated team for system testing and implementing stringent standards provide a framework and controls for managing the entire system testing process. Long term benefits are derived by providing a proactive approach to managing the testing effort. This is accomplished by institutionalizing standards, establishing repeatable processes, providing auditable evidence, and delivering concise testing metrics.

New KY MMIS Regression Test Guidelines

Kentucky MMIS Project

Cabinet for Health and Family Services
Kentucky Medicaid Office

February 28, 2006

SAMPLE

Cabinet for Health and Family Services Kentucky Medicaid Office	
Role:	Name:
Author	Tina Taylor
Reviewer	Dean Taunton, Scott Lowry, Betsy Elrod
EDS Management	Ricky Pope
Client	Commissioner Shannon Turner, J.D. Deputy Commissioner Jan Howell, J.D. Sandeep Kapoor
DOCUMENT TITLE: New KY MMIS Regression Test Guidelines	DATE SUBMITTED: February 28, 2006
LOCATION and FILE NAME: New_KY_MMIS_Regression_Test Guidelines_DRAFT_v4.doc	AUTHORING TOOL: MSWord2003

Document Change Log

Version	Changed Date	Changed By	Reason
1.0	9-Feb-2006	Tina Taylor	Initial Creation
2.0	9-Feb-2006	Tina Taylor	Modified based on PMO Review
3.0	27-Feb-06	Tina Taylor	Modified based on DMS Review
4.0	28-Feb-06	Tina Taylor	Modified based on PMO Review

Table of Contents

1 Purpose

The New KY MMIS Regression Test Guidelines outline the process of analyzing the New KY MMIS to detect the differences between existing and required conditions and reviewing and recording Regression Testing results.

1.1 Overview and Purpose of Objectives

The Regression Test Guidelines are used to verify that existing system functionality remains intact, with the exception of release changes. This includes systematic execution of system components and procedures, with the intent of finding defects and/or workflow flaws within the New KY MMIS. This Regression Test Guidelines document is a living document and is updated as necessary through the life of the project. Changes are identified in the Document Change Log at the beginning of this document, and re-distributed to the appropriate parties for review and acceptance.

Regression Testing will not occur for EDI systems such as Biz Talk and backend systems such as DSS. The EDI and interface systems are “regression” tested by default with the formal System and Regression Testing that occurs in the New KY MMIS. Additionally data used for Regression Testing the New KY MMIS will be available for comparison in the backend systems.

The objectives the New KY MMIS Regression Test Guidelines are to:

- Document the processes used during New KY MMIS Regression Testing;
- Define what IS or IS NOT to be tested;
- Define how Regression Testing is performed;
- Define who performs Regression Testing;
- Define the testing schedule;
- Define the testing management processes;
- Define the entrance and exit criteria for Regression Testing;
- Define the data needed to perform Regression Testing, and,
- Define the environment and infrastructure support needed to prepare for and execute Regression Testing.

1.2 Roles and Responsibilities

The EDS Test Team with the support of the EDS Technical Functional Area Lead (TFAL), Functional Area Development (FAD) Team and Configuration Management Team are responsible for Regression Testing the New KY MMIS. Commonwealth staff will work with the EDS Test Team to review and approve the processes and procedures outlined for Regression Testing. Specific team roles and responsibilities are further defined later in this document.

1.3 Communication

Effective communication involves determining the information and communication needs of the project: who needs what information, when they will need it, determining how the information is to be disseminated, tools and techniques for communication, and distribution. By determining these needs early on, and preparing for unexpected requests for information, EDS has identified a key factor to ensuring the success of the New KY MMIS system testing.

A formal Communication Plan has been developed to communicate with project stakeholders, and is located on the Program Management page of the PWB at https://pwb.kyxix.eds-mscs.com/KYXIXDDI/ProjMgmt/CommMgmt/Communication_Approach_and_Plan. This comprehensive plan is reviewed periodically throughout the project and revised as needed to ensure continued applicability to the testing organization structure. An important goal of the Communication Plan is to keep the Commonwealth of Kentucky abreast of system testing activities, including notifying the Commonwealth of problems encountered during testing, testing progress and adherence to the test schedule.

The following types of communication are used for all types of system testing including Regression Testing:

- **Project Workbook** – Project Workbook is used to facilitate the Regression Testing effort, and serves as the repository for all Regression Testing information, including test scenarios/cases, test results, test data and testing status. Test scenarios are organized into a series of notebooks that are viewable via the workbook. Each notebook addresses a major subject area within the system. These subsystems are aligned around the Commonwealth's organization to facilitate knowledge input into the definition of business processes and test scenarios.

- **Notebook tabs** – For each subsystem, a further breakdown of the topic is created, referred to as notebook tabs. Each of these tabs has the various subsystem objects that support that area of the business associated with it. These objects are the focus of test scenarios written for that folder tab. EDS and the Commonwealth of Kentucky use Project Workbook extensively throughout the Regression Testing effort to capture and monitor the test scenarios/cases, results, data, and status.

- **Test Team Status Meetings** – Test Team Status Meetings bring the team together to assess progress, identify issues and develop a plan of action to address the issues. It is not a time to solve problems or a substitution for one on one interaction between the Testing Project Manager and team members. The status meeting will serve to inform the team of:

    - Overall system testing effort and status including Regression Testing;
    - Testing developments influenced by external sources;
    - Team progress on assignments;
    - Schedule Progress;
    - Regression Test Guidelines Changes;
    - Issues and Risks; and,
    - Issue Resolution.

- **Status Reports** – Status and Performance Reporting involves the documentation of the program's performance against the work plan and addresses audiences both internal and external to the program. Status and Performance Reporting is necessary to ensure that progress is being made against the work plan, significant issues and risks are identified as early as possible (so mitigation steps can be planned/enacted), and to track key program milestones. In the case of the New KY MMIS project, Status and Performance Reporting takes the form of a weekly status reports, CMS Quarterly reports, and ad-hoc reports.

    - The weekly status report is posted to Project Workbook each Wednesday at 5PM and is current as of the previous Friday. The report is broken down into three main sections which correspond to the three key areas of the overall KY MMIS project: Transition, New KY MMIS, and Interim Decision Support System (DSS). Each section contains a dashboard showing the overall status of each of these key areas, a list of any significant issues or risks, a list of tasks that were due within the past two weeks and which are due in the coming month, and various charts showing different perspectives on the area's progress.

There is a Status Report Review meeting each Thursday where EDS and the Commonwealth review the latest report. The meeting is currently being held in the EDS facility at 656 Chamberlin Avenue. Hard copies of the report are provided at the meeting for all attendees.

Phone and/or Email – The Project Workbook is used to post contact phone and e-mail addresses. The contact list is updated periodically and reveals the stakeholders name, location, position, phone number and an email address. The contact list is located on the Home page of the Project Workbook at https://pwb.kyxix.eds-mscs.com/kyxixddi/Default.asp.

2 Scope

The New Kentucky MMIS Regression Test Guidelines define the scope of Regression Testing, responsibilities, and administration for the New Kentucky MMIS Project. The New Kentucky MMIS Regression Test Guidelines define the following testing components:

- General Regression Test Approach;
- Regression Test Case Development Strategy;
- Resources;
- Escalation Processes;
- Schedule; and,
- Documentation.

Additionally, Regression Testing is not a volume test, but rather a subset of claims data to verify the claims processing functionality allows claims to process through finalization.

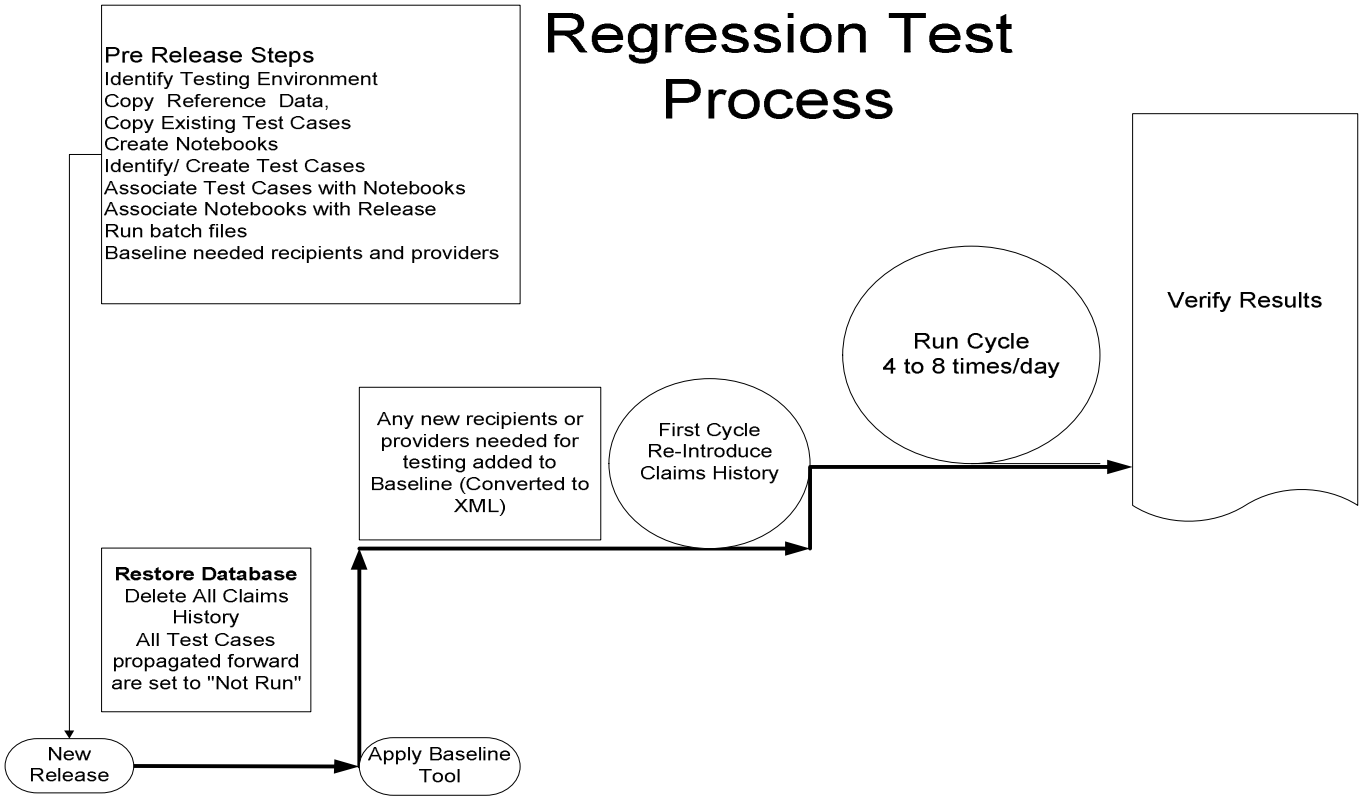
Defects and issues are identified according to the guidelines contained within this document, and procedures identified for the documentation and resolution of these defects and issues will be followed.

3 General Regression Testing Approach

3.1 Regression Test Approach Summary

This section provides a summary of the overall approach to completing Regression Testing and the specifics of the testing phase.

Testing of the New Kentucky MMIS Project, using the Regression Test Guidelines, verifies the existing system functionality remains intact, with the exception of release changes. This includes systematic execution of the MMIS application, its components and procedures, with the intent of finding defects and/or workflow flaws.



3.2 Testing Tools

Automated testing tools are used during Regression Testing. All testing tools are tested prior to their use in any testing phase.

- **Test Transaction Generator (TTG)** – testing tool used to submit manufactured test data. The TTG also works in conjunction with the claims database to extract claims and bring them into the claims propagation cycle.
- **Doco Tool** – assigns test case, defect, and Change Order (CO) numbers. Updates to test cases, COs, and defects will be displayed in the Project Workbook. The tool is used to enter and track test cases, defects, and Change Orders. This testing tool works in

conjunction with the TTG to extract designated claims and bring them into the claims propagation cycle.

- **Baseline Tool** – baselines information to protect it from being changed by other users or to keep it from being refreshed. The baseline tool allows a user to search by Provider, Member and other unique information. Once the data have been baselined, the data will be re-used for each release and cannot be modified by other users.

3.3 Testing Methodology

The Regression Testing methodology defines the Entrance and Exit Criteria and Testing Suspension/Resumption Thresholds specific for this phase.

3.3.1 Testing Entrance and Exit Criteria

Entrance Criteria to be followed:

- Regression Test Cases to be updated with applicable requirements;
- Unit Testing is complete for Change Orders identified for release in current regression test cycle;
- Any defects still outstanding at the start of Regression Testing must have affected requirements identified so corresponding Regression Test Cases are updated and reviewed;
- Ensure all necessary test case status settings are correct;
- Confirm with the Configuration Management Team that the Model Office environment is loaded with the latest code and required data;
- Verify the proper Login IDs and Passwords are functional;
- Verify that all required interfaces and supporting tools are functional;
- Perform any necessary pre-testing setup activities such as updating e-mail addresses or any other minor adjustments prior to the start of test case execution;
- Ensure communication and defect escalation processes are in place to support Regression Testing activities;
- Ensure all necessary Regression Testing assignments have been made and distributed to the Test Team;
- Ensure all relative criteria have been satisfied to begin Regression Testing;
- Exit criteria have been identified;
- Measures of success have been identified; and,
- System is restored to the baseline with each Regression Test release.

Exit Criteria to be followed:

- All Entrance criteria have been completed;

- All defects found in Regression Testing have been recorded, resolved, and escalated using the Defect Resolution process;
- Compile list of any outstanding Defects from Regression Testing;
- All Severity 1 and/or Severity 2 Defects are closed; and,
- Distribute status, results, and outstanding defects list to the necessary parties.

3.3.2 Testing Suspension/Resumption Thresholds Criteria

If during execution of Regression Testing a test case fails, based on the severity of the failure, criteria will be determined to resume the appropriate test phase.

3.4 Types of Tests to be Executed

Regression Testing is comprised of automated and manual tests. Automated tests apply to claims while the manual tests apply to non-claim created tests. Regression test cases are generic tests which validate the environment is working as intended and can be leveraged for every release.

The Regression Test cases are executed and validated against the New KY MMIS before any releases occur. The test cases identified cover the basic Business Functions of the New KY MMIS. This initial set of test cases includes approximately 200 predefined, existing tests executed in a claim batch cycle. Additional test cases are added as needed. Regression test cases that are executed to satisfy Regression Testing objectives are referenced in the Project Workbook at https://pwb.kyxix.eds-mscs.com/kyxixddi/Testing/.

The test results will be verified as follows:

- Compare previous report results;
- Execute Positive and Negative automated test cases to ensure the appropriate error code is received;
- Use Doco Tool on the Project Workbook, an automated process, to track test cases (the number of, the execution of, failed, and passed statuses);
- Use manual inspections of some test results – required due to the complexity or specificity of a given test case; and,
- Use automated inspections of test results - executing predefined queries to validate the data before, during, and after each release.

3.5 Regression Testing Phase Approval

Completion of Regression Testing will coincide with the completion of System Module/Subsystem/Function Testing. Regression Test Cases will be included with the review of each subsystem or as a separate review with each release. Approval represents the agreement that all necessary testing for Regression Test has been completed successfully within the Exit Criteria defined in this document.

3.6 QA Process

The Quality Assurance processes for testing the New KY MMIS are outlined in the New KY MMIS System Test Plan.

3.7 Regression Testing Procedures

Regression Test procedures are performed throughout the Regression Test life cycle. These procedures are in place to meet Entrance and Exit criteria. These procedures include, but are not limited to, defect tracking, status reporting, and escalation procedures.

The following Regression Test Procedures must be followed:

- All identified Test Cases are assigned to Test Team members;
- Execution and completion status of the Test Cases are tracked through the Doco Tool by the specified Test Team member;
- All Test Case results are detailed on the copy of the Test Case being executed;
- Testing results and defects are discussed in daily meetings which include the Test Team, Functional Area Development Team and Configuration Management Team;
- Defects encountered during Regression Testing are recorded in Project Workbook;
- All identified defects are escalated, reviewed, and resolved by the appropriate assigned team;
- Questions or assistance needed during Test Case execution are escalated to the appropriate team members per the specified escalation procedures;
- Regression Test defects are identified, resolved, implemented, and retested; and,
- Updates to Regression Test Cases are performed as appropriate for the release.

3.8 Regression Testing Libraries

All Regression Test documentation is stored on the Testing page of the Project Workbook located at https://pwb.kyxix.eds-mscs.com/kyxixddi/Testing/.

3.9 Backup Recovery

Full weekly backups provide for complete backup and recovery of the system after Regression Testing to secure that version of the system as it stands.

4 Regression Test Case Development Strategy

This section describes the establishment of test cases, including:

- Creating detailed inputs to execute logic, verify output, and meet Regression Testing objectives;
- Developing Regression Test cases with special characteristics;
- Using existing Regression Test cases and customizing them for the New KY MMIS;
- Providing the level of detail by which Regression Test cases are developed; and,
- Structuring and formatting Regression Test cases in Project Workbook.

4.1 Review Requirements

The New KY MMIS requirements drive the creation, execution, and validation of the Regression Test Cases. These Regression Test Cases verify the existing system functionality remains intact, with the exception of the release changes. This includes systematic execution of the application, its components, and procedures, with the intent of finding defect and/or workflow flaws.

4.2 Validate Each Requirement

The EDS Test Team and Functional Area Development Teams validate requirements against the Regression Test cases to assure that Regression Test cases are a true representation of the requirements.

4.3 Regression Test Data Development

The Test Team uses existing data from the core system. Any necessary adjustments are made to insure the test cases meet the requirements of the New KY MMIS. Data will also be added as additional test cases are created to meet new Regressing Testing requirements.

When a new release begins, the environment is restored to a baseline configuration. This includes restoring the database, file systems, etc. to a known point. A standard set of members, providers, reference data, and other data input sources are loaded into the database to begin the process. The baseline process allows a standard set of test scenarios to be replayed on every release. This ensures that previously working applications are not affected by data changes from prior Regression Test cycles. In addition, this step provides the ability to enhance the baseline test scenarios over time, thereby improving our capability to detect errors in the system as the development/maintenance cycle proceeds.

The standard test scenarios have an associated set of expected results. These results are defined as part of the test scenario in a structured manner. This allows an automated process to be employed that evaluates the results of the test scenarios.

Another class of test scenarios is run after the core components of the system have been verified. These scenarios include those that cannot be automated and those that are eventually added to the standard test suite. After completion of these scenarios, their results are documented in the test scenario folder and made available in Project Workbook.

Preparation for the next release involves updating the standard test scenarios with new scenarios, resolving defects found in the standard test scenarios, and adding new members, providers, etc. into the baseline database.

5 Resources

The New KY MMIS Project Resources are determined and maintained by the New KY MMIS Project Management Team. Information regarding specific Human, Software, and Hardware Resources are maintained in Project Workbook.

The table below identifies the number of resources required for testing, the skill set required, and the timeframe to fulfill Regression Testing Requirements.

5.1 Human Resources

The following table describes the roles and responsibilities of the various teams which support and/or execute Regression Testing.

Team	Role/Responsibility
EDS Test Team	Execute and/or oversee the testing activities for Regression Testing; provide business requirement and process support during Regression Testing.
EDS Functional Area Development Team	Perform Regression Testing cycle support and defect investigation and resolution as needed throughout Regression Testing.
Configuration Management Team	Provide environment support and tracking throughout Regression Testing. This team includes the System Architect, project Database Administrator and System Administrator.

5.2 Software/Environment Resources

Regression Testing occurs in the Model Office environment of the New KY MMIS. The Model Office environment in Orlando resides on a Sun V490 Server in the DSKY sun0ap zone. The Model Office environment contains a representative sample of data sufficient for performing testing activities.

6 Escalation Processes

The escalation process insures questions and defects are routed to the appropriate individuals so that resolution may be achieved in a timely manner. When questions or defects are identified, testers provide a detailed description of what the problem appears to be, complete with steps to reproduce. Any logs, error messages, screen shots, unloads, or other information that assists the FAD team in replicating and resolving the problem are included.

6.1 Test Team Escalation Procedures

EDS Test Team escalation procedures facilitate the escalation of a test case defect or question. The process applies to all Test Team and Functional Area Development Team members.

1. Questions generated by the Test Team while executing test cases will be funneled through the respective Test Team Lead (TTL). For example, a tester is executing a test case and is not receiving the expected results. The request for clarification or information will be directed to the claims TTL who will direct the question to the claims TFAL. This structured process allows both team leads to:

    - Better control the priorities and workload of the test and development teams;
    - Identify duplicate issues/questions; and,
    - Identify trends or potential gaps in knowledge that may need to be addressed.

2. Due to the short testing timeframe, quick turnaround on research items and questions is essential. If an answer to a functionality-related question cannot be obtained within 1-2 hours of reaching the Functional Area Development Team, a defect will be opened. This step assumes that the question posed to the development team pertains to a mismatch between actual and expected test results. This process is not meant to replace every communication between the development and test teams.

3. When a defect is written, the developer and tester assigned to the defect will communicate directly with each other.

If a question or issues arises on a previously fixed defect, the developer and tester will communicate directly with each other. This occurs because we are able to identify the involved and knowledgeable parties. For example, defect 7045 is identified, fixed and successfully retested. Several weeks later, we discover the same issue documented in defect 7045 is reoccurring. The developer and tester assigned to 7045 will discuss the potential defect and, if necessary, reopen the defect.

6.2 Defect Escalation Procedures

The Defect Resolution process defined in the New KY MMIS System Test Plan is to be followed during Regression Testing. The following basic steps are taken when a defect is discovered during Regression Testing:

1. The problem is discovered during Regression Testing.

2. The tester documents the test results in Project Workbook. The status of the test case is “Defect Identified”.

3. The tester enters the defect in Doco Tool.
4. The tester assigns the defect to the TFAL by making the TFAL the “Responsible” person and setting the status of the defect to “Assign”.
5. The TFAL reviews the defect and assigns it to a FAD by making the FAD the “Responsible” person. The status remains “Assign”. The TFAL also assigns work hours for the task for the FAD that can be tracked through EDS’ time tracking tool.
6. The FAD resolves the defect and unit tests the correction. If the unit test is successful, then the FAD takes step # 7. Otherwise, the FAD analyzes the results of the unit test, corrects it and repeats unit testing.
7. The FAD enters the resolution in Doco Tool, including the date/time/cycle or build release that the defect can be retested by the system testers, allowing for the appropriate amount of time needed to migrate the corrected code to model office. The FAD sets the status of the defect to “Retest” and changes the “Responsible” person to the original tester.
8. The tester retests the test case and if the retest is successful, the tester sets the status of the defect to “Closed” and enters a “Complete” date.

If the retest is unsuccessful, the tester updates the description of the defect with the outcome of the test. The tester then changes the “Responsible” person back to the FAD, and resets the status back to “Assign”.

7 Schedule

Testing is scheduled and conducted according to the release plan documented in Project Workbook. A release occurs in Model Office every week. Regression Test Cases are executed every two weeks.

7.1 Testing Schedule

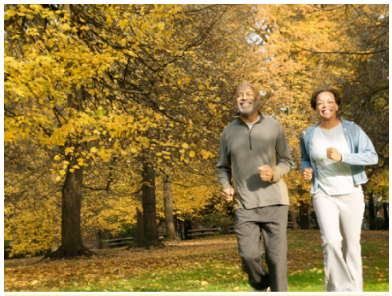
The master release schedule is located on the Testing Page of the Project Workbook located at https://pwb.kyxix.eds-mscs.com/kyxixddi/Testing/Default.asp?IND_ENVIRONMENT=M.

8 Documentation

EDS produces and maintains system and operations documentation that is up to date after changes are identified from actual test results. Project Workbook captures and maintains system documentation updates. The complete process for keeping documentation updated is outlined in the New KY MMIS System Test Plan.

50.2.5.4 Staffing Approach

RFP Reference: 50.2.5.4 Staffing Approach, Page 278



North Carolina will be served by a knowledgeable and experienced EDS team led by Account Manager Melissa Robinson and Implementation Manager Dean Taunton. Their experience and familiarity with the North Carolina Medicaid program are backed by our team of seasoned professionals with extensive experience in Medicaid and our interChange MMIS solution.

State of North Carolina

In the preceding sections of this proposal, we discussed EDS' methodologies and approaches and the many spectacular features of interChange. However, any successful implementation that moves smoothly into operations can only happen if the efforts are supported by technically skilled, functionally knowledgeable professionals who are focused on a successful outcome. We assign experienced, expert leaders and staff to each of these projects, and they develop and maintain a productive, open, positive relationship with client personnel.

As with our other recent successful implementations, implementing the Replacement MMIS will require a team of highly skilled people with a combination of North Carolina–specific program experience and interChange implementation experience. We have them, and they are ready to make the Replacement MMIS implementation our next success story.

Our team's 30 years of experience as your fiscal agent have allowed us to develop an understanding of North Carolina's unique issues and needs. We have collaborated with you on many successful, large-scale implementations, such as the Health Insurance Portability and Accountability Act (HIPAA) remediation, the Integrated Payment and Reporting System (IPRS) modifications to the Legacy MMIS+ to support mental health claims processing, and the National Provider Identification enhancement.

While these successes relied heavily on technical expertise, our team's determination to deliver on time and our dedication to quality also played significant roles. As long-standing North Carolina citizens, our local staff members see every day how important the State's programs are to recipients, providers, and other stakeholders. Knowing this, we approach every implementation acutely aware that service disruptions can have a widespread, negative impact on stakeholders and the State.

For the DDI and Operations phases, we have supplemented our North Carolina team with experienced interChange experts. Our professionals have experience

in successfully implementing interChange in other states such as Kentucky and Tennessee.

Any contractor can provide a team of technical experts; however, it is the combination of technical skills, program expertise, and an underlying determination and commitment that make our team the best option.

In the remainder of this section, we present our approach to staffing the DDI and Operations phases of the Replacement MMIS project.

50.2.5.4.1 Staffing Approach—DDI

RFP Reference: 50.2.5.4.1 Staffing Approach—DDI, Page 278

This section contains the following information on our approach to staffing the DDI Phase of the Replacement MMIS project:

- Proposed DDI Personnel
  - Resumes for Key and Other DDI Personnel
- DDI Organizational Chart
- Description of DDI Organization
- Staffing Approach for DDI
  - EDS' Recruiting Process
  - Getting Ready for First Day of Operations
- Job Descriptions for Key and Other DDI Personnel

Proposed DDI Personnel

EDS team personnel, with interChange knowledge and North Carolina policy and business process expertise, give the State a clear advantage—resident experts in the State's business processes who also can clearly articulate how business processes will function with the Replacement MMIS.

By retaining EDS, the State will be working with a DDI staff that includes professionals already familiar with your environment, such as Melissa Robinson and Tammy Wheeler, and professionals experienced in delivering our interChange solution, such as Dean Taunton and Scott Lowry). This high level of familiarity stands in contrast to the risk that would come with a different fiscal agent starting with a staff unfamiliar with the State's environment and going through such difficult processes as knowledge transfer and claims conversion.

In developing our approach to staffing the DDI Phase, we carefully evaluated the effort required to successfully install the Replacement MMIS in North Carolina. In selecting our team, we applied the criteria described in the following table, EDS Replacement MMIS DDI Staffing Skill Sets. **These criteria allow us to offer a team with a complementary mix of technical, leadership, and North Carolina policy and business process experience.**

EDS Replacement MMIS DDI Staffing Skill Sets

Skill Set	Description
Strong technical skills	• **interChange experts—**Technicians experienced with the installation and modification of the baseline interChange application • **Legacy MMIS+ experts—**Technicians, programmers, and analysts who understand the present system who, combined with interChange experts, simplify the extensive mapping and conversion effort • **Technology experts—**Experts in technologies such as Web applications, automated workflow, and imaging to streamline the integration of those technologies into interChange
Strong leadership skills	• **Track record of success—**Leaders with strong project leadership skills who have effectively managed the complexities of a major project and led a team to a successful, on-time implementation • **Project management skills—**Leaders who have outwardly demonstrated superior planning, controlling, and execution skills on large-scale projects to simplify the State's project oversight role • **Determination and commitment—**Leaders who have outwardly demonstrated their determination and personal commitment to succeed, inspire, motivate, and instill a positive can-do attitude
Strong policy and business process knowledge	• **Medicaid subject-matter experts (SMEs)—**People who understand North Carolina Medicaid policies, benefits, and business processes who, by working with interChange and MMIS technical experts, simplify the implementation effort • **Other State program SMEs—**People who understand the policies, benefits, and business processes for the State's non-Medicaid programs, such as the Mental Health program, to eliminate the learning curve in understanding these programs and how to integrate them into the State's multi-payer environment • **interChange knowledge—**interChange SMEs who will work with local staff with State-specific policy knowledge, allowing us to accelerate the start-up

This section identifies EDS employees who will assume the key DDI personnel positions that have been defined in the RFP. Additionally, EDS has identified two other positions—account manager and implementation manager—that we consider key to executing a successful DDI Phase. We are adding account manager and implementation manager to the list of key positions because of their level of responsibility defined in our processes, influence over our service delivery, familiarity with the State's environment, and familiarity with the interChange solution.

EDS is proposing the following key DDI Phase staff members:

- Account Manager Melissa Robinson
- Implementation Manager Dean Taunton
- Operations and Claims Processing Manager Tammy Wheeler

Besides key personnel, EDS is proposing additional leadership personnel whose participation will help guide the DDI to a successful conclusion. These personnel include the following North Carolina veterans and interChange specialists:

- Senior Systems Architect Scott Lowry
- Senior Technical Analyst and SME for HIPAA Stacey Barber
- Database Administrator (DBA) Terry Hensley
- Senior State Business Liaison Anthony Perkins
- Financial Services Manager Jamie Herubin

Resumes for Key and Other DDI Personnel

The following table, DDI Personnel Experience Summaries, describes at a high level the experienced personnel EDS proposes to use during the DDI Phase. Detailed resumes of these EDS employees follow.

DDI Personnel Experience Summaries

Name and Role	Summary of Experience
Melissa Robinson Account Manager	• Has more than 14 years of experience in service delivery to North Carolina Medicaid • Has 16 years of experience in supervisory or management roles, including six years managing account sites • Managed many critical system and program enhancements, including the following: — Accounts Receivable/Interest and Penalties MMIS Changes implementation project — 1099/Other Related Required MMIS Tax System Changes implementation project — POS Pharmacy/Retro-DUR implementation project — ITME Multi-Payer implementation (the financial MMIS components portion) • Demonstrated ongoing commitment to improve services in North Carolina, first as the financial supervisor and then as manager for financial, pharmacy, drug rebate, managed care, Health Check, and buy-in and currently as deputy overseeing all operational units: Provider Services, Prior Approval, Finance, Pharmacy and Drug Rebate, Electronic Claims Submission and Mailroom, and Medical Policy (inclusive of adjustments and file maintenance)
Dean Taunton Implementation Manager	• Is Project Management Professional (PMP)—certified • Has systems leadership experience that helped implement a reliable technical solution for North Carolina Medicaid • Has five years of North Carolina MMIS experience • Has four years of interChange design, development, and implementation experience • Has more than 25 years of leadership and project management expertise • Consistently provides service excellence throughout the DDI of system improvements—improvements that have translated to economic savings, enhanced user functions, and performance optimization

Name and Role	Summary of Experience
Tammy Wheeler Operations and Claims Processing Manager	• Has more than 25 years of experience with North Carolina Medicaid Program • Has 28 years of large-scale claims processing experience, most with North Carolina • Has 11 years of progressively responsible supervisory and management experience • Is experienced with or has knowledge of all aspects of claims processing for North Carolina Medicaid
Scott Lowry Senior Systems Architect	• Has leadership, project management, and systems experience with interChange implementations that will help deliver a responsive MMIS • Has five years of MMIS subsystem experience in Kentucky and Kansas • Has more than 20 years of experience working with software development teams to build architectures that efficiently deliver technology solutions • Implemented interChange in Kentucky with 13 standard MMIS subsystems
Stacey Barber Senior Technical Analyst/SME for HIPAA	• Has in-depth HIPAA and North Carolina Medicaid experience that will help the State get more policy out of its technology • Has 12 years of experience designing complex MMIS solutions, including nearly 10 years of in-depth knowledge of HIPAA Administrative Simplification • Provides HIPAA expert-level advice, planning, and recommendations about the effects of HIPAA changes as federal changes are initiated. • Provides detailed input to the State and EDS about the effect of HIPAA initiatives on current and future general system and technical design components and requirements
Terry Hensley Database Administrator	• Has more than eight years of experience in creating and maintaining databases • Has 17 years of technical North Carolina MMIS experience • Has more than 21 years of systems engineering experience that the State has come to rely on • Is actively involved in creating and maintaining database schemas and scripts to yield better response times and streamline workloads • Employs techniques to improve the queries to subsecond response times • Is involved in screen conversion and developed utilities to improve the productivity of the Browser team • Has worked on many aspects of the current MMIS, including input conversion, edits, audits, DB2, remittance advice, and financial reporting • Is familiar with the different divisions at the State, as well as most of the jobs and programs in the MMIS
Anthony Perkins Senior State Business Liaison	• Has five years of experience with MMIS analysis, programming, and operations with the North Carolina Medicaid Program • Developed knowledge of the MMIS hierarchy of edits and audits in the Medicaid claims processing system to assist in claims payment resolution and maintain system accuracy according to North Carolina clinical policy

Name and Role	Summary of Experience
	• As a business analyst for the North Carolina account, monitors, maintains, and implements policy initiatives focused on mental health and substance abuse reform • Is experienced in requirements gathering, impact and gap analysis, creation of SLC documentation, and project cost estimation
Jamie Herubin Financial Services Manager	• Has seven years of business analysis and financial operations experience in support of federal and state technology systems. • Currently serves as the IPRS operations manager, supervising the work performed in every area of the IPRS Operations Department, including Adjustments, File Maintenance, Provider Services, ECS, and Security, to provide exceptional support to DMH and the local management entities (LMEs)

Resumes for this leadership team follow.

Melissa Robinson

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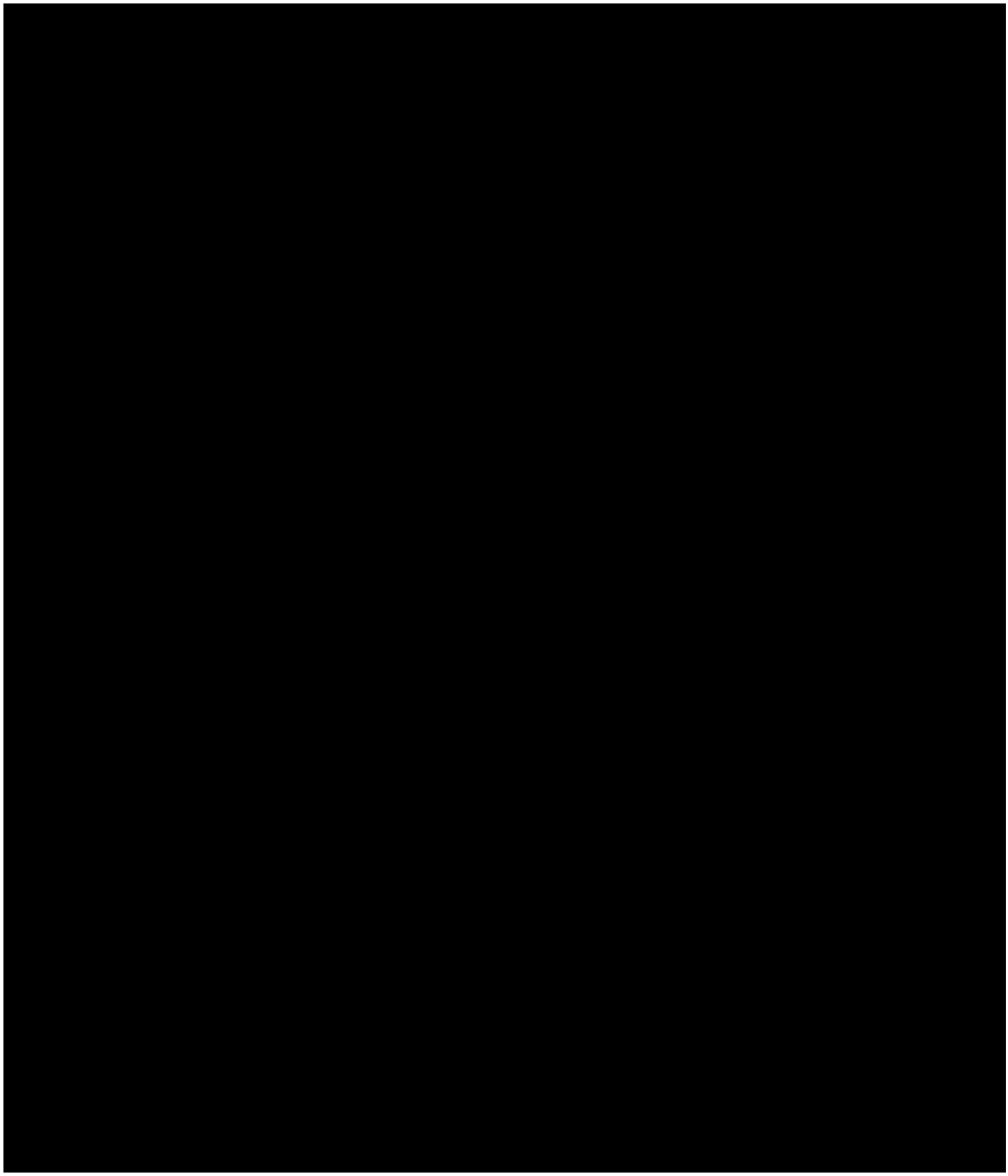

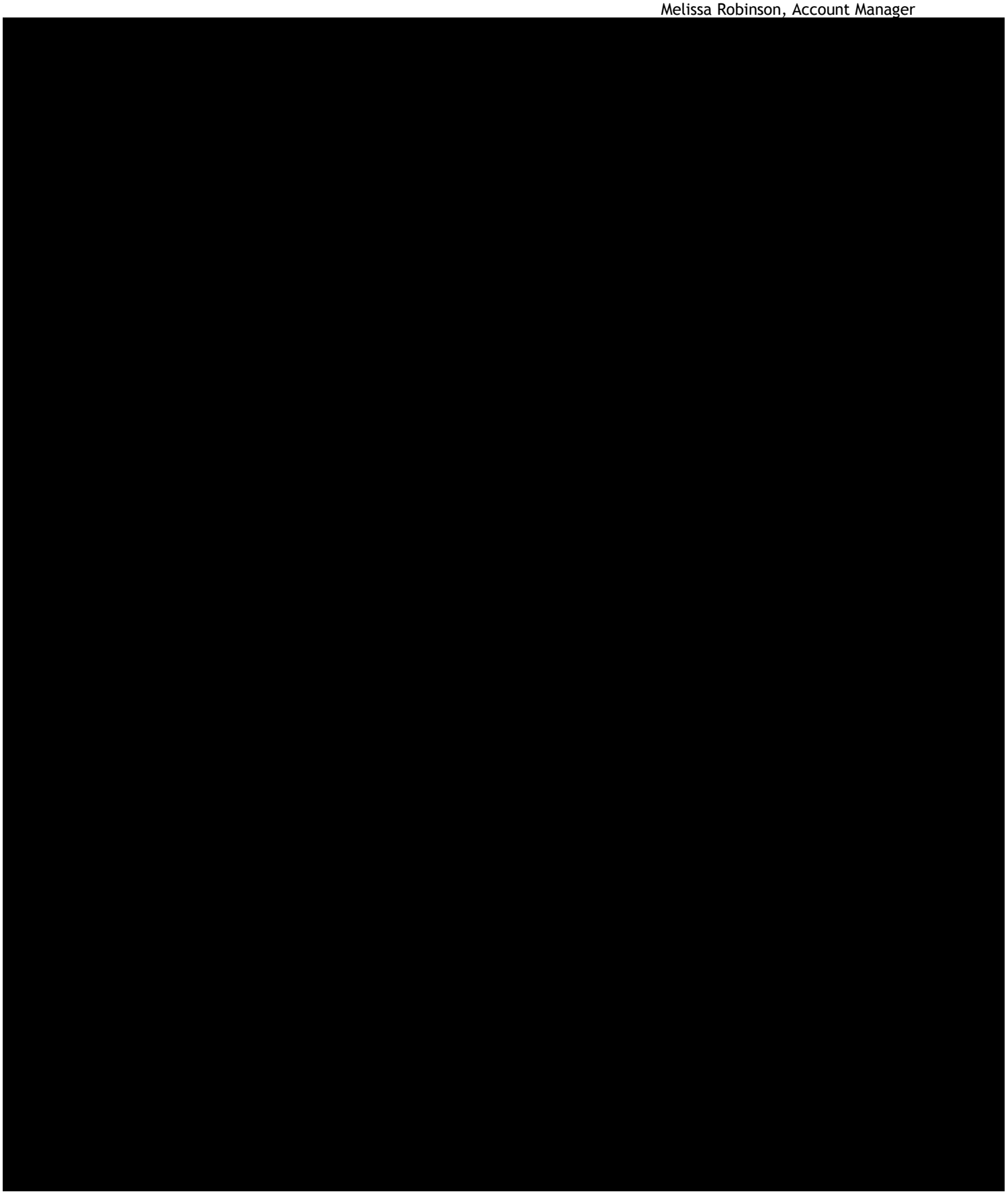

Dean Taunton

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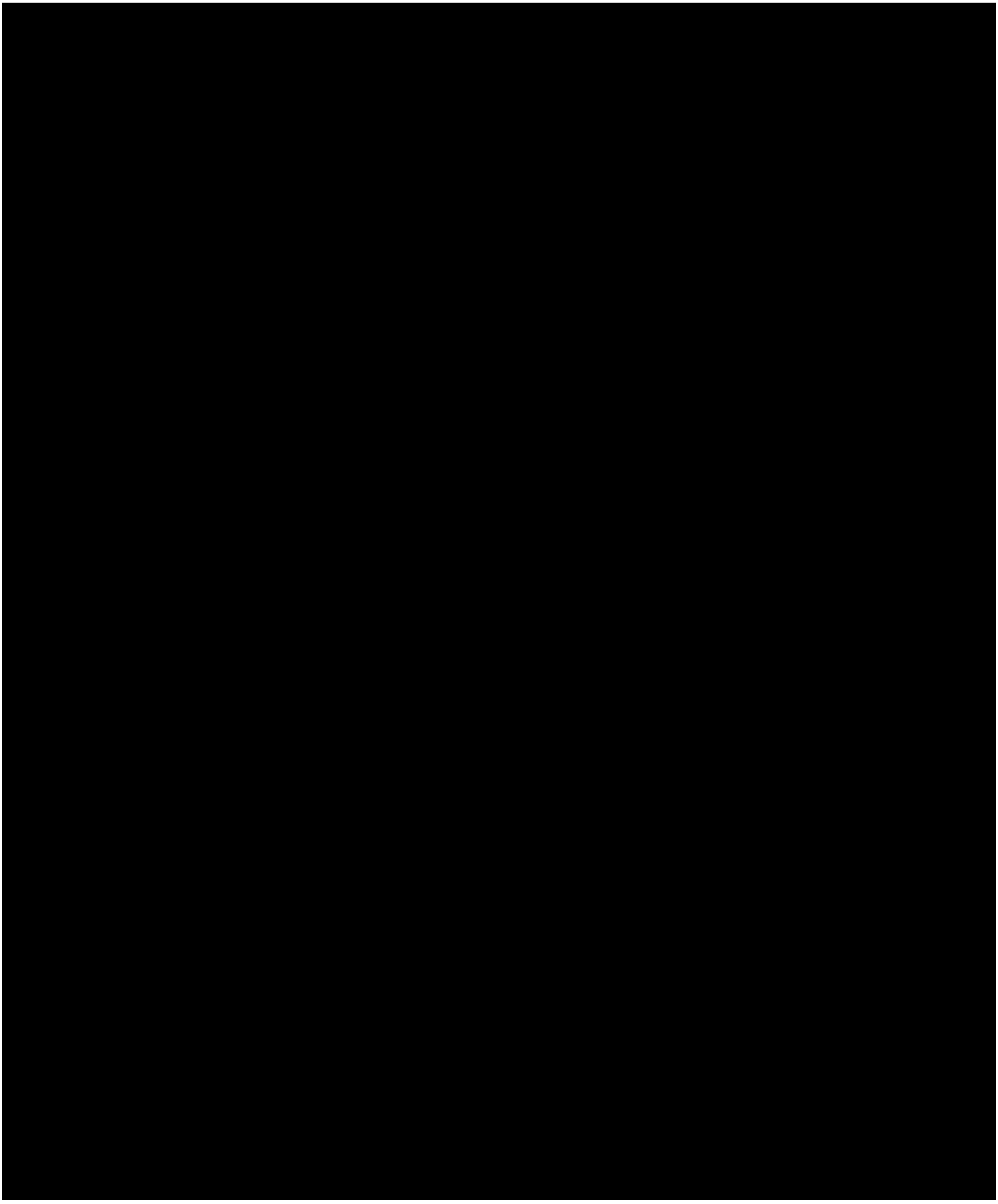

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Tammy Wheeler

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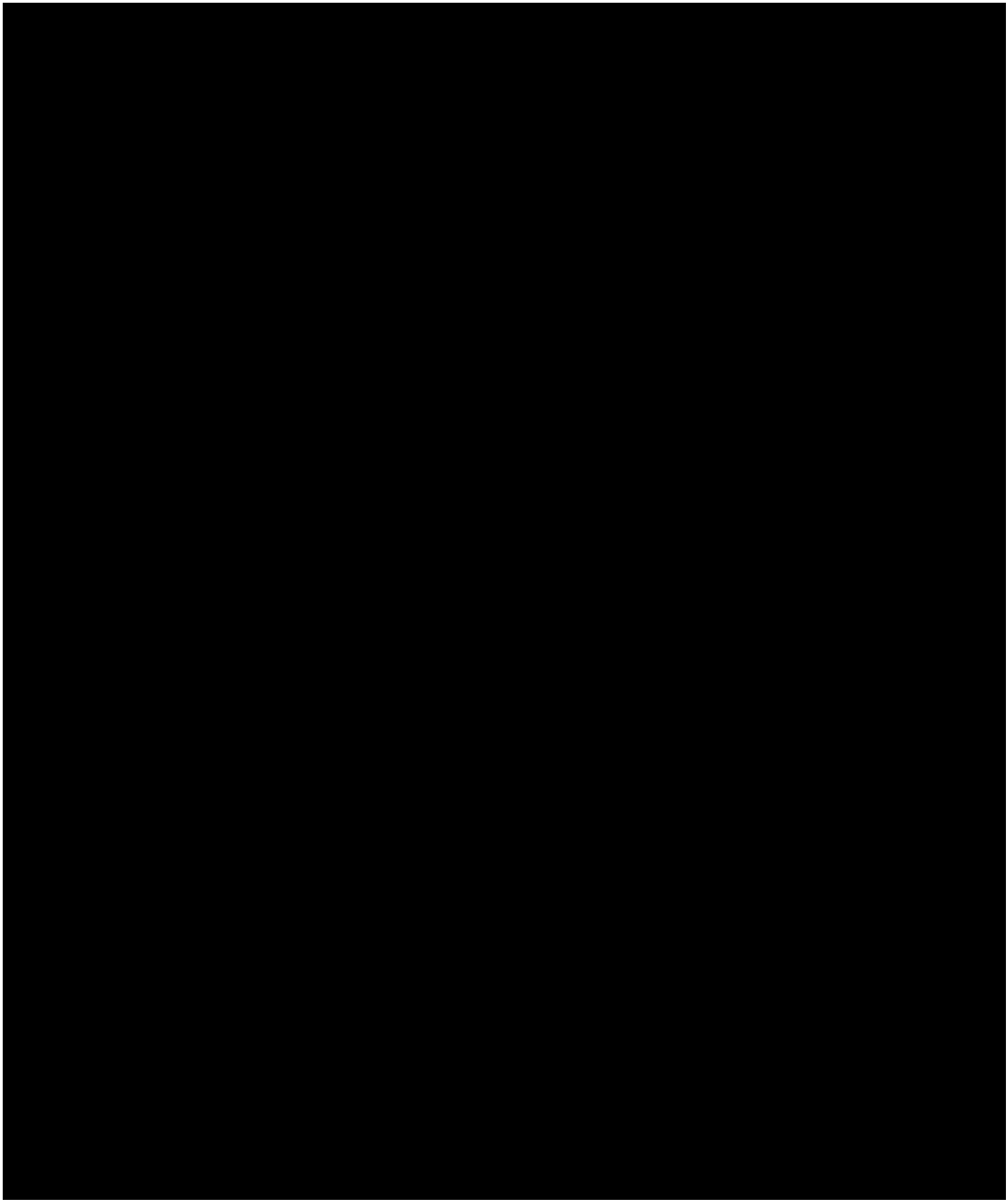

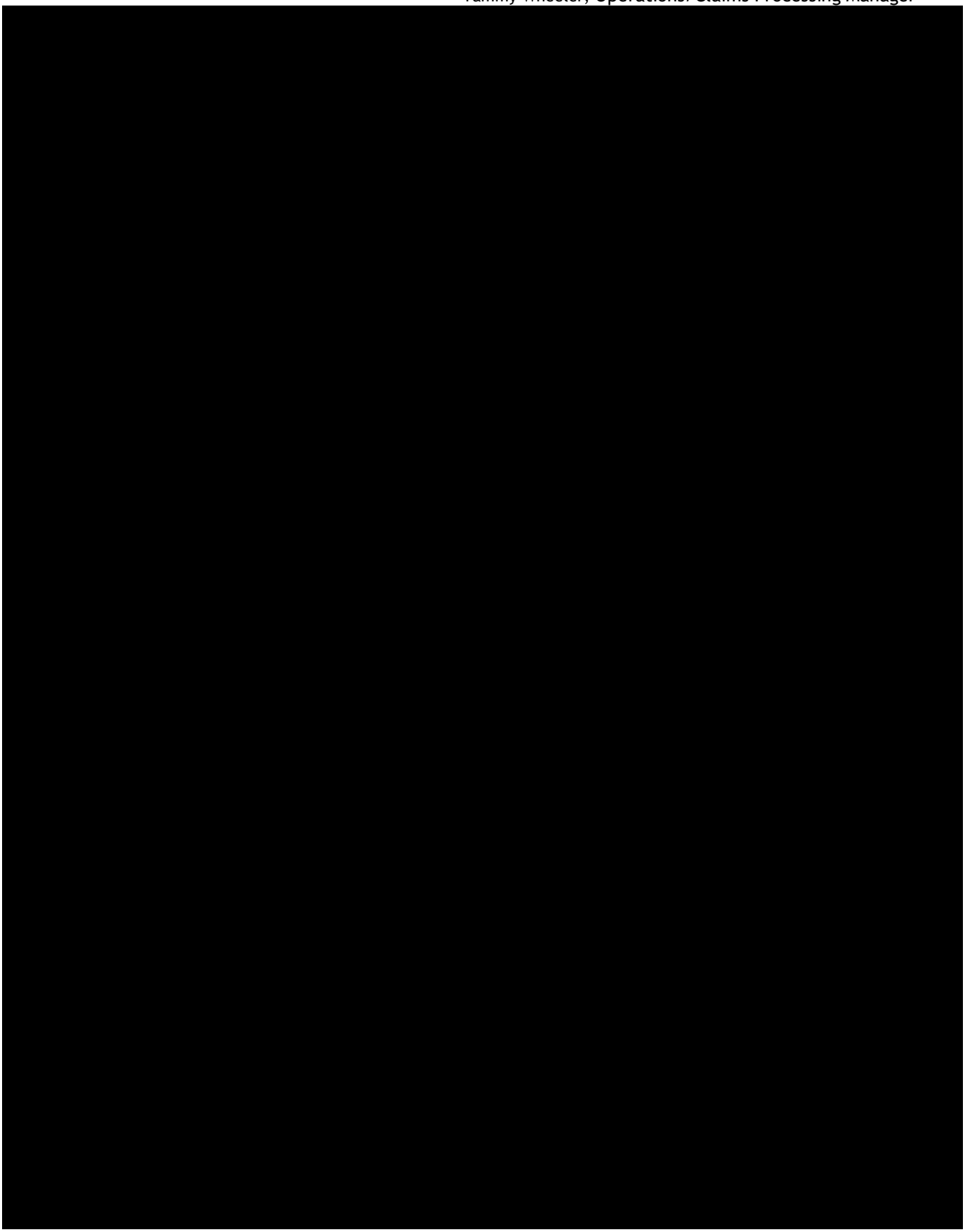

Scott Lowry

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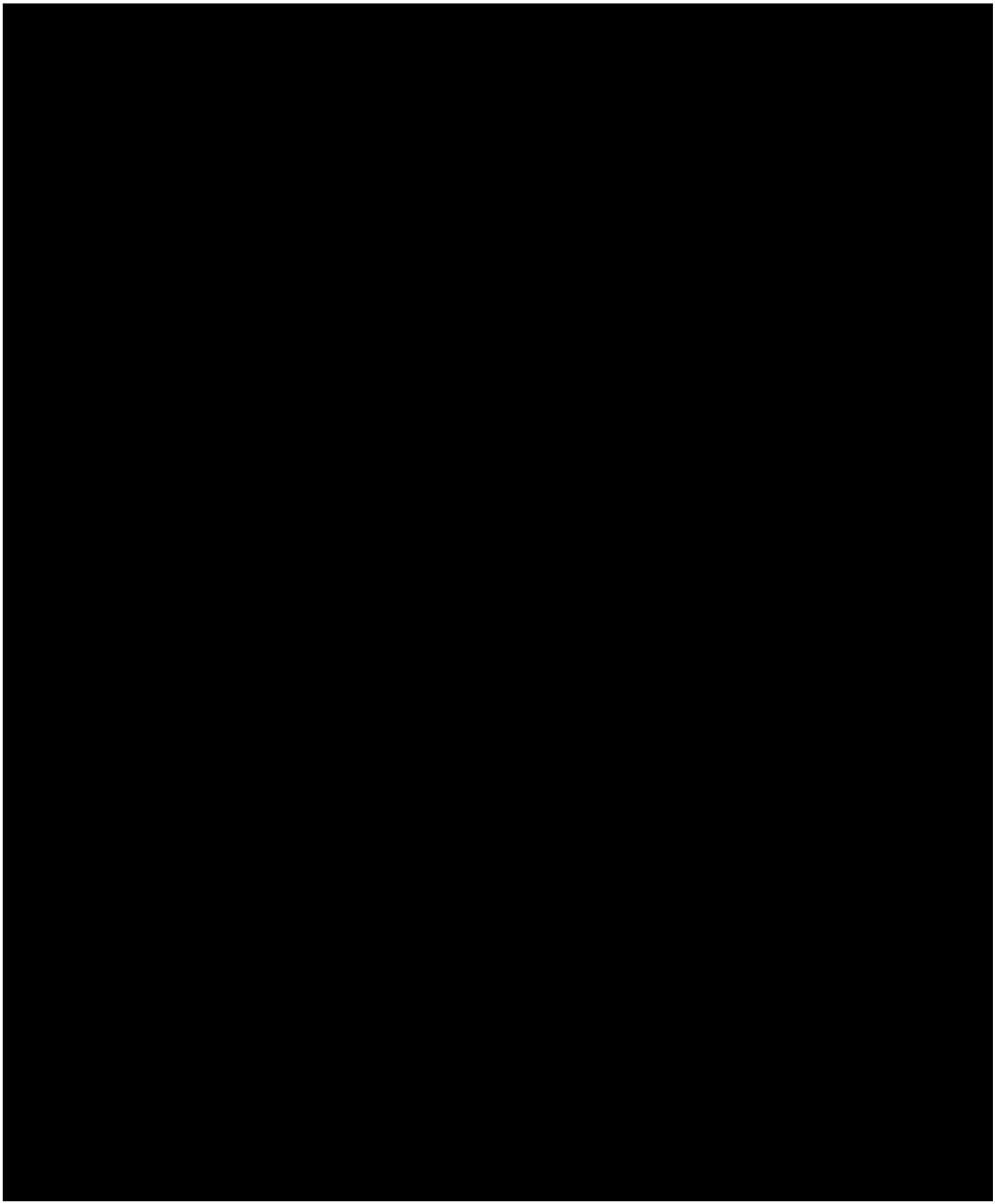

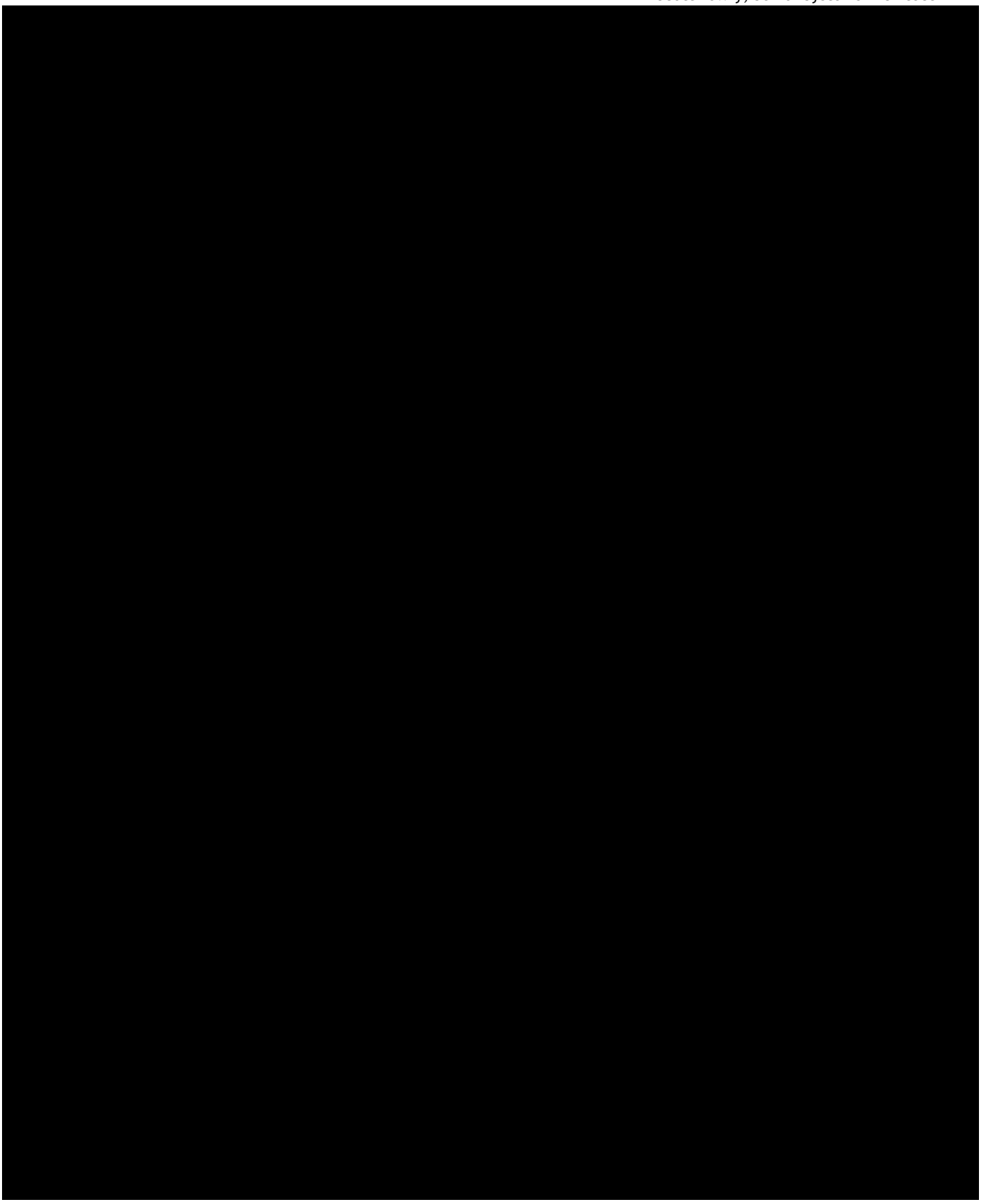

Stacey Barber

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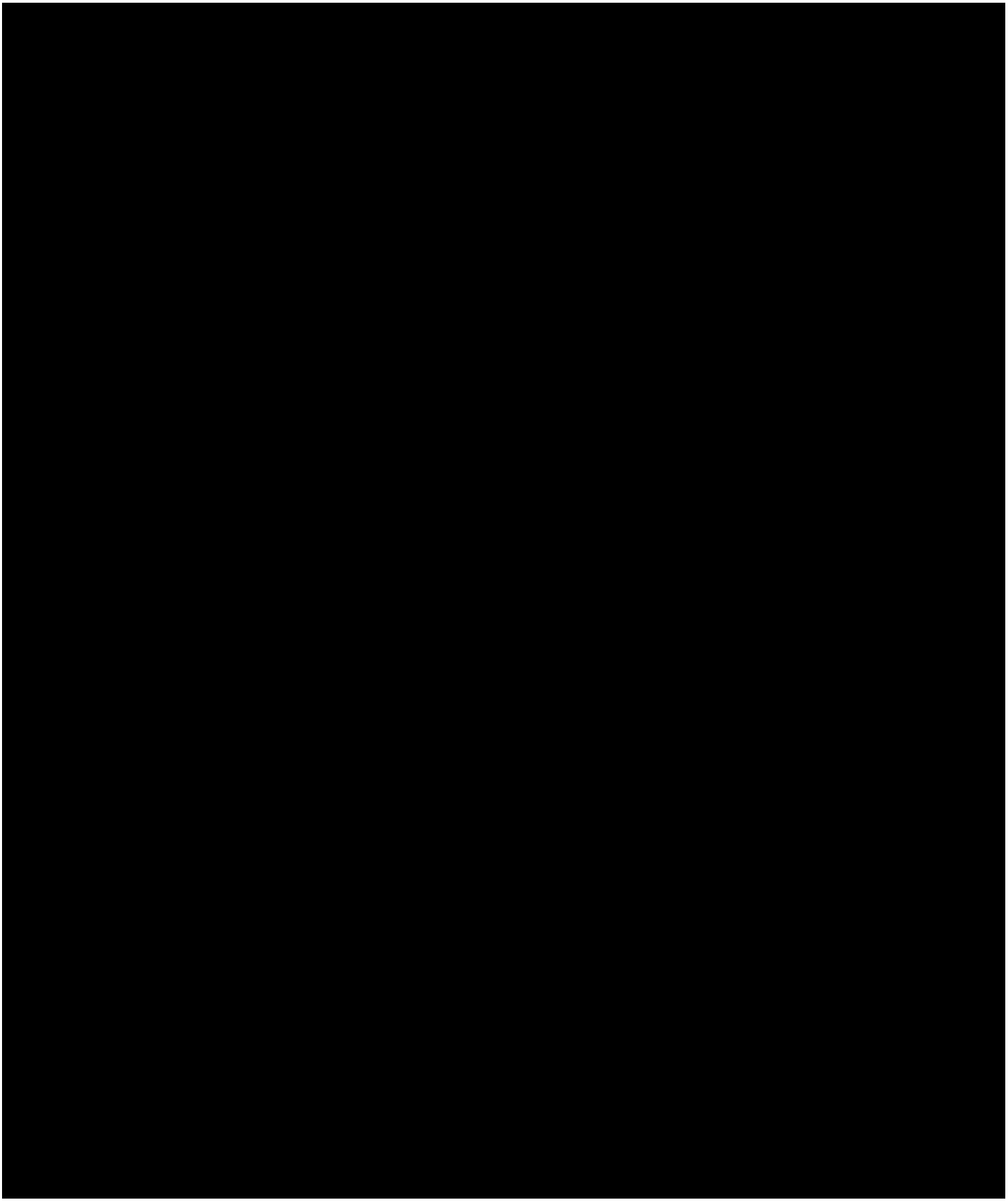

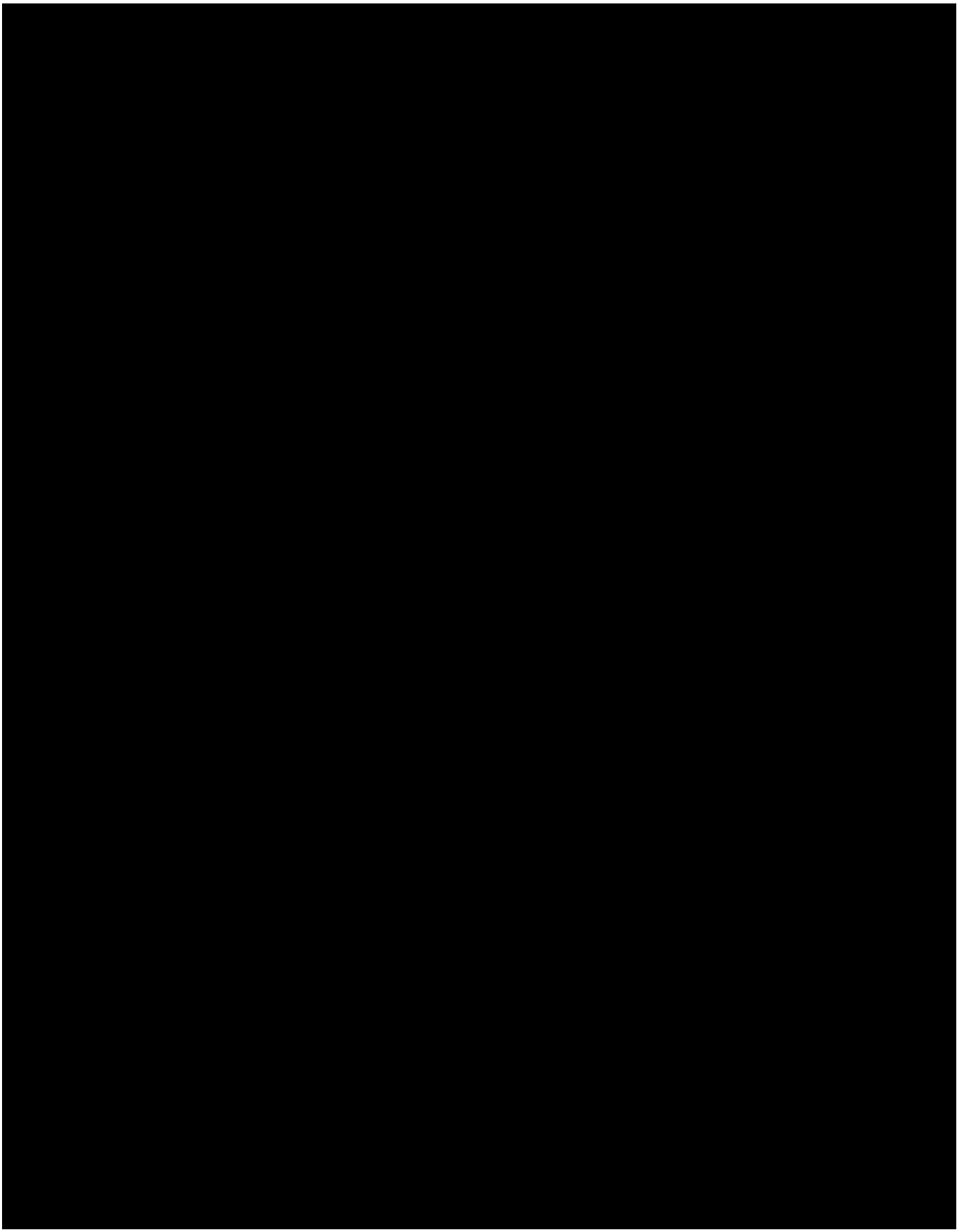

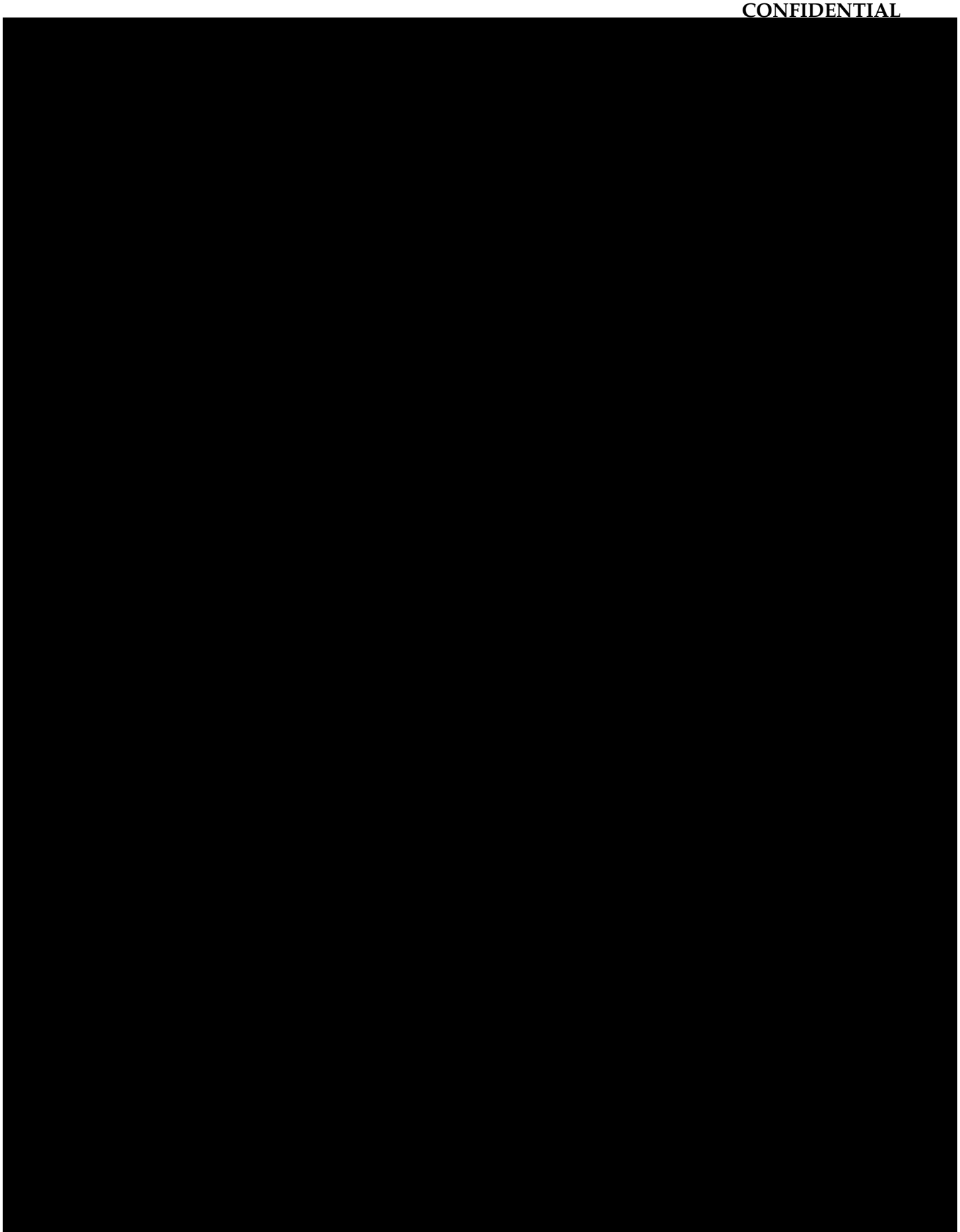

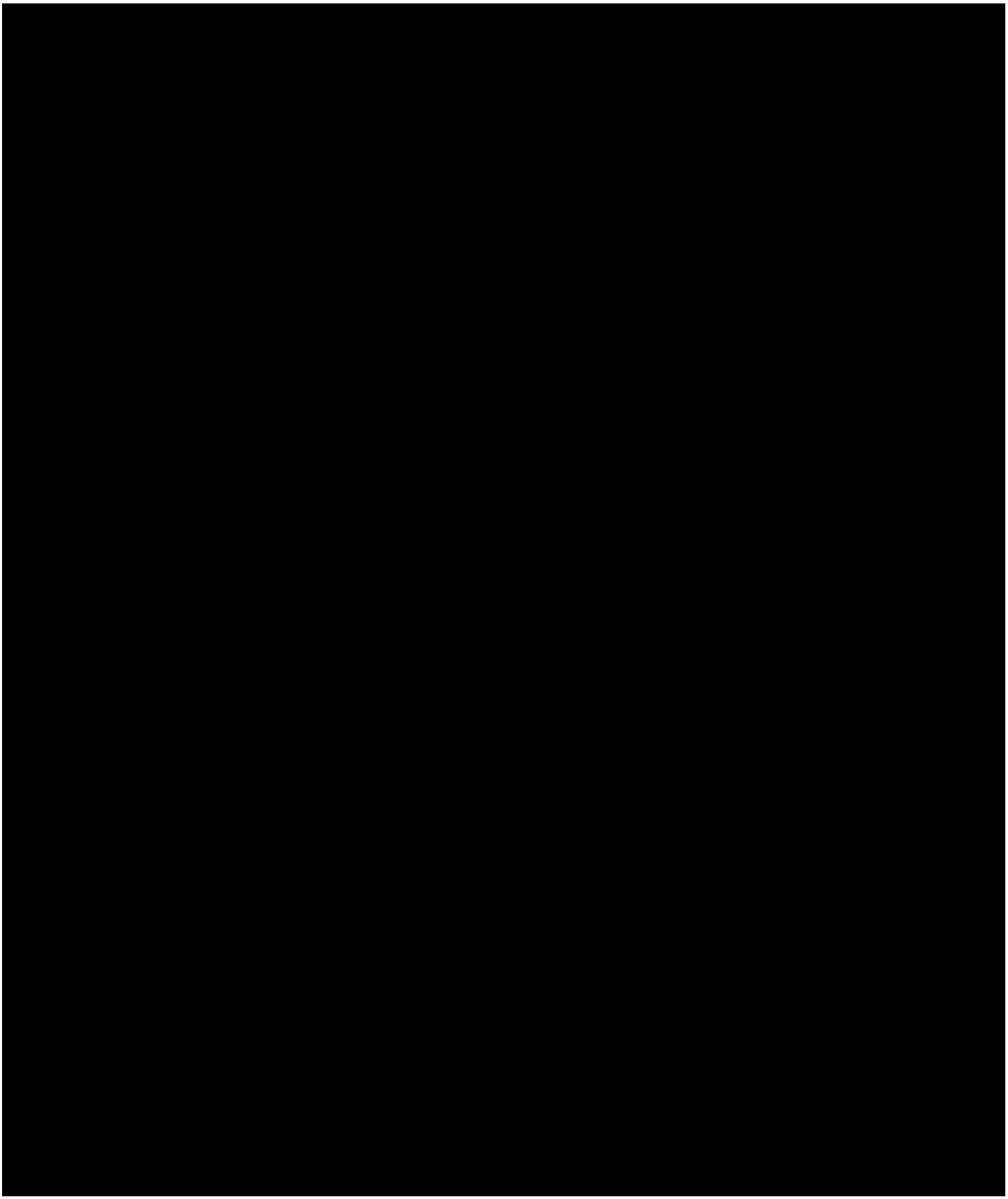

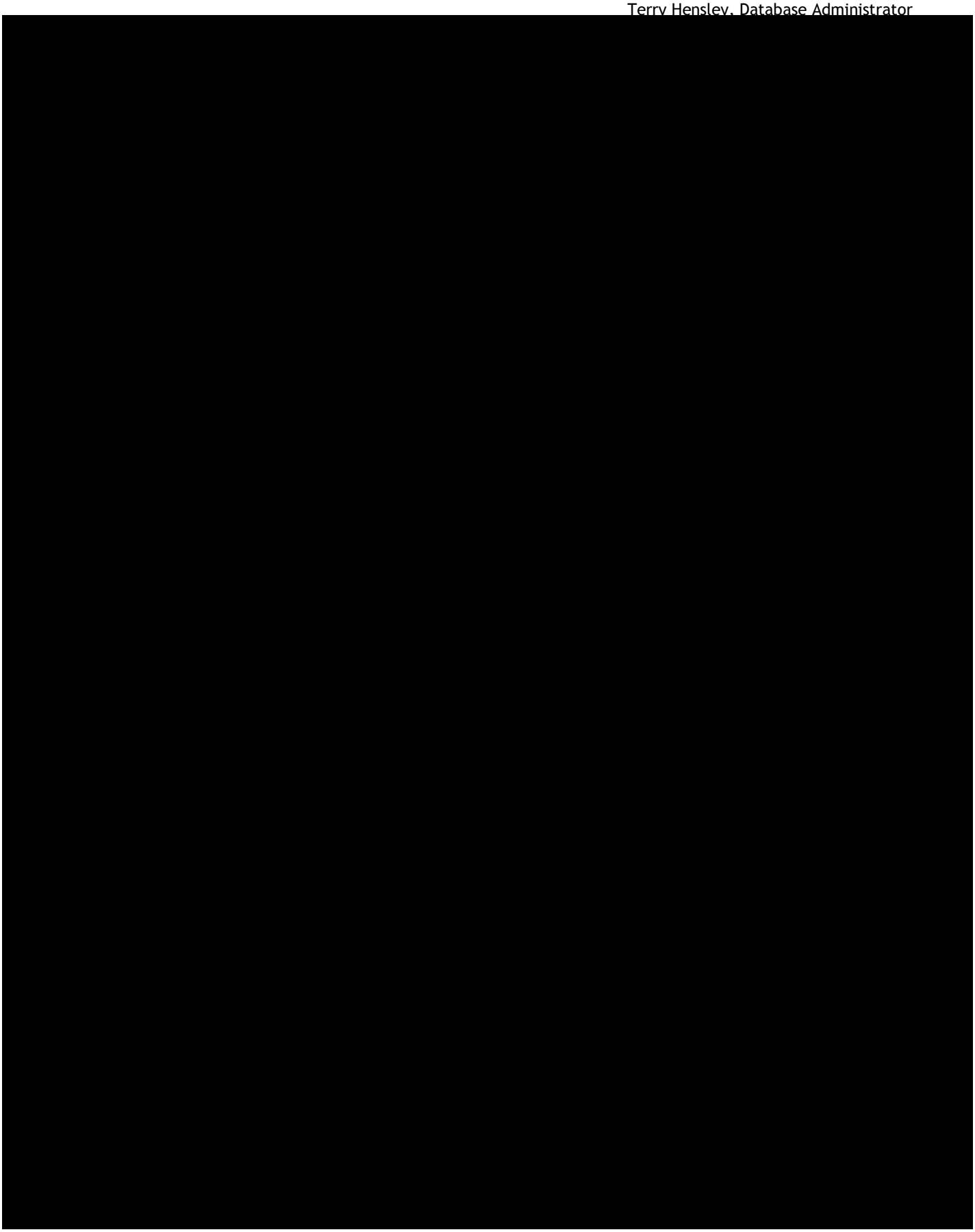

Anthony D. Perkins

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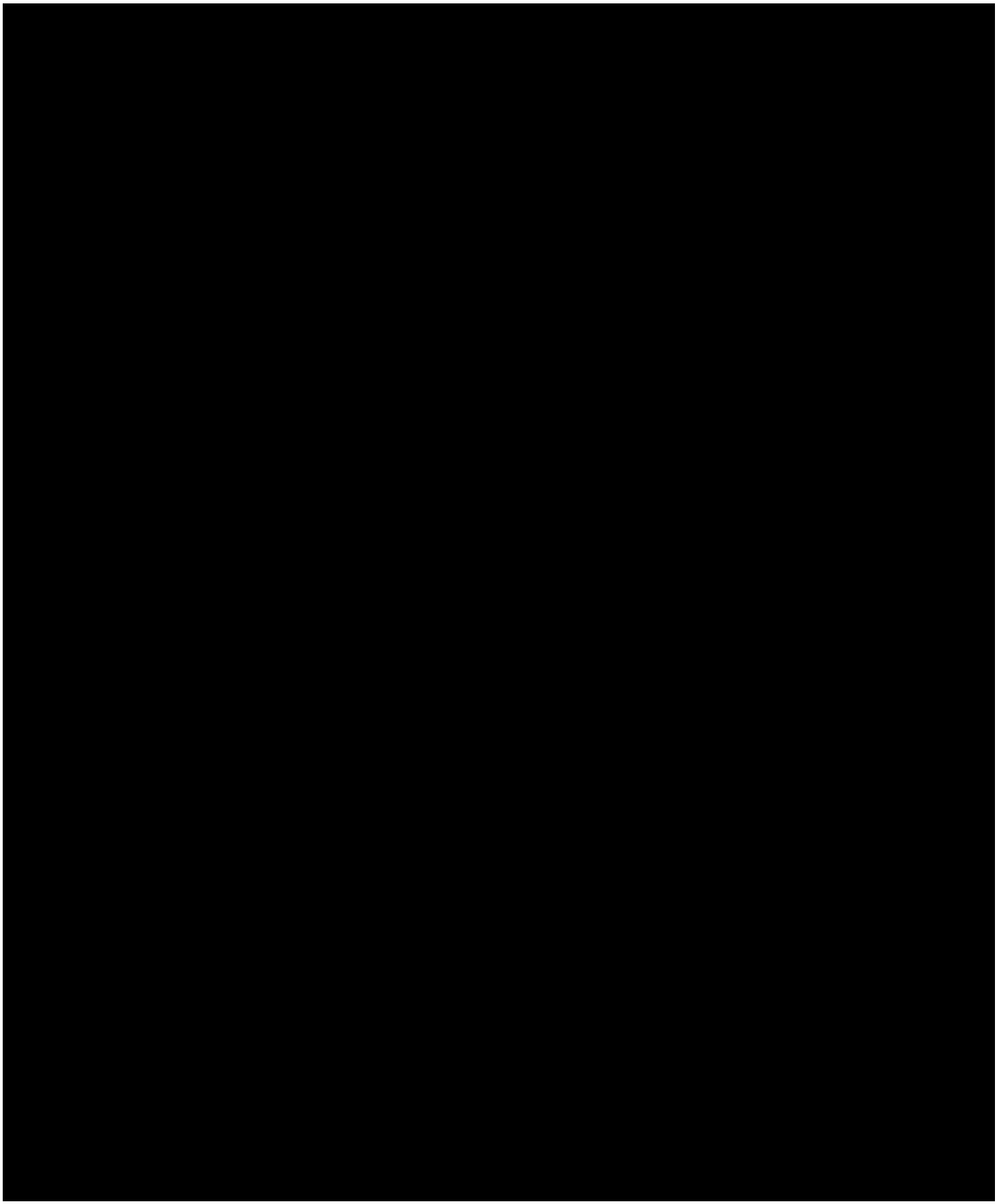

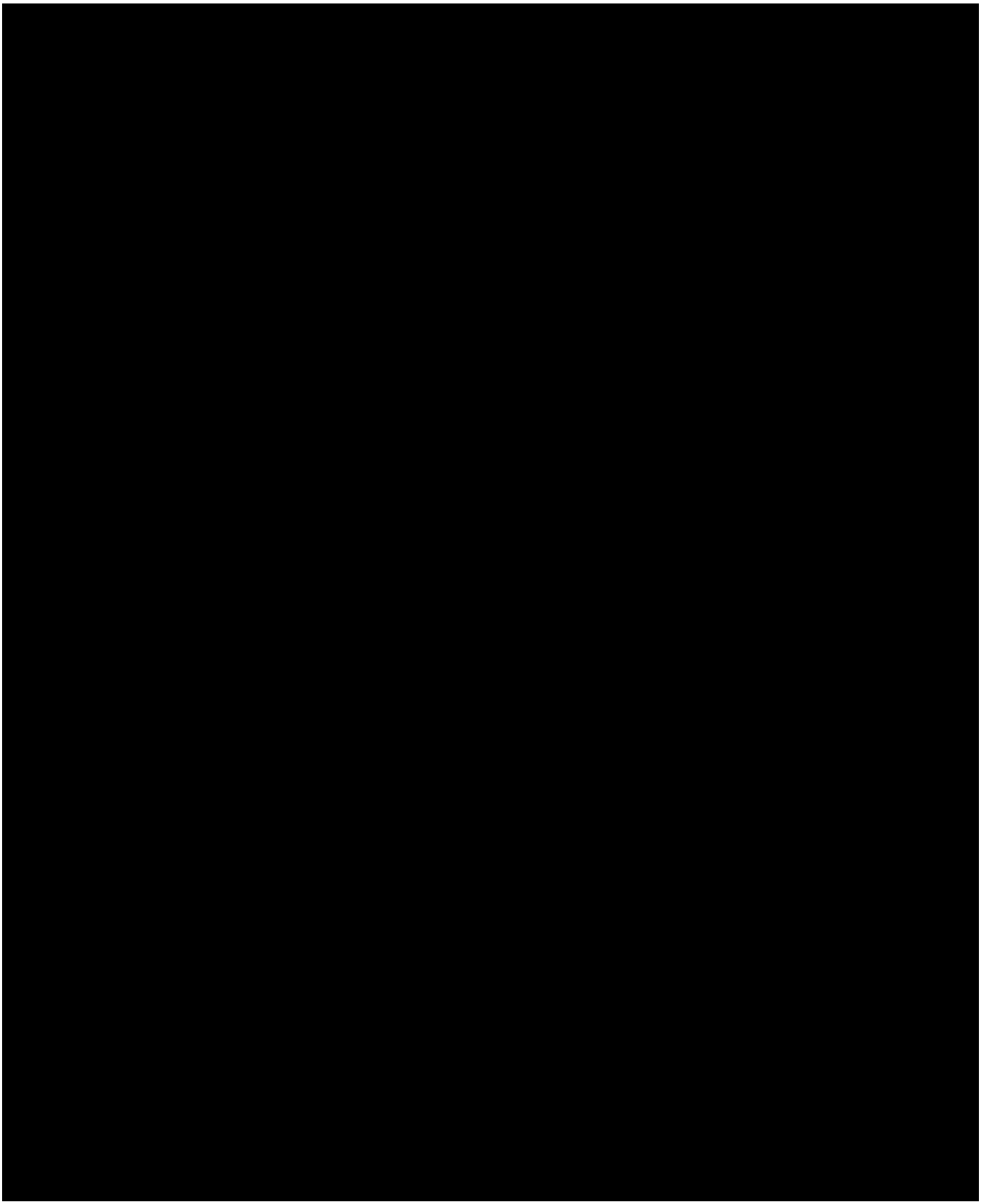

Jamie Herubin

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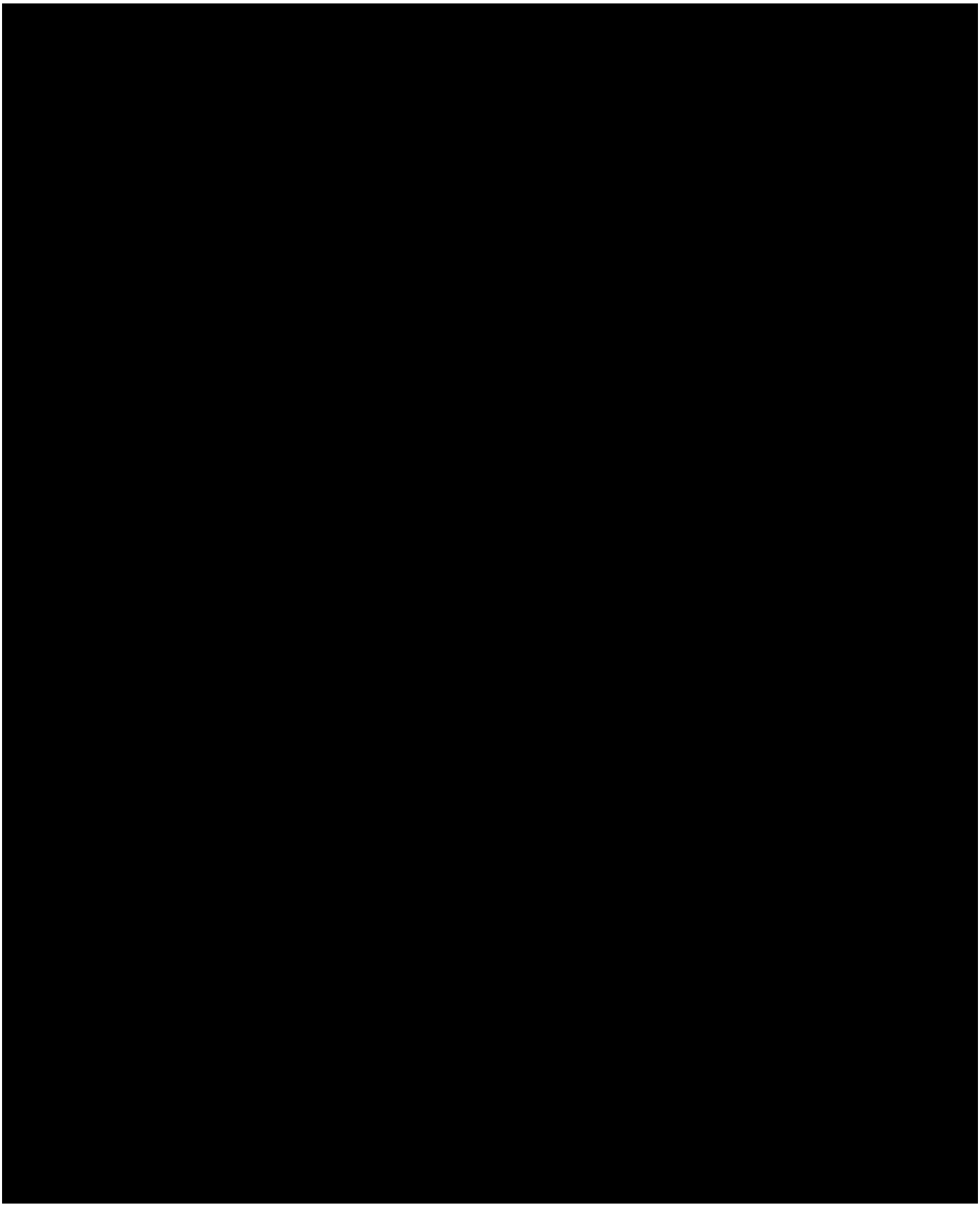
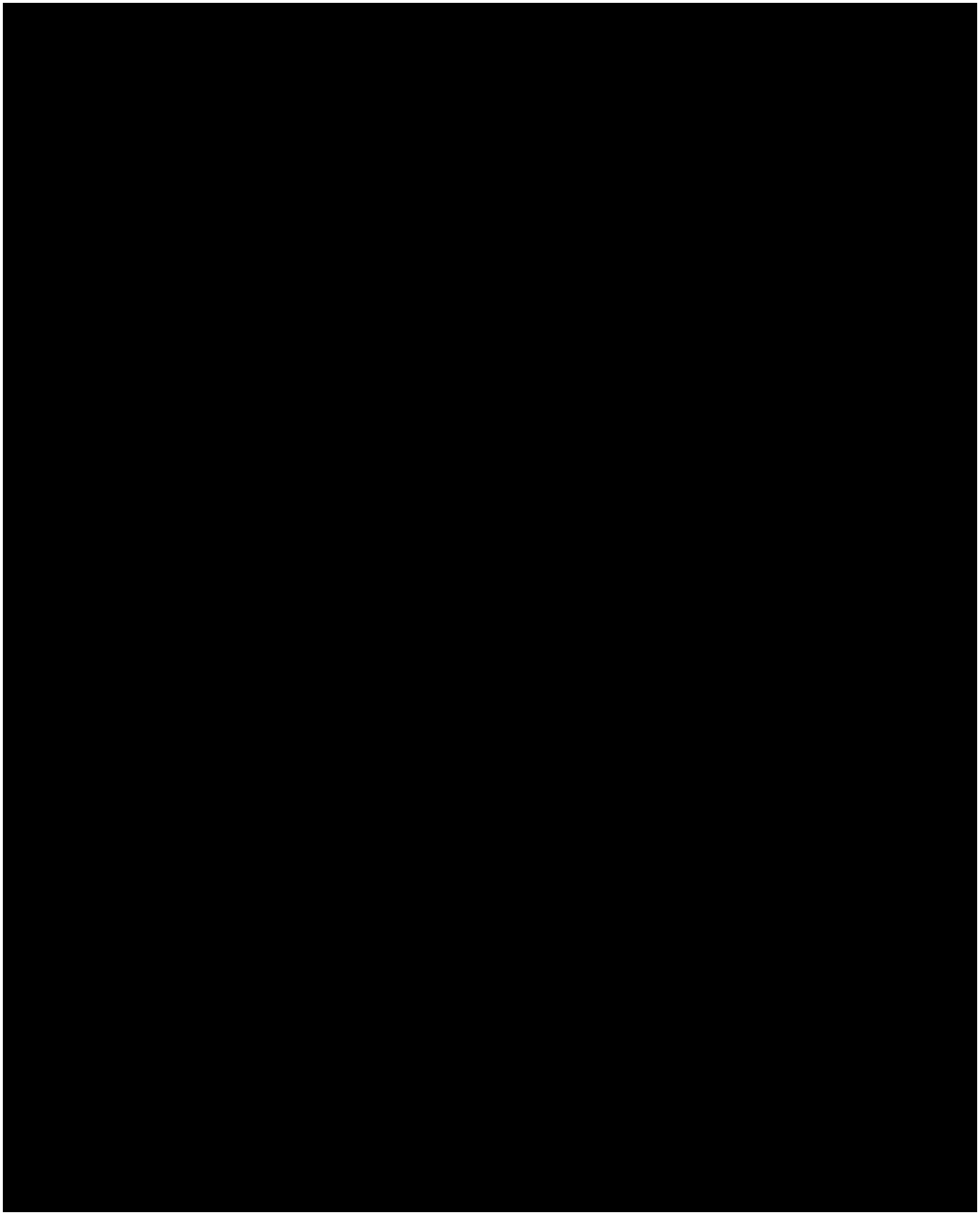




DDI Organizational Chart

The key and other leadership personnel previously named will lead a DDI organization of more than 190 at peak periods. The DDI Organizational Chart shows how this staff is organized to focus the right numbers and types of personnel on each phase of the DDI. This organization is the foundation on which the DDI Phase will be successfully completed. Milestones are met and errors are minimized through a structure that promotes reliable development, rapid issue identification and mitigation, and efficient use of resources.

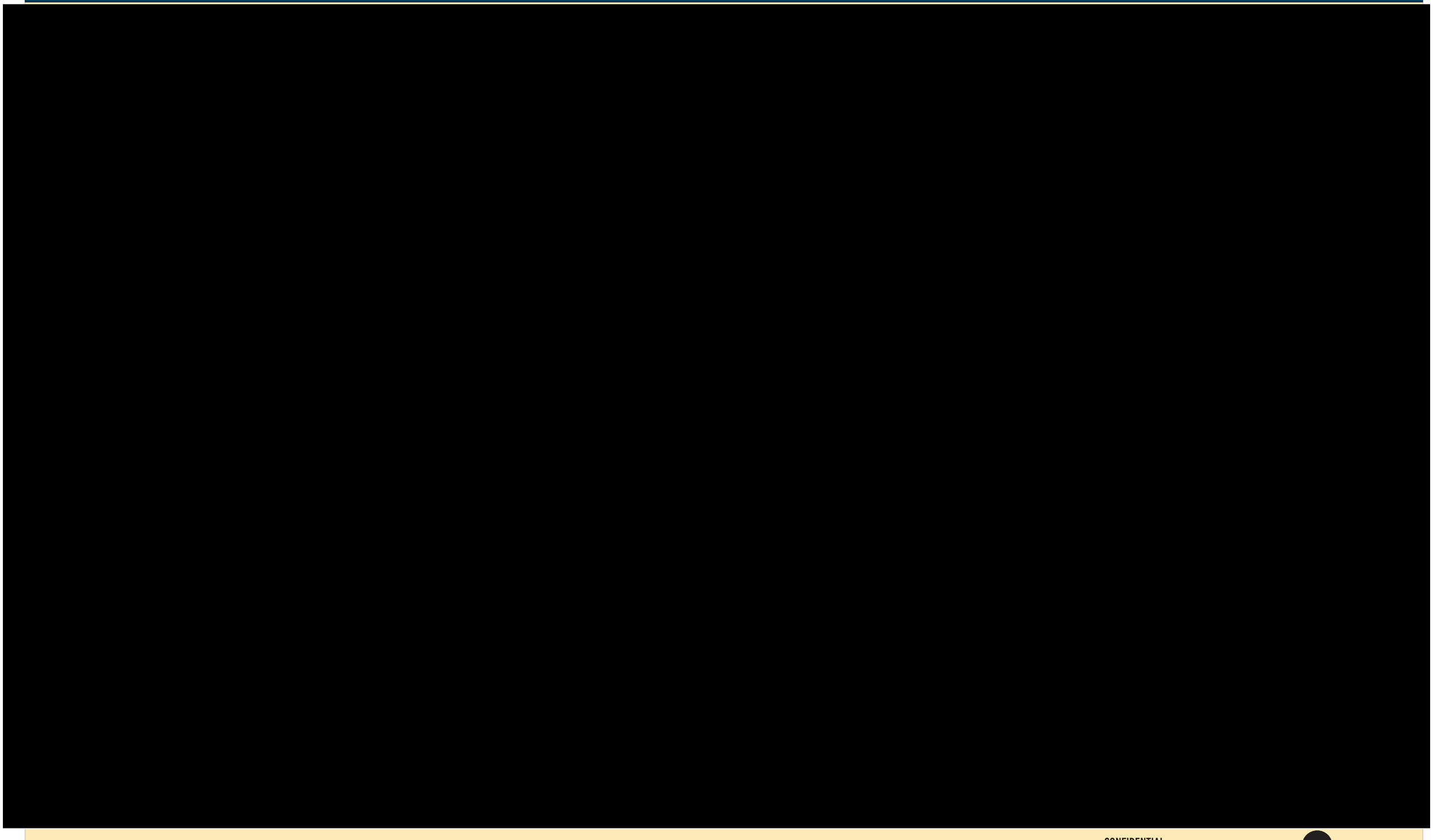
On commencement of the DDI Phase for the Replacement MMIS, EDS will have implemented its core proposed solution in 12 other states. This experience places EDS in a unique position to propose an experienced, successful organization, coupled with our current team of experts in supporting the State. Our intimate knowledge of the demands and intricacies of such a large-scale project will be used to achieve the State's DDI goals.

The exhibit following this page, EDS DDI Organizational Chart, represents a staffing structure that allows for efficient and effective management of the DDI effort, from an enterprise and a subsystem level. Related subsystem components are grouped together under functional project managers. This will allow for optimal resource utilization and open dissemination of knowledge and skills among like areas. The result is an organization that will facilitate clear lines of communication, promote efficient development processes, and reduce the risk of defects.

It also is important to note that, after the successful implementation of the Replacement MMIS, EDS will carry over as many resources as possible to support the Operations Phase of the Replacement MMIS. This will provide an added measure of stability for the State.

Position descriptions for each position on the DDI Organizational Chart can be found at the end of this 50.2.5.4.1 Staffing Approach—DDI section.

EDS DDI Phase Organization



Denotes required positions in Appendix 50, Attachment I

* Operations teams indicated here under the Deputy Account Manager ramp up throughout the replacement phase and the roles in each organization are indicated on the operations chart.

Description of DDI Organization

As noted previously, EDS has developed its DDI organization to maximize performance and facilitate quality delivery of Replacement MMIS DDI tasks. Each branch on the organizational chart has been designed to generate efficiencies in development processes and reduce the risks associated with a project as complex as the DDI Phase for a Replacement MMIS. In the following table, DDI Tasks and Responsibilities, we provide an overview of the major tasks and responsibilities of each of the DDI organization's branches.

DDI Tasks and Responsibilities

Organizational Branch	Tasks/Responsibilities
Project Management Office (PMO)	• Provides overall project management oversight and guidance to DDI efforts • Performs quality control tasks to promote adherence to applicable time lines, regulations, and performance standards • Establishes systematic and organizational means to comply with HIPAA privacy and security requirements • Monitors compliance regularly
Conversion Team	• Manages data conversion efforts from required sources and verifies successful data transfer to the Replacement MMIS
General Requirements Team	• Installs and maintains systemwide features used by each subsystem
Global Testing Organization (GTO)	• Develops and executes comprehensive test plans for system components • Manages time lines and communication channels to make sure issues are readily identified and corrected and that testing milestones are met
Technical Infrastructure Team	• Installs and maintains the technical infrastructure that supports DDI efforts
Electronic Data Interchange (EDI)/ Internet/Electronic Document Management System (EDMS)/ Workflow Integration	• Designs, develops, and implements subsystem components and processes surrounding EDI, Web portal, electronic document management, and workflow integration
BIAR/MAR/MMIS Ad Hoc/Performance Management	• Designs, develops, and implements system reporting functions
Drug Rebate/Pharmacy/PBM	• Designs, develops, and implements subsystem components and processes surrounding drug rebate, pharmacy, and pharmacy benefits management
Claims/Financial/Reference/Benefit Administration/TPL	• Designs, develops, and implements subsystem components and processes surrounding claims, financial management, reference, and benefit administration
Recipient Buy-in/Provider/Managed Care/Health Check/Prior Approval	• Designs, develops, and implements subsystem components and processes surrounding recipient, provider, managed care, buy-in, and prior approval (PA)

Staffing Approach for DDI

Successfully completing the tasks and achieving the milestones of the DDI Phase within the time frame established in the work plan requires the correct numbers and mix of personnel. That is to say: the DDI Phase must be correctly staffed to complete it accurately and on time.

The EDS proposal team, guided by Account Manager Melissa Robinson, started with a careful analysis of the RFP and its many functional capability and service level requirements. This team then performed a gap analysis to judge the level of effort required to install the baseline interChange MMIS and meet the RFP requirements. To complete the gap analysis, the Technical Design team spent approximately six weeks examining each detail line by line to determine if our core product met each requirement, met it through modification, or required new development—then developing our solution.

The contents of the Procurement Library provided a major input to the analysis tasks. Data from the library provided an objective basis for estimating volumes and other service levels.

The proposal team, along with several members of other successful EDS state MMIS implementations, applied its collective experience in staffing and managing similar tasks for other Medicaid projects to analyzing the RFP, the results of the gap analysis, and the data from the Bidders Library. The team studied the scope of work as defined in the RFP, calculated the durations through the work plan, and applied its experience to the solution. We are confident that the organization and numbers that we identify for the DDI Phase is the right staffing plan to complete the tasks of the phase successfully.

The DDI Phase team will be responsible for design, construction, and testing activities. Using a proven process and project management approach, they will execute the activities required to complete the technical aspects of the implementation.

EDS' Recruiting Process

Our North Carolina Staffing and Recruiting team will find the best people for this project from the following sources:

- **Key staff—**The key staff members identified in this proposal have been involved in developing our proposed solution for North Carolina, and they will be ready to assume their official responsibilities after contract signing or as designated in our project work plan.
- **Shared solution center staff—**EDS' national network of shared solution centers is fully staffed to support existing clients and has the resources readily available to participate in the Replacement MMIS project. As

necessary and according to the final project work plan, resources will be assigned to work on specific components of the proposed solution.

- **Legacy MMIS+ staff—**To protect the State's investment in current personnel and support a smooth transition from the Legacy MMIS+ contract to the Replacement MMIS, EDS will develop a transition plan with approaches for training current staff on Replacement MMIS operations and for a gradual transfer of personnel to the new contract, using temporary staff to fill positions and provide service under the legacy fiscal agent contract. We will make sure that any such transitions do not harm the level of service provided under the legacy fiscal agent contract. The transition will be timely and smooth for the State and its providers.
- **Newly hired staff—**If EDS is unable to procure the necessary support using our experienced staff, we will rely on our extensive recruitment and hiring capabilities. Our recruiting efforts include regional experts who can be used to quickly hire staff experienced in almost any technology or discipline required by the project team.
- **Contractors and temporary employees—**EDS has a relationship with several agencies; leaders work with the agencies to identify qualified candidates who are available immediately to fill open positions. The leadership team for DDI is familiar with these agencies and processes, which will allow us to fill positions quickly and observe the employees' performance and ability to work as team players to meet goals before hiring them as permanent employees.

The results of this work can be seen in the DDI organizational chart. The most important result, however, is the level of success provided by the accurate assignment of personnel to this phase.

Getting Ready for First Day of Operations

We will preserve the body of North Carolina program understanding by transferring current staff to the Replacement MMIS operations during the final months of the DDI Phase. However, current staff members familiar with Legacy MMIS+ operations will need substantial training on the new system's operations to get the full benefit from its many advanced features.

The training program will include the following tasks:

- Early training will prepare legacy staff to perform system testing. Each functional area of the current contract will identify employees to receive early training. These selected personnel will then support the testing for their functional areas so that each area has knowledgeable personnel by the first day of operations.
- Remaining staff will be trained in phases, as follows:

  - Everyone will be required to complete a computer-based training (CBT) course before any classroom training to learn the basics of terminology and approach.
  - Staff members must attend an overview class that covers navigation and elements common to all subsystems and shows basic searches in all subsystems.
  - There will be a class for each subsystem that covers "inquiry-only" and "add/update" functions.
  - Every unit will receive unit-specific training that covers the functions they will perform, including add/update processes.
  - Training staff will offer practice sessions with questions, allowing staff to get one-on-one training.
  - All units will have access to a training environment and "self-study" guides and practice exercises before the go-live date.
- Users will be required to complete subsystem self-study guides.
- Practice time and class attendance will be tracked and reported.

The hands-on training approach previously described uses multiple in-class exercises that will evaluate the training to make sure the participants are learning what they need to know to function in the new environment. After instruction on a function, participants will complete an in-class exercise to facilitate their comfort with the application. This is key because users who appear to be following well may have trouble when working through the steps alone.

The training for current staff will be goal-oriented, with the objective of providing an understanding of the Replacement MMIS and its many new features and tools needed by the staff to be fully functional in the new environment on the first day of operations.

Job Descriptions for Key and Other DDI Personnel

Our staffing solution uses corporate-approved descriptions for the positions identified in the organization chart because our DDI of interChange is a well-defined process with standardized positions across the enterprise. The position descriptions in this section provide further evidence that our proposed organization has the right blend of skills to support the many facets of a complex, multi-payer system solution. The positions and people listed in this section are among the many leaders that will facilitate a smooth implementation.

Account Manager

Melissa Robinson's primary responsibilities as the account manager for the DDI Phase comprise the following:

- Overseeing the transfer and implementation of the Replacement MMIS
- Serving as the point of responsibility and primary contact for the State
- Managing the performance of EDS' obligations under the contract
- Reporting progress on issues to the State
- Working with the State to resolve disputes related to contract performance
- Acquiring and maintaining the personnel required to fulfill contractual obligations
- Maintaining a contingency plan for adequate backup and recovery for vital operations
- Conducting weekly status meetings with leadership staff
- Attending State meetings, as requested
- Overseeing the development of performance standards and reports
- Reviewing weekly quality reports to assess current operations performance
- Reviewing corrective action plans as needed
- Establishing and communicating vision and goals to the project staff
- Performing administrative tasks necessary for smooth operation of the project team

Implementation Manager

Dean Taunton's primary responsibilities as the implementation manager for the DDI Phase comprise the following:

- Overseeing the implementation of the Replacement MMIS
- Advising the technical director or systems programming manager and account manager of capabilities and risks
- Working closely with the technical director or systems programming manager to communicate project status and issues and plan, schedule, and coordinate activities
- Analyzing needs and recommending appropriate planning concepts and tools used for planning, scheduling, and tracking projects

- Analyzing project progress and costs and facilitating the development of recommended alternatives
- Developing project control and reporting procedures
- Managing changes in the project work plan and developing contingency plans for identified barriers to time lines
- Attending requirements verification (RV) sessions for the Replacement MMIS
- Attending State meetings, as requested
- Coordinating status review meetings with staff
- Determining, monitoring, and reviewing project economics, including costs, operational budgets, and staffing
- Managing adherence to contract requirements and long-term State goals
- Establishing appropriate metrics for measuring key project criteria
- Planning, directing, and coordinating cross-functional team activities to manage and implement the project through to the final operational stage
- Working with the PMO regarding quality issues and problem tracking and resolution

Operations and Claims Processing Manager

Tammy Wheeler's primary responsibilities as the operations and claims processing manager for the DDI Phase comprise the following:

- Overseeing the operations unit and interacting with other EDS and State leadership team members to establish ongoing operations processes to support efficient claims adjudication
- Supporting requirements definition, testing, and implementation activities
- Having responsibility for developing processes and procedures for Replacement MMIS operations
- Working closely with the PMO to develop and implement performance standards, measurements for the standards, and quality review processes during the DDI Phase for usage during operations
- Establishing and maintaining the relationship with SunGard FormWorks for the continued OCR and data entry efforts
- Overseeing the hiring and transition of staff to support the implemented Replacement MMIS

Senior Technical Analyst and SME for HIPAA

Stacey Barber's primary responsibilities of the senior technical analyst and SME for HIPAA for the DDI Phase comprise the following:

- Providing guidance and expertise to the State to assist in maintaining compliance with federally mandated HIPAA regulations
- Serving as a liaison to the State and EDS operational units
- Reviewing and approving system modification activities that affect HIPAA compliance
- Validating that system requirements and system design components adhere to and accurately reflect HIPAA standards and regulations
- Participating in agreed-on HIPAA-related meetings, seminars, and conferences such as North Carolina Healthcare Information and Communications Alliance (NCHICA)
- Participating in standards-setting organizations, such as X12, to monitor the effect of standards changes to the State's HIPAA implementation and to assist in the development of future HIPAA standards
- Monitoring federal regulations for changes in HIPAA requirements and for new HIPAA requirements
- Working with other Medicaid clients to share ideas and approaches related to HIPAA and determine how these solutions can be used most appropriately for the benefit of the State
- Interfacing with trading partners in the interpretation of HIPAA requirements
- Coordinating the development and implementation of HIPAA-related modifications and enhancements to the Replacement MMIS
- Producing HIPAA-related function and design specifications
- Designing, coding, testing, implementing, and documenting HIPAA-related changes to the Replacement MMIS
- Consulting with the State and other stakeholders on the effect of HIPAA-related modifications and enhancements on the Replacement MMIS and existing business processes
- Participating in the development of test plans and test cases
- Participating in the review, research, and analysis of failed HIPAA-related test cases to determine the effect of claims processing functions within the Replacement MMIS

Database Administrator

Terry Hensley's primary responsibilities of the database administrator (DBA) for the DDI Phase comprise the following:

- Creating efficient database technical designs that meet the analysis and business design specifications, the performance and platform requirements, and DBA organizational standards
- Performing database installation and configuration
- Communicating database standards for database users
- Identifying and reviewing data elements and processes
- Identifying, analyzing, and documenting database system interfaces and database performance-related criteria
- Performing database maintenance and modifications
- Supporting and reviewing data dictionary usage

Implementation Solutions Architect

Scott Lowry's primary responsibilities of the implementations solutions architect for the DDI Phase comprise the following:

- Serving as the senior technical adviser for the most specialized phases of system analysis, design, development and implementation
- Supporting systems engineers in developing sound distribution strategies, considering total system requirements, advanced principles, theories, and concepts to develop plans, strategies, and tools to resolve issues
- Communicating technical alternatives and new technologies to management and recommending action
- Providing technical direction for the project team
- Directing the modifications to the base system to facilitate Replacement MMIS implementation and future implementations and major modifications
- Enforcing policies that maintain the integrity of the data model
- Serving as a technical expert during product presentations to the State
- Giving detailed assignment status to the project manager and technical lead
- Making decisions on the solution's technical aspects that impact implementation
- Coordinating technical direction between development teams

- Directing installation of implementation hardware and software for the new system
- Establishing and managing system environments
- Verifying compliance with technical requirements
- Leading the systemwide team
- Directing development security and systemwide documentation
- Establishing and monitoring system cycles and promotion processes
- Scheduling and conducting environment calls with the technical development teams
- Participating in and monitoring the requirements verification process

Senior State Business Liaison

Anthony Perkins' primary responsibilities of the senior State business liaison for the DDI Phase comprise the following:

- Serving as an intermediary between the State and EDS to help define requirements for customer service requests
- Attending meetings in which new projects are presented to understand the full intent of the project and discern potential areas of impact
- Analyzing stated requirements of projects or policy changes and identifying unanswered questions
- Reviewing requirements documentation and subsequent test results
- Researching identified issues from a business user or operational perspective
- Developing business relationships between systems and operational units

Deputy Account Manager

The primary responsibilities of the deputy account manager for the DDI Phase comprise the following:

- Serving as backup to the account manager
- Helping the account manager plan, direct, and coordinate account operations related to the implementation effort
- Monitoring daily operations and working closely with the PMO to manage contract compliance
- Resolving issues
- Overseeing the development and implementation of internal procedures

- Managing documentation deliverables
- Overseeing the development and obtaining State approval of documentation
- Directing the process of re-enrolling providers
- Overseeing transition provider workshops

Administrative Assistants

The primary responsibilities of the administrative assistants for the DDI Phase comprise the following:

- Supporting the account manager
- Interacting with corporate units to resolve confidential issues, such as employee compensation, employee benefits, and financial reporting
- Planning and coordinating meetings between State and EDS personnel, conferences, and employee functions
- Answering executive telephone calls
- Greeting and registering visitors
- Submitting sundry invoices for approval
- Completing scheduled status reports and assisting in the tracking and reporting of new hires and separations to internal administrative accountants for staffing and organizational reporting

PMO Director

The primary responsibilities of the PMO director for the DDI Phase comprise the following:

- Establishing the program management infrastructure, including development of project plans, schedules, resource requirements, task orders, and benefit and value propositions
- Attending State meetings, as requested
- Maintaining time reporting system for collecting expenditures of effort at the lowest level of detail in each project plan
- Managing project performance by using earned-value or a comparable process
- Maintaining a standard project workbook in iTRACE for each project to collect, store, and disseminate project information, reports, and official communication

- Establishing a problem management plan, a risk management plan, a quality management plan, a change and configuration management plan, and associated monitoring
- Managing multi-agency, multi-payer projects individually and across multiple agencies
- Clearly communicating performance reporting standards
- Overseeing the program and project team members' delivery of quality reports to performance measurement
- Publishing documentation of performance against the plan
- Reporting status to management, including budget plan versus actuals, management of internal change requests, and proposed modifications to reporting templates
- Measuring and monitoring project progress

Project Plan Manager

The primary responsibilities of the project plan manager for the DDI Phase comprise the following:

- Assisting the EDS project manager in the daily operation of the project
- Tracking progress, gathering status, updating schedules, and generating performance reporting for the project
- Reporting status weekly to the EDS project manager
- Helping maintain the project control document and other project plan components throughout the project

Systems Quality Control Manager

The primary responsibilities of the systems quality control manager for the DDI Phase comprise the following:

- Verifying that established processes are being followed
- Performing quality checks on a periodic cycle
- Advising implementation manager and PMO of any issues identified and recommending remediation
- Establishing and maintaining an infrastructure, culture, and capability for continued improvement in quality control functions, encompassing data entry, system inputs and outputs, balancing of jobs, data integrity, provider communications, finance, and accounting

- Prioritizing, planning, and coordinating the implementation of improvement initiatives
- Collecting, understanding, and documenting stakeholder expectations to guide process improvement
- Building support tools such as a status reporting mechanism, communication framework, system for gathering stakeholder expectations and perceptions, stakeholder repository, and expectation management worksheets
- Enlisting project management sponsorship for the process improvement program
- Using appropriate process models and certifications to guide improvement initiatives and measure progress

Privacy and Security Officer—HIPAA

The primary responsibilities of the privacy and security officer—HIPAA for the DDI Phase comprise the following:

- Implementing and managing CMS and State information security directives as mandated by the Administration Simplification portion of HIPAA
- Performing a gap analysis to assess the program's current security compliance status versus necessary status and periodically reassessing this status
- Protecting the confidentiality and integrity of information and maintaining the technical mechanisms of legitimate access to information
- Managing the complex, technically difficult, and dynamic process of policies and procedures across interdivisional lines
- Overseeing the process of ongoing integration of information security with program strategies and requirements
- Coordinating with external entities, such as other commercial and government insurance carriers and regulatory agencies, to improve information security within the organization
- Leading initiatives to contain, investigate, and prevent security breaches

Conversion Team Manager

The primary responsibilities of the conversion team manager for the DDI Phase comprise the following:

- Leading the teams that develop the conversion programs that migrate existing data from many sources to the Replacement MMIS relational database
- Attending State meetings, as requested
- Attending gap solution sessions for the Replacement MMIS
- Managing and monitoring resource plans and conversion jobs
- Validating that teams conduct adequate testing with reasonable volumes to provide credible projections for final conversions and their associated staff and computing resources
- Overseeing output of the computer reports from conversion runs
- Addressing project team deficiencies related to resources and tasks
- Monitoring critical project dates for each functional area, tracking work to be completed, and developing detailed schedules

Conversion Technical Leader

The primary responsibilities of the conversion technical leader for the DDI Phase comprise the following:

- Assisting in the daily operation of the database conversion project
- Providing direction to the development team to meet project delivery commitments
- Participating in reviews of project deliverables
- Estimating effort and duration for project tasks
- Using and supporting the consistent application of EDS methodologies in the development of solutions and deliverables
- Performing assignments following project policies and practices
- Participating in programming code walkthroughs to verify adherence to coding standards
- Providing SME guidance to the technical team

Senior Information Specialist (Senior Systems Engineer)

The primary responsibilities of the senior information specialist (senior systems engineer) for the DDI Phase comprise the following:

- Conducting initial research, code development, and testing for application modifications
- Providing technical guidance to peers
- Updating technical documentation in iTRACE
- Providing daily status to technical functional area lead (TFAL)
- Meeting required development and testing schedules

Information Specialist (Advanced Systems Engineer)

The primary responsibilities of the information specialist (advanced systems engineer) for the DDI Phase comprise the following:

- Designing, coding, testing, implementing, and documenting changes to the Replacement MMIS
- Incorporating the latest advances in technology into the Replacement MMIS, as appropriate
- Bringing specialized technical skills, knowledge, and experience pertinent to the project
- Bringing specific expertise in Internet technology and claims engine internals

Information Analyst (Systems Engineer)

The primary responsibilities of the information analyst (systems engineer) for the DDI Phase comprise the following:

- Designing, coding, testing, implementing, and documenting changes to the Replacement MMIS
- Incorporating the latest advances in technology into the Replacement MMIS as appropriate
- Bringing specialized technical skills, knowledge, and experience pertinent to the project

Business Analyst

The primary responsibilities of the business analyst for the DDI Phase comprise the following:

- Identifying and defining business requirements
- Providing alternatives with cost/benefit justification and solutions
- Completing detailed specifications for system modifications and enhancements
- Working closely with the State, systems engineers, and operations units to analyze, design, and test system modifications and enhancements
- Creating test cases and scenarios to verify State requirements
- Executing test cases, documenting problems, and verifying the corrections
- Providing Medicaid and subsystem training as needed
- Resolving issues
- Attending status reviews with project team members and the State

Technical Leader/Technical Functional Area Lead (TFAL)

The primary responsibilities of the technical functional area lead (TFAL) for the DDI Phase comprise the following:

- Assisting the EDS technical manager in the daily operation of the project
- Participating in requirements validation sessions
- Providing direction to the development team to meet project delivery commitments
- Participating in reviews of project deliverables
- Estimating effort and duration for project tasks
- Using and supporting the consistent application of EDS methodologies in the development of solutions and deliverables
- Performing assignments following project policies and practices
- Participating in programming code walkthroughs to verify adherence to coding standards
- Providing SME guidance to the technical team
- Reporting status weekly to the EDS technical project manager
- Updating documentation related to technical development in iTRACE

Documentation Specialist

The primary responsibilities of the documentation specialists for the DDI Phase comprise the following:

- Developing and maintaining system documentation based on input from DDI resources
- Updating system documentation quickly and with the State's approval
- Distributing documentation update pages and instructions to State and EDS users
- Documenting complex procedures and processes
- Maintaining the Edit/Resolutions Manual
- Maintaining the library of system documentation
- Providing assistance with written documentation for other functional areas
- Receiving, tracking, and responding to State-initiated requests for documentation

Test Director

The primary responsibilities of the test director for the DDI Phase comprise the following:

- Leading the testing team in determining State requirements and completing software development life cycle activities
- Planning, directing, and coordinating team activities to manage and implement the Replacement MMIS
- Planning, scheduling, monitoring, and reporting on testing activities
- Driving continuous process improvement within the team
- Coaching and counseling team members on meeting established task dates and resolving technical issues
- Controlling project requirements, scope, and change management issues
- Establishing appropriate metrics for measuring key project criteria
- Analyzing project progress and costs and facilitating the development of recommended alternatives
- Serving as the interface between State personnel and the technical team
- Overseeing the creation, execution, and verification of test scenarios to verify State requirements

- Resolving issues
- Attending status review meetings with project team members and the State
- Planning, directing, and coordinating the test team's activities through testing for the Replacement MMIS, and demonstrating ownership of the system testing effort through the following activities:
  - Creating a communication plan that makes certain appropriate information is exchanged among key project stakeholders
  - Advising senior management on project capability and risk, and work to mitigate risk
  - Controlling project requirements, scope, and change management issues
  - Coaching and advising team members to accomplish project goals and schedule and providing project status reporting and work plan updates to the PMO

Senior Tester/Testing Lead

The primary responsibilities of the test lead for the DDI Phase comprise the following:

- Communicating directly with the EDS teams and the State as the primary point of contact for assigned subsystems
- Supporting planning, scheduling, and monitoring of subsystem testing tasks assigned to the subsystem team
- Providing project plan and schedule updates according to methods and schedule set by the test director and escalate scope and other issues, as appropriate, to the test director and business area project managers
- Adhering to the change management process and, depending on size of their area of responsibility, creating business impact documentation for the detailed specifications for systems engineers
- Serving as the primary mentor of business analysts and lending requisite interChange expertise in assigned subsystems

- Working in cooperation with their respective TFALs, working with the State to verify and clarify requirements, and making certain that individual subsystem issues are documented and tracked to closure
- Participating in and making certain client walkthroughs are scheduled and completed, and verifying business process documentation is updated and included in the walkthrough packet as appropriate
- Reviewing deliverables for correctness and completeness, and reviewing and approving test case scenarios and test case results developed by the business analysts for submission to the State
- Coordinating work on assigned tasks with other members of the subsystem team
- Compiling and providing testing estimates for the subsystem
- Working with the test team, infrastructure team, conversion team, and operations team to make sure that the entire subsystem is ready for implementation

Tester

The primary responsibilities of the testers for the DDI Phase comprise the following:

- Testing, analyzing, and verifying software and data to conform to the State's requirements
- Analyzing State specifications and requirements
- Creating system and regression scripts
- Making recommendations toward enhancing the usability of products
- Verifying data and results returned from software and report discrepancies
- Validating reference designs
- Creating and conducting system tests

- Being responsible for integration and system testing of the State's devices and technology
- Understanding specifications and executing test plans
- Working closely with testing team to perform unit testing and software quality assurance (SQA)

UNIX Administrator

The primary responsibilities of the UNIX administrator for the DDI Phase comprise the following:

- Implementing and supporting local area network (LAN) hardware and software specifically for the UNIX-based servers and environment
- Analyzing workflow and procedures to recommend operational support tools and technologies
- Maintaining workstation and server data integrity by evaluating, implementing, and managing appropriate software solutions
- Serving as a liaison between the State, suppliers, and other technical groups to resolve network and hardware problems
- Analyzing performance problems and recommending solutions to enhance features, reliability, and usability
- Participating on project teams in the implementation of new or upgraded designs
- Implementing operational support standards and procedures relating to change management, performance management, and security
- Recommending changes and improvements to existing standards
- Implementing a schedule of system backups and database archive operations to support data and media recoverability
- Developing site administration documentation
- Providing user orientation on hardware, software, and network operations

Network Administrator

The primary responsibilities of the network administrator for the DDI Phase comprise the following:

- Planning, coordinating, and directing the activities of the network infrastructure team to support network availability

- Defining and implementing metrics that measure system performance to validate that design specifications are met
- Resolving complex hardware and software problems, performing trend analysis, and creating tools to prevent system interruption
- Overseeing the team and activities involved in monitoring, isolating, resolving, and circumventing network problems
- Establishing processes and procedures for LAN and WAN hardware and software inventory tracking
- Preparing and maintaining documentation for the network platform, backup, and printing procedures
- Providing technical support and training to users
- Administering security procedures
- Investigating, evaluating, recommending, and upgrading hardware and software to meet system requirements

Windows Administrator

The primary responsibilities of the Windows administrator for the DDI Phase comprise the following:

- Designing, testing, implementing, and optimizing portions of LAN, wireless LAN (WLAN), campus area network (CAN), and WAN networks that enable and support business operations
- Investigating, analyzing, and recommending solutions to performance problems to enhance functional capability, reliability, and usability
- Analyzing State workflow and procedures to recommend operational support tools and technologies to satisfy State needs
- Maintaining workstation and server data integrity by evaluating, implementing, and managing appropriate software and hardware solutions
- Analyzing network structures to maintain stability of connections
- Analyzing system service irregularities and disruptions and identifying improvement recommendations
- Acting as a liaison between the State, suppliers, and other technical groups to resolve complex network and hardware problems
- Advising management and the State on security-related issues
- Participating on project teams in the implementation of new or upgraded designs

- Designing and implementing migration strategies
- Designing, developing, and implementing operational support standards and procedures related to change management, performance management, and security
- Analyzing and recommending changes and improvements to existing standards
- Enabling data and media recoverability by implementing a schedule of system backups and database archive operations
- Performing problem and task analysis and trending
- Keeping abreast of emerging operational support technologies and industry trends
- Assisting in the evaluation, testing, and recommendation of hardware, software, and network configuration based on State needs

Model Office Coordinator (Configuration Management)

The model office coordinator is part of a promotion process that is key to configuration management. The primary responsibilities of the model office coordinator (configuration management) for the DDI Phase comprise the following:

- Managing the promotion process to the model office environment for both UNIX and .NET code
- Managing the data supporting the model office environment to make sure the correct data is available for model office functions
- Making sure the correct promotion and quality control procedures are followed
- Participating in code reviews as required

Client Security Officer

The primary responsibilities of the client security officer for the DDI Phase comprise the following:

- Implementing and managing CMS and State information security directives, as mandated by the Administration Simplification portion of HIPAA
- Performing a gap analysis to assess the program's current security compliance status versus necessary status and periodically reassessing this status

- Protecting the confidentiality and integrity of information and maintaining the technical mechanisms of legitimate access to information
- Managing the complex, technically difficult, and dynamic process of security policies and procedures across interdivisional lines
- Overseeing the processes of ongoing integration of information security with program strategies and requirements
- Coordinating with external entities, such as other commercial and government insurance carriers and regulatory agencies, to improve information security within the organization
- Leading initiatives to contain, investigate, and prevent security breaches

Project Manager

The primary responsibilities of the project manager for the DDI Phase comprise the following:

- Coordinating project-related tasks
- Tracking deliverables
- Coordinating team assignments and meetings
- Maintaining vendor relations
- Coordinating with users to obtain information needed for DDI
- Conducting walkthroughs
- Conducting deliverable reviews as dictated
- Conducting project kickoff meetings
- Performing other research-related duties pertinent to the project
- Performing other related work as required

EDI Coordinator/Integration Manager

The primary responsibilities of the EDI coordinator for the DDI Phase comprise the following:

- Identifying and reviewing data elements and processes
- Supporting and reviewing data output from vendors
- Reviewing technical designs for analysis and business design specifications
- Developing standards for users

- Coordinating the testing aspects for inter-system test with the interfacing organizations and systems
- Meeting with operational SMEs to determine business impact of system changes
- Documenting new operational procedures as needed
- Assisting with training documentation for EDI providers
- Logging calls into the Contact Tracking and Management System (CTMS)

Senior Business Analyst

The primary responsibilities of the senior business analyst for the DDI Phase comprise the following:

- Researching business requirements to assist TFALs in technical design effort
- Comparing RFP requirements to modification designs to make sure requirements are met
- Assisting in updating documentation and change order status in iTRACE
- Acting as a liaison to State business leads

50.2.5.4.2 Staffing Approach—Operations

RFP Reference: 50.2.5.4.2 Staffing Approach—Operations, Page 278

Our staffing approach for operations is designed for high service and low risk for the State. With EDS, the State will have the best blend of North Carolina–specific program experience, maximum continuity between the DDI and Operations phases, the most efficient use of State resources, and the least risk of service disruption. The following table, EDS Operations Staffing, identifies the key elements of our Operations Phase staffing approach.

EDS Operations Staffing

Preserving the 30-Year Investment in Personnel Made by EDS and the State
The current operations staff brings more than 1,100 combined years of experience with North Carolina Medicaid and Mental Health policies, procedures, and providers. Fifty members of the current staff each have more than 10 years of experience with Medicaid, and more than 20 members bring 20 years of experience. This represents an enormous investment in training and on-the-job learning and a rich supply of program knowledge and understanding. Our approach is to preserve this staff, train them in the many features and benefits of the interChange-based Replacement MMIS, and move them into the Operations Phase.
Providing Leaders Who Bring Experience With North Carolina Medicaid and Mental Health
The leadership team in operations includes Account Manager Melissa Robinson, Claims Processing Manager Tammy Wheeler, Technical Director and Systems Programming Manager Tim Sullivan, Provider/Recipient Services Manager Chris Ferrell, Prior Approval Manager Sharlene Bryant, and Financial Services Manager Jamie Herubin. These are experienced leaders; they already know the North Carolina Medicaid and Mental Health programs and will be equally familiar with the DPH and ORHCC programs by the beginning of operations.
Basing Our Organization on a Proven National Model With a Local Focus
The EDS Operations Organizational Chart provided in this section shows how we have organized the staff to perform the work required by the RFP. The chart is based on similar work efforts at our other operating interChange accounts, with significant customization to meet the unique requirements of the multi-payer Replacement MMIS and operation.

After the DDI Phase is complete, we will reunite the DDI team with MMIS operations, transitioning our local experts back into operational roles. The following table, Benefits of Using Today's Experts, details how this approach provides the State with continuity between the DDI and Operations phases.

Benefits of Using Today's Experts

Current Knowledge and Skill	DDI Phase Benefit	Operations Phase Benefit
North Carolina Medicaid and Mental Health program policy expertise	• Simplified requirements definition—We already understand the business processes, how RFP requirements apply to them, and how to incorporate them into interChange. • Efficient use of State resources—The State will not need to train existing EDS staff on business processes.	• No loss of the expertise gained during DDI • Retained North Carolina expertise, along with expertise in how interChange has modified and improved the business process
interChange expertise	• Productive on day one of Operations Phase—Using today's experts means there will be no learning curve to add time and inherent risk to each effort.	• Knowledge of policies and procedures that are specific to the Medicaid and Mental Health programs • Ability to quickly adapt to future changes and mandates

This section contains the following information on our approach to staffing the Operations Phase of the Replacement MMIS project:

- Proposed Key Operations Personnel
  - Resumes for Key and Other Operations Personnel
- Operations Organizational Chart
- Staffing Approach for Operations
- Job Descriptions for Key and Other Operations Personnel

Proposed Key Operations Personnel

Any contractor can provide a team of technical experts. We believe it is the combination of technical skills, program expertise, and our underlying determination and commitment that make us the best team for North Carolina. By choosing EDS to continue as its fiscal agent, the State will have a team with skills that cannot be matched or replaced by any other contractor.

This section identifies EDS employees who will assume the key operations personnel positions that have been defined in this RFP. Additionally, EDS has identified one other position—account manager—that we consider key to carrying out a successful Operations Phase. We added the account manager position to the list of key positions because of the level of responsibility that has been defined in our processes, influence over our service delivery, familiarity with the State's environment, and familiarity with the interChange solution.

One position identified in the RFP as being key is the operations and claims processing manager. Supporting the project in this capacity will be Tammy Wheeler, who will be involved from the first day of the DDI Phase. We have identified Tammy because she brings more than 25 years of experience with the North Carolina Medicaid Program; 28 years of large-scale claims processing experience, most of which is with North Carolina; and 11 years of progressively responsible supervisory and management experience. She is currently the medical policy manager.

EDS is proposing the following key Operations Phase staff members:

- Account Manager Melissa Robinson
- Operations and Claims Processing Manager Tammy Wheeler
- Medical Director Dr. Margaret Martin, M.D.
- Pharmacy Director Sharon Greeson, R.Ph.
- Dental Director Dr. David Brooks, D.D.S., M.S.

EDS has identified the following additional staffing positions as critical to the success of the Operations Phase:

- Technical Director/Systems Programming Manager Tim Sullivan
- Provider/Recipient Services Manager Chris Ferrell
- Prior Approval Manager Sharlene Bryant
- Financial Services Manager Jamie Herubin
- Senior Technical Analyst and Subject-Matter Expert (SME) for MMIS and Multi-Payer Mike Frost
- Senior Technical Analyst and SME for HIPAA Stacey Barber
- Database Administrator Terry Hensley
- Senior State Business Liaison Anthony Perkins

We have learned from successful fiscal agent operations in more than 20 states that providing individuals with the right skill sets to focus on the above areas provides a greater level of oversight, rapid adjustments as needed, and keen insight into the resources needed for success. However, it is not enough to know that these positions are critical; they must be filled with talented individuals. EDS has assigned these additional staff members to bring experience in the State's environment and highly specialized experience in HIPAA regulations and database administration.

Resumes for Key and Other Operations Personnel

We provide resumes for the following key and other leadership personnel in the Operations Phase:

- Account Manager Melissa Robinson (Please refer to Melissa Robinson's resume in the DDI Staffing section.)

- Operations and Claims Processing Manager Tammy Wheeler (Please refer to Tammy Wheeler's resume in the DDI Staffing section.)
- Medical Director Dr. Margaret Martin, M.D.
- Pharmacy Director Sharon Greeson, R.Ph.
- Dental Director Dr. David Brooks, D.D.S., M.S.
- Technical Director/Systems Programming Manager Tim Sullivan
- Provider/Recipient Services Manager Chris Ferrell
- Prior Approval Manager Sharlene Bryant
- Financial Services Manager Jamie Herubin (Please refer to Jamie Herubin's resume in the DDI Staffing section.)
- Senior Technical Analyst and SME for MMIS and Multi-Payer Mike Frost
- Senior Technical Analyst and SME for HIPAA Stacey Barber (Please refer to Stacey Barber's resume in the DDI Staffing section.)
- Database Administrator Terry Hensley (Please refer to Terry Hensley's resume in the DDI Staffing section.)
- Senior State Business Liaison Anthony Perkins (Please refer to Anthony Perkins' resume in the DDI Staffing section.)

Margaret Martin, M.D.

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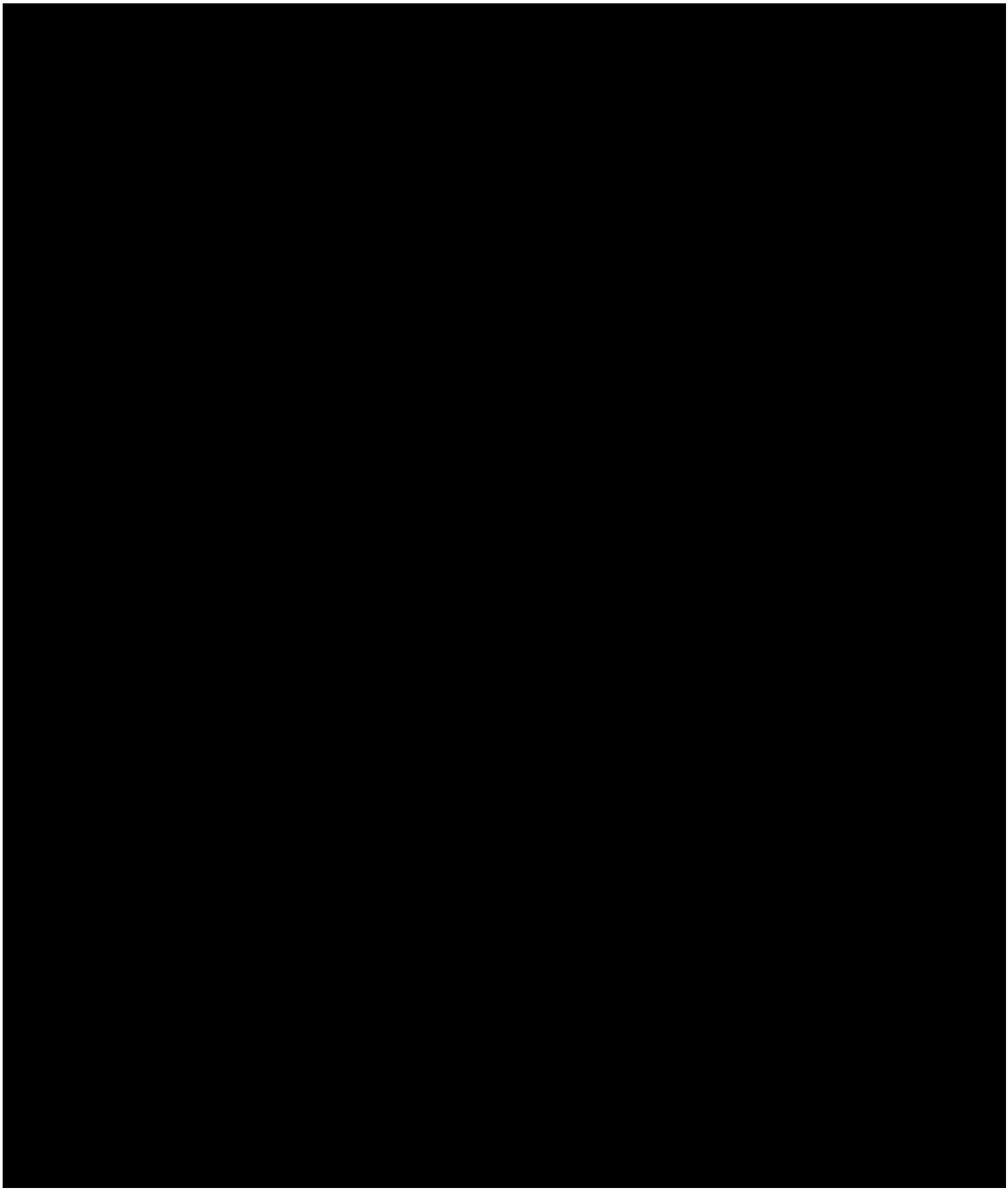

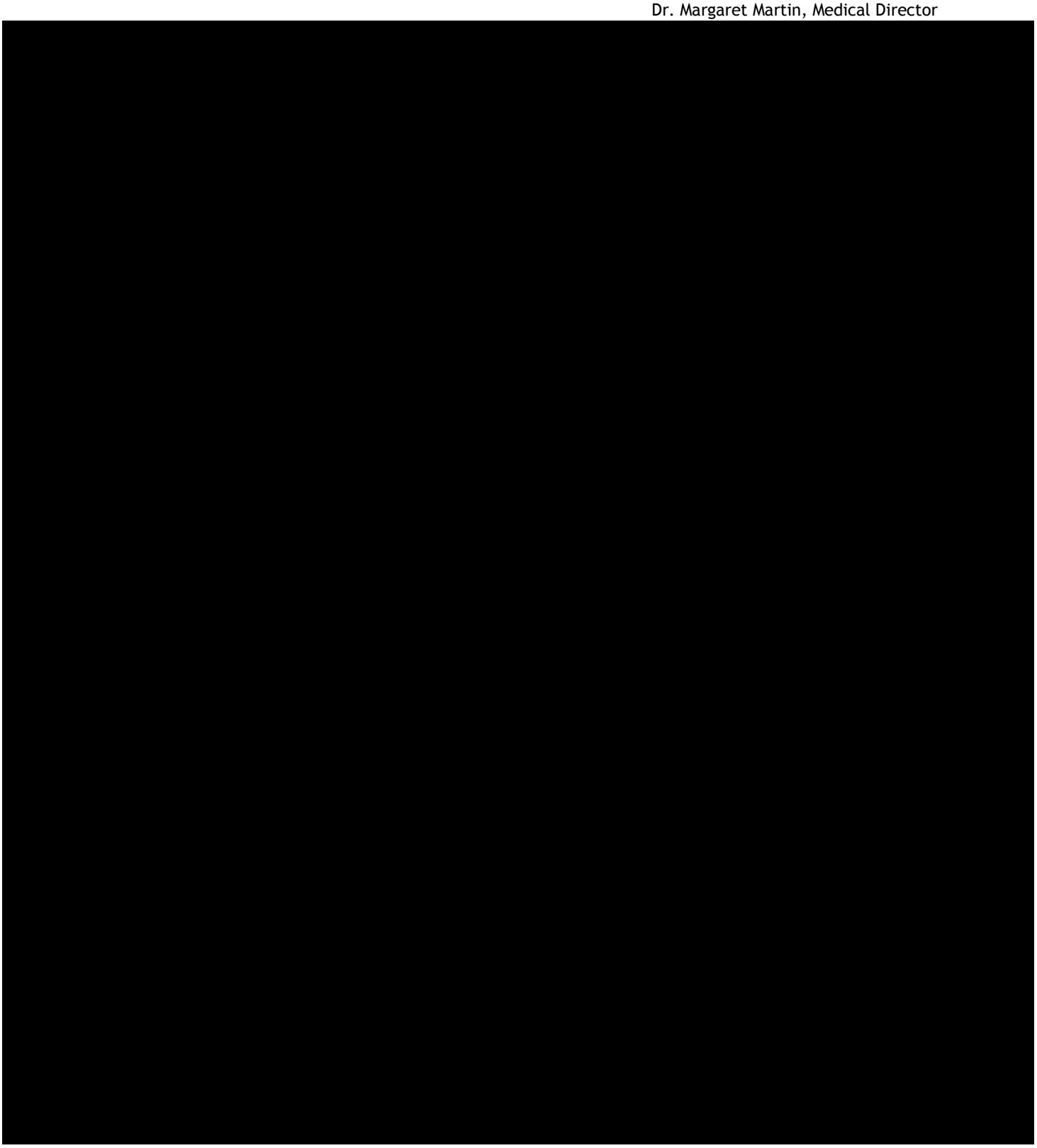

Sharon Greeson, R.Ph.

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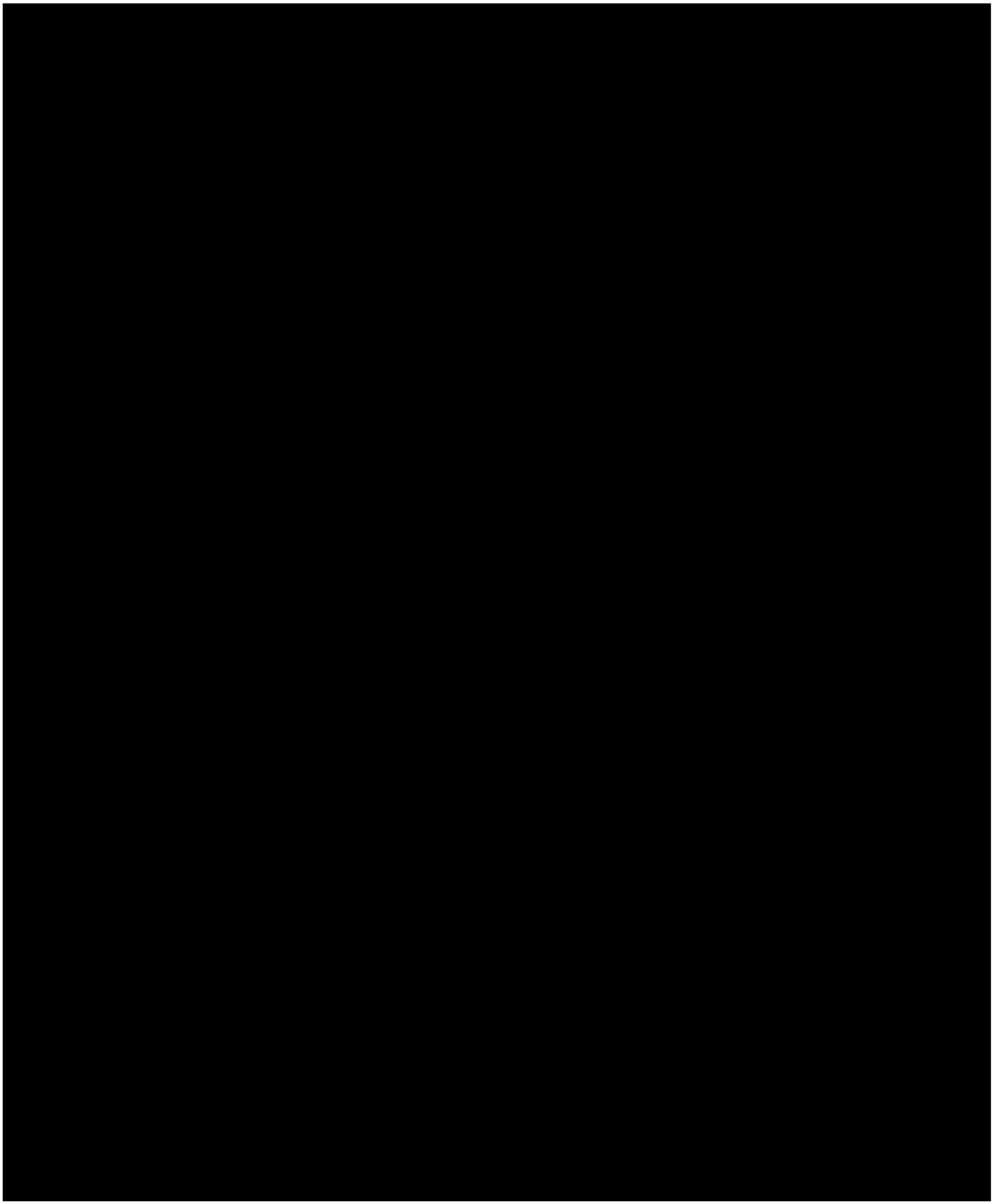

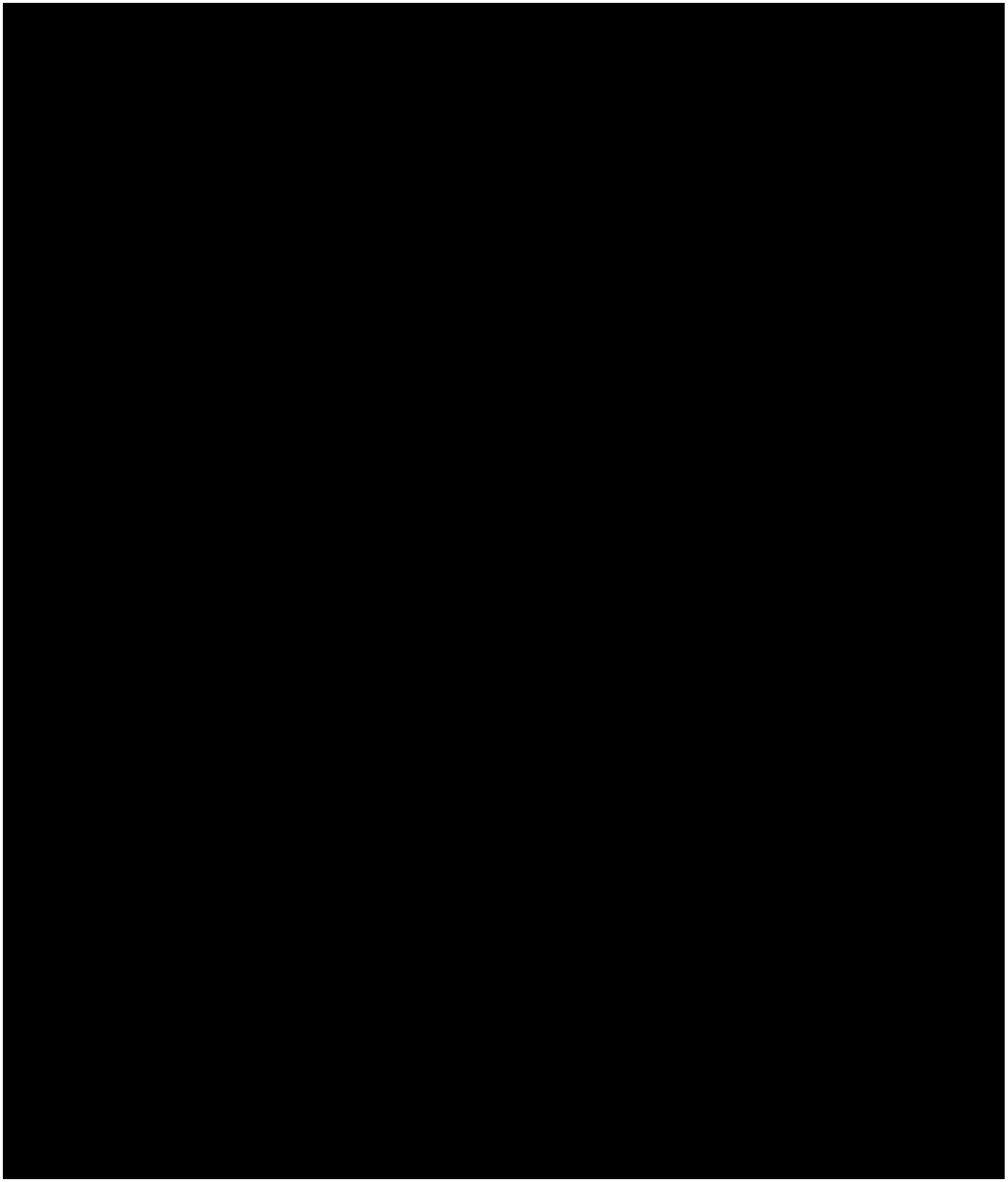

David Gregory Brooks, D.D.S., M.S.

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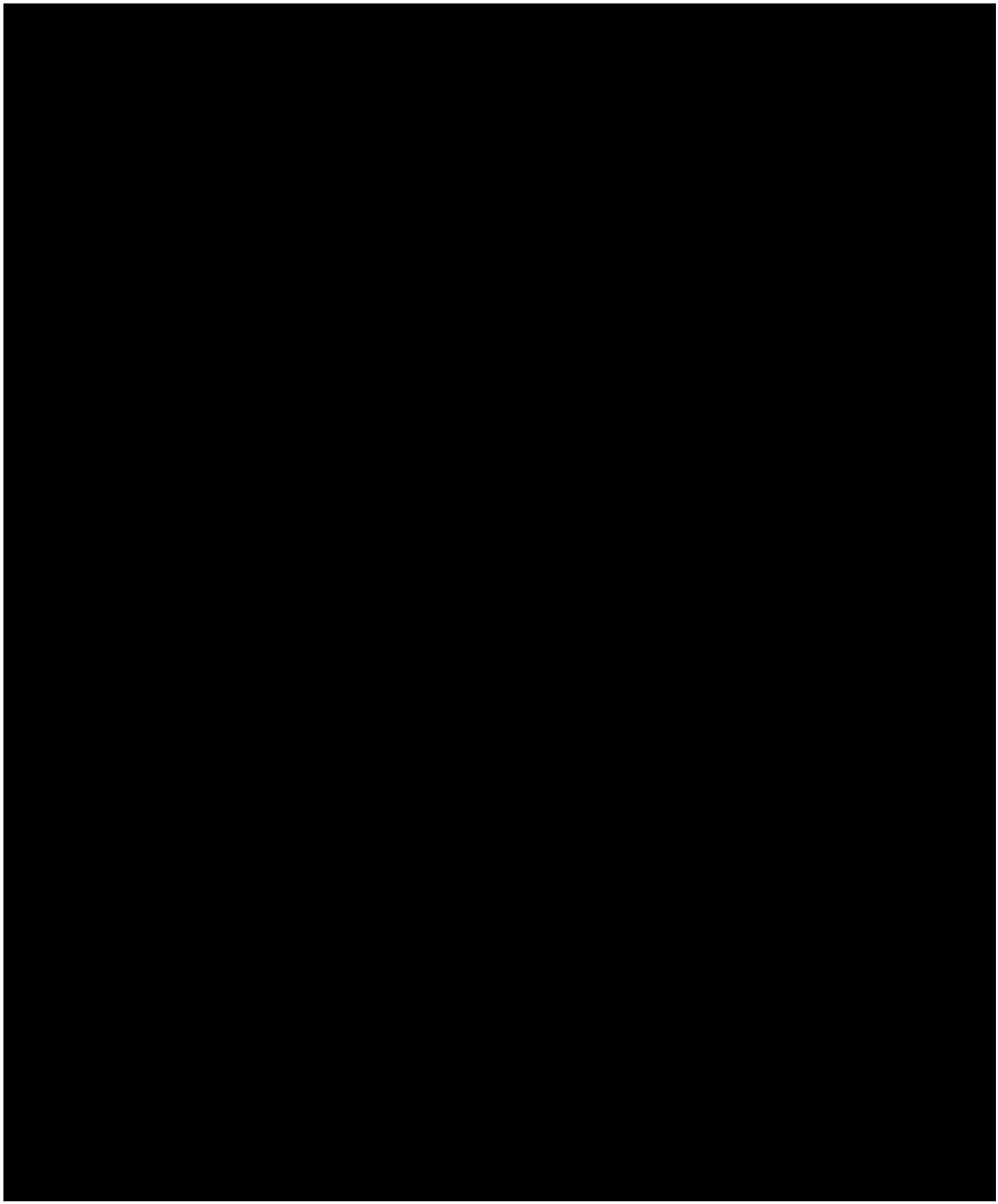

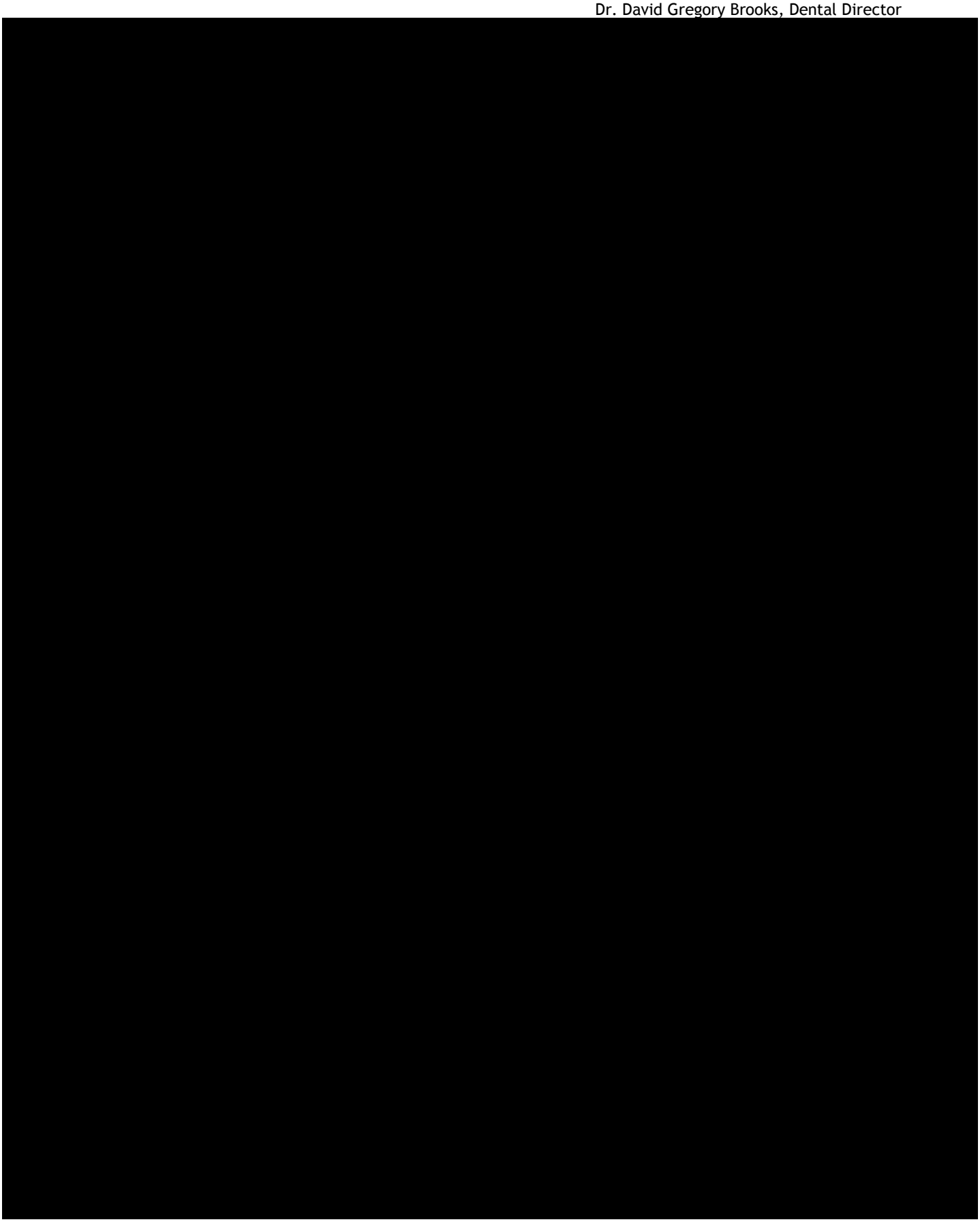

Tim Sullivan

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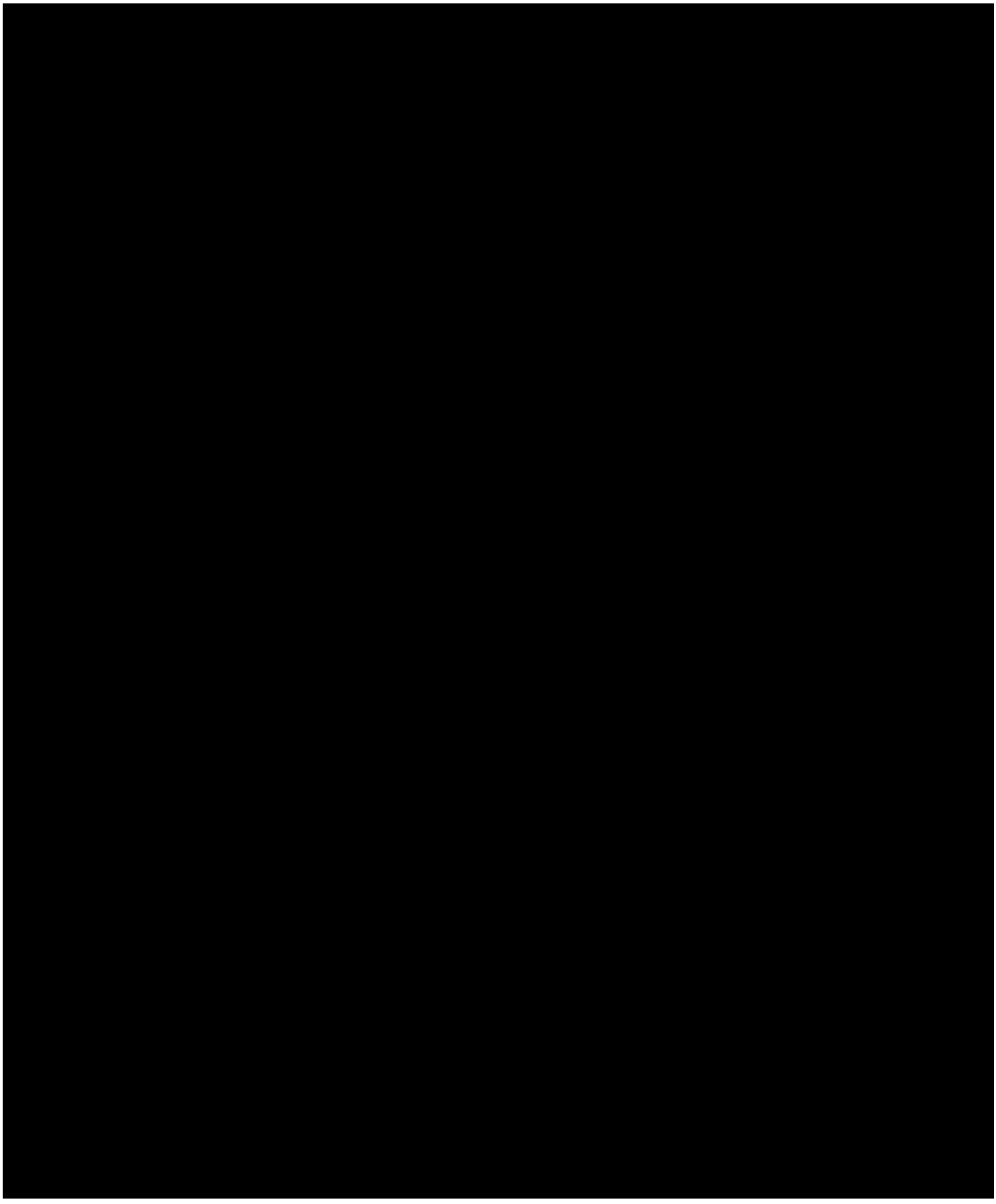

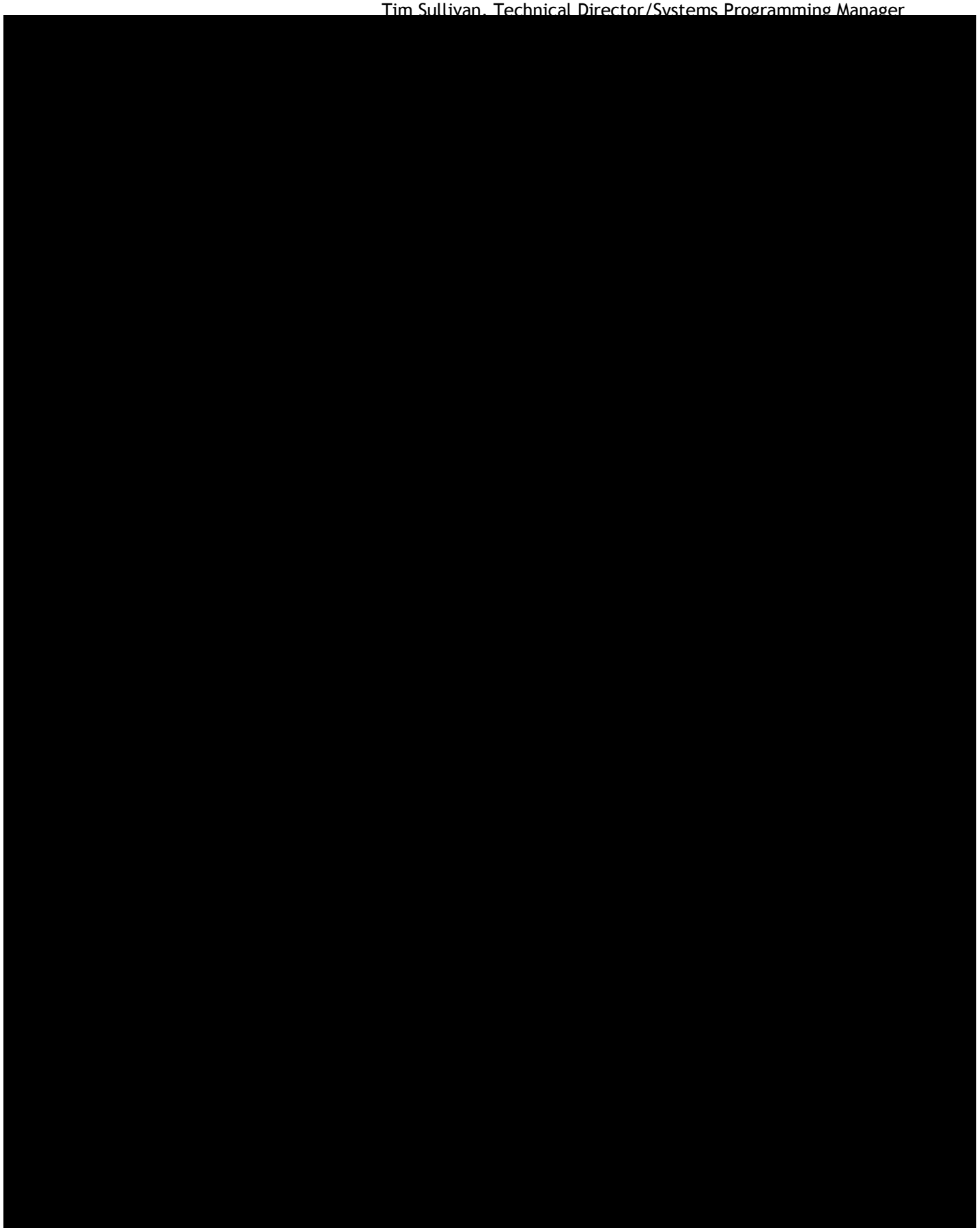

Chris Ferrell

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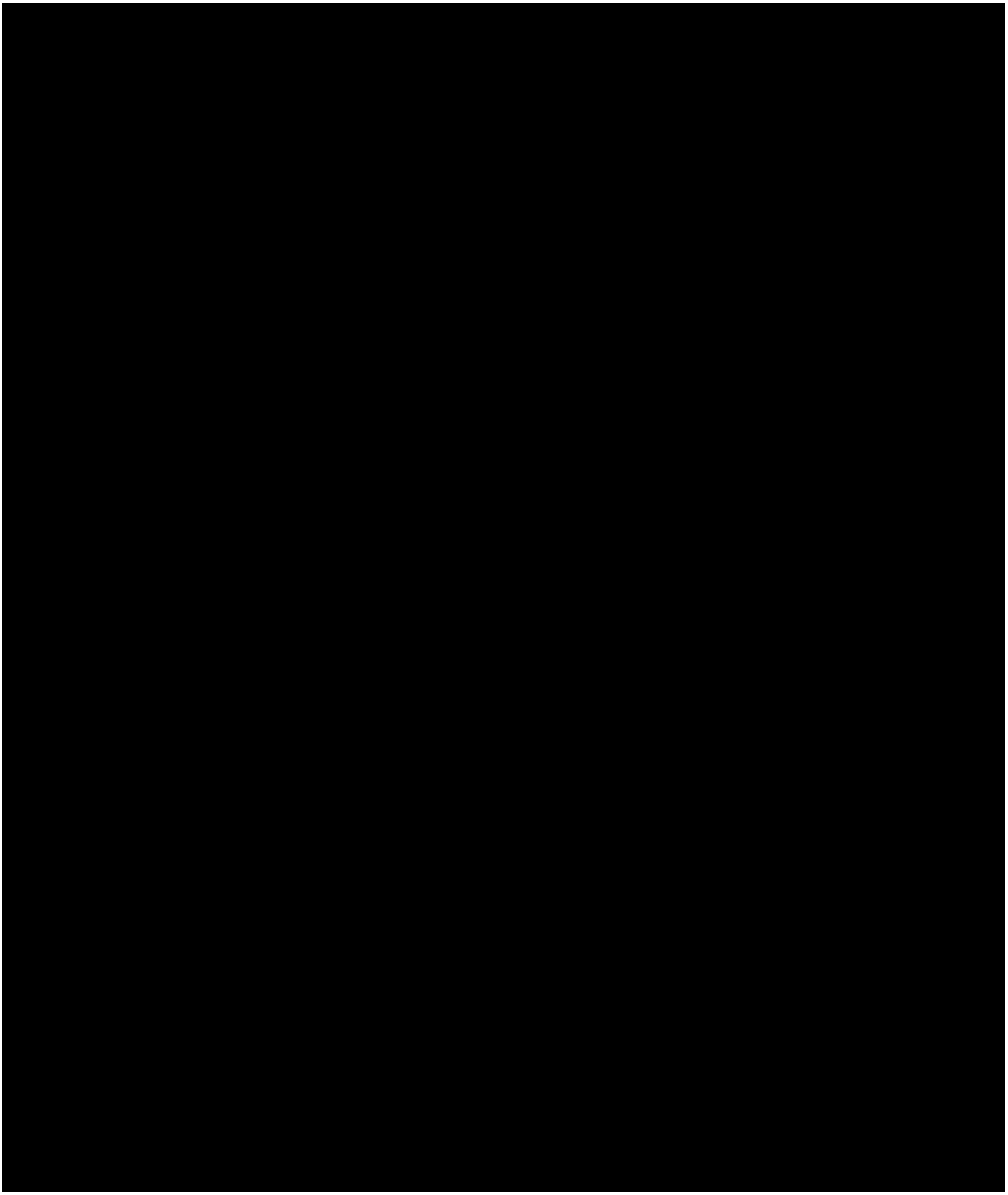

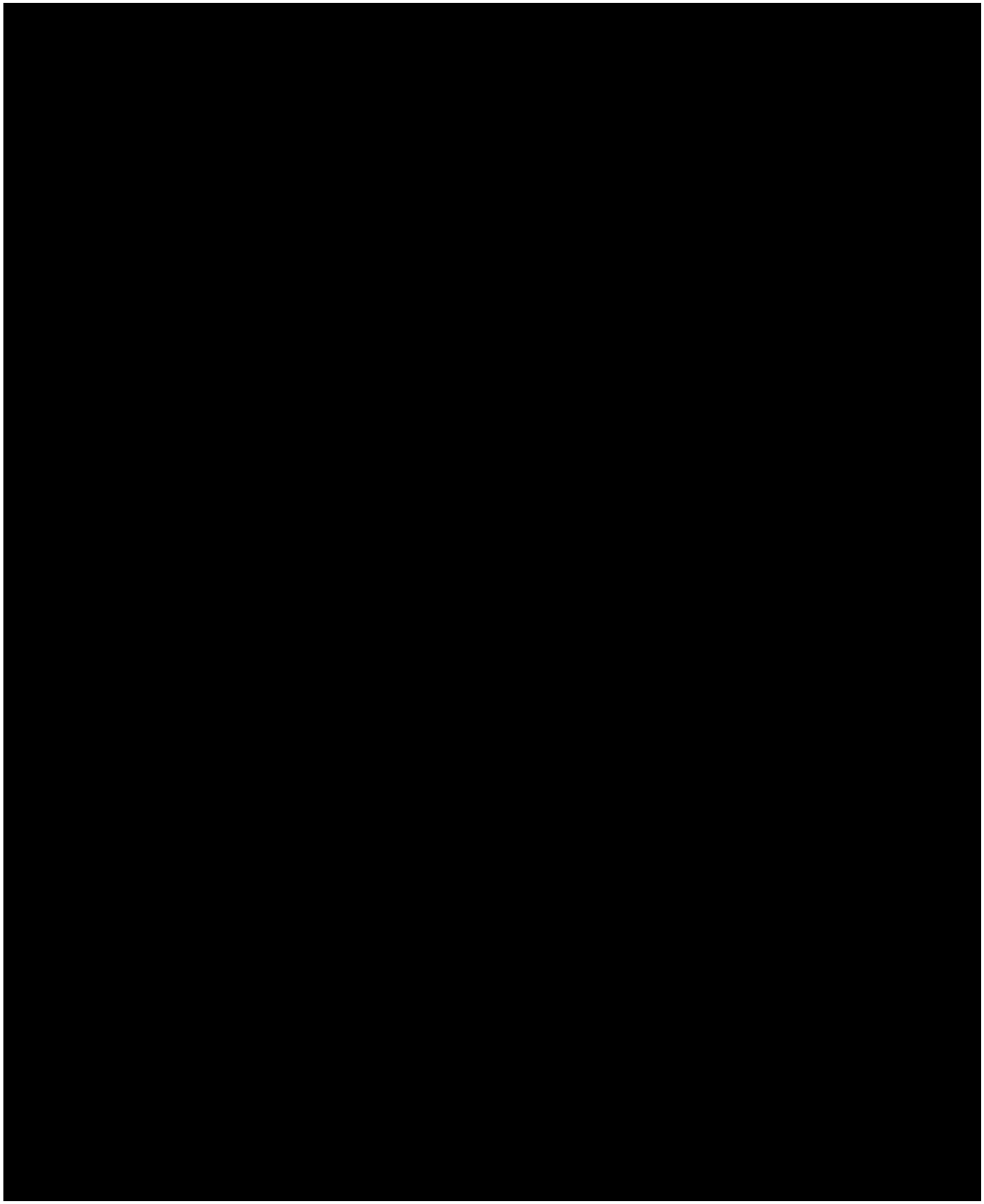

Sharlene Bryant

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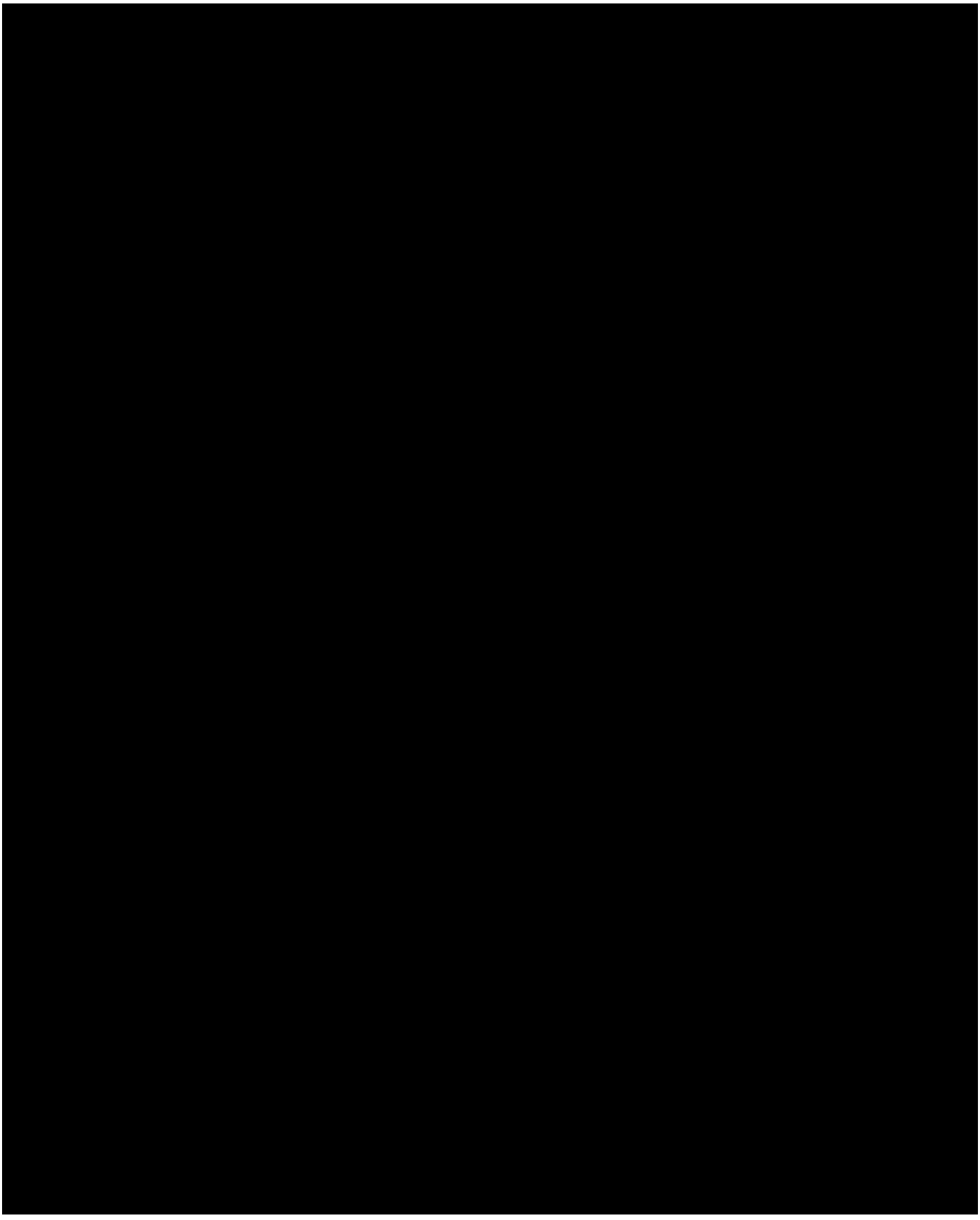

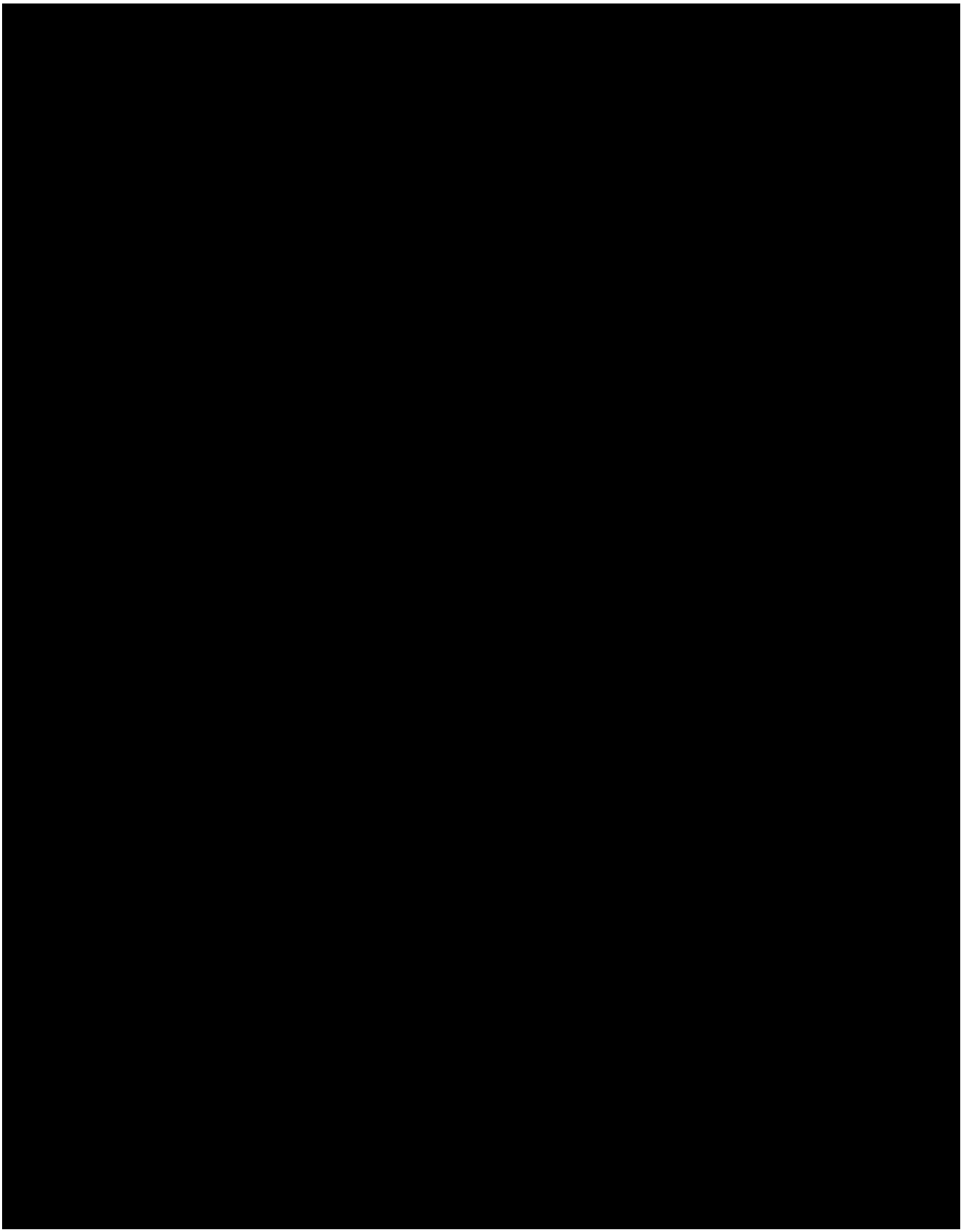

Mike Frost

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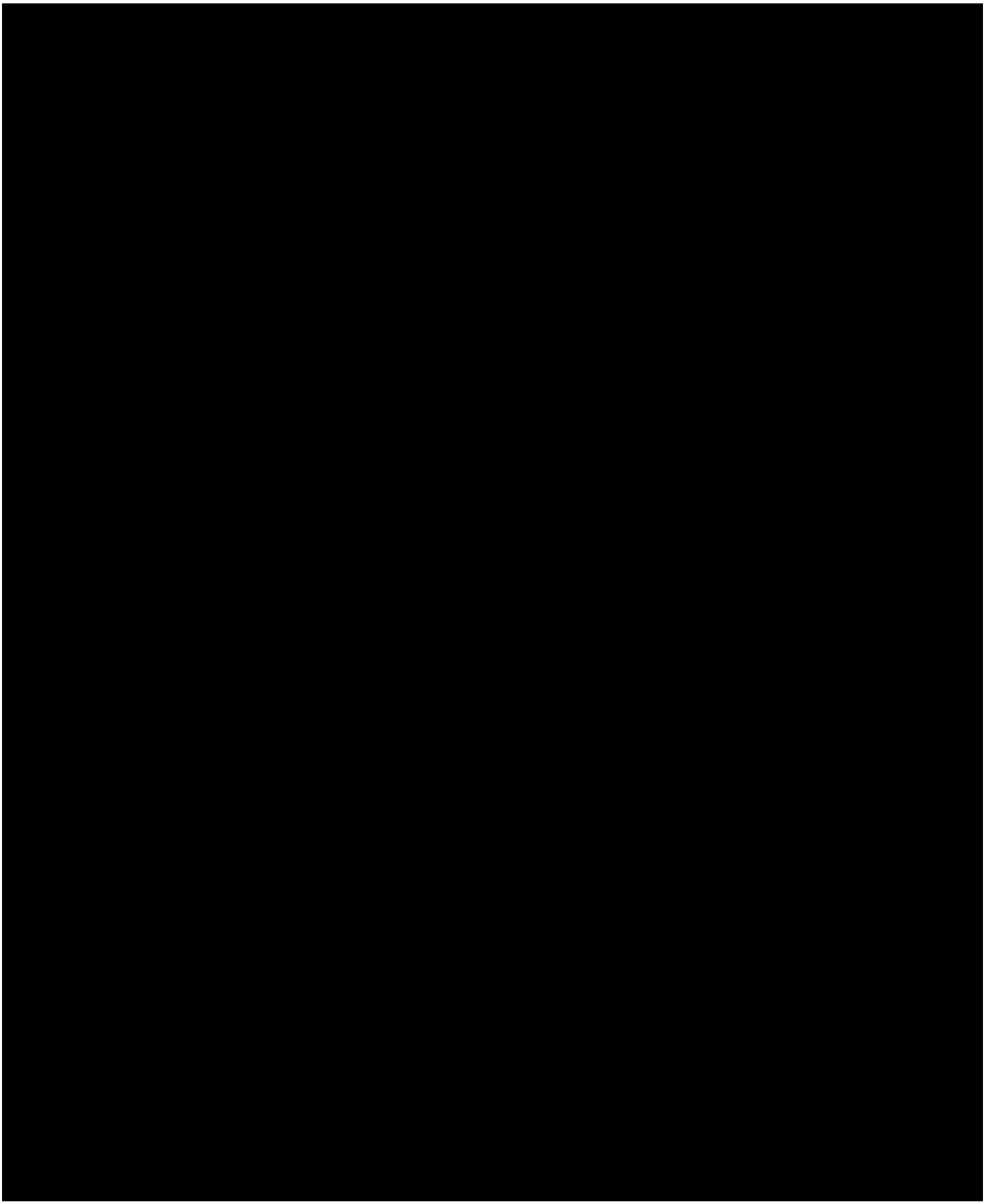
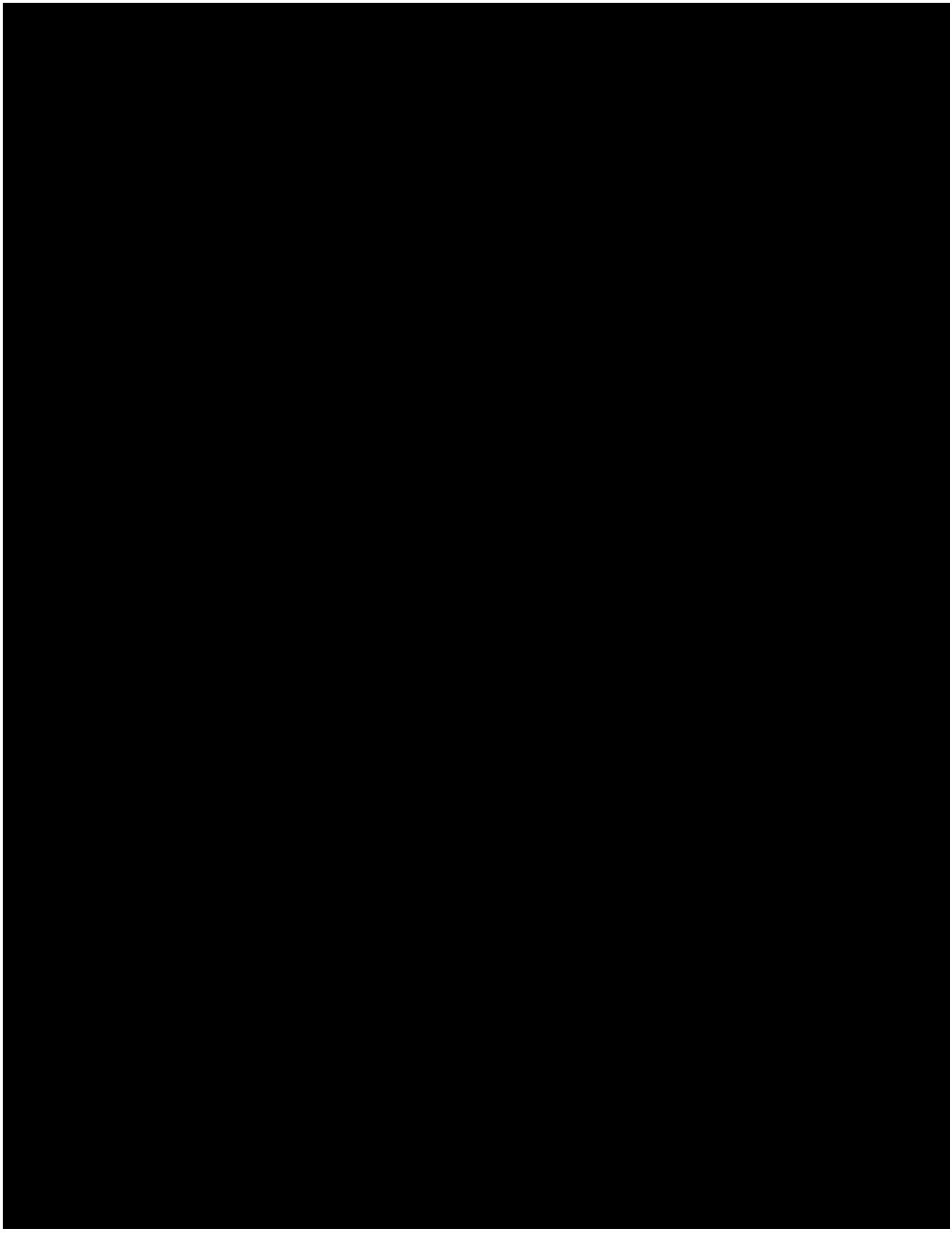




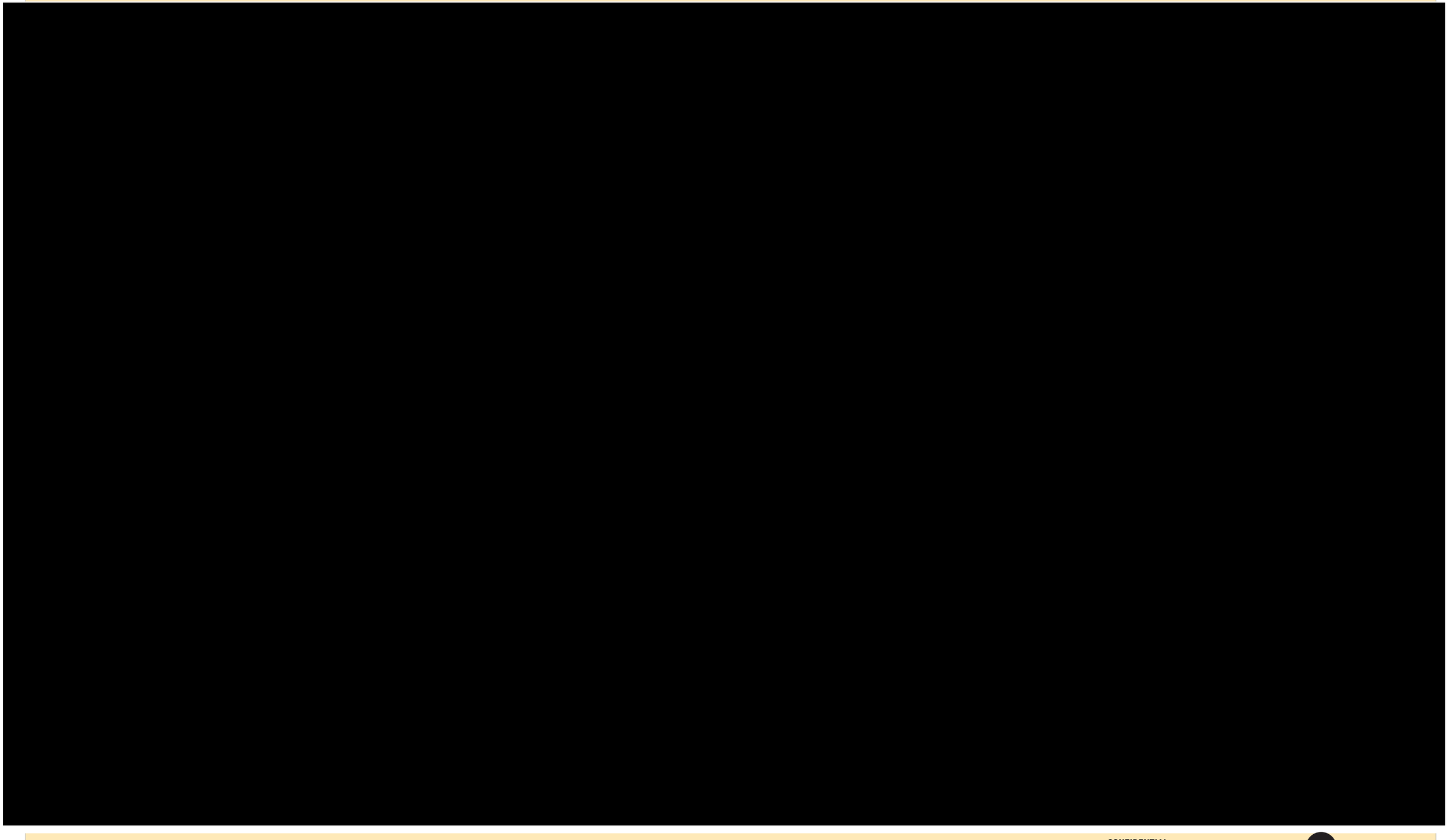
Operations Organizational Chart

EDS has drawn on its deep knowledge of North Carolina Medicaid and Mental Health business functions and requirements to build our operations organization for the Replacement MMIS. We have combined that understanding with our expertise in supporting our base interChange system in multiple states. The result is an organization that is designed in a logical way to most effectively manage the operational complexities surrounding a multi-payer Replacement MMIS.

The following exhibit, EDS Operations Organizational Chart, depicts our vision of the Replacement MMIS operations organization. The chart identifies our proposed key personnel and support staff members, who will make sure the delivery of consistent, reliable, and efficient operational support meets the requirements of the State and its stakeholders. Wherever possible, units conducting similar tasks or work centered on a specific system area are grouped under the same organization to promote efficiencies in support of the system's stakeholders, including the State, providers, and recipients. These groupings facilitate the effective flow of information, work items, and knowledge that are critical to program operations.

Please refer to proposal section 50.2.6 Operations Management Approach for a narrative description of the processes and functions of each branch of the operations organization.

EDS Operations Phase Organization



Denotes required positions in Appendix 50, Attachment I

Staffing Approach for Operations

Our North Carolina staffing and recruiting will find the best people for this project from the following sources:

- **Key staff—**The key staff identified in this proposal have been involved in developing our proposed solution for North Carolina, and they will be ready to assume their official responsibilities on contract signing or as designated in our project work plan.
- **Current (Legacy MMIS+) staff—**To protect the State's investment in current personnel and support the smooth transition from the Legacy MMIS+ contract to the Replacement MMIS, EDS will develop a transition plan with approaches for training current staff on Replacement MMIS operations and for a gradual transfer of personnel to the new contract, using temporary staff to fill positions and provide service under the legacy fiscal agent contract. Please note: We will make sure that any such transitions do not harm the level of service provided under the legacy fiscal agent contract. For the State and providers, the transition will be smooth.
- **Leveraged solution center staff—**EDS' national network of leveraged solution centers used in support of this project is fully staffed to support existing customers, in addition to having the resources readily available to participate in the North Carolina interChange MMIS project. As necessary and according to the final project work plan, resources will be assigned to work on specific components of the proposed solution.
- **Newly hired staff—**To the extent that EDS is not able to procure the necessary support through our resource of experienced staff, EDS will rely on our extensive recruitment and hiring capabilities. Our recruiting efforts include regional experts who can be used to quickly bring on staff experienced in almost any technology or discipline required by the project team.
- **Contractors and temporary employees—**EDS has a relationship with several agencies; leaders work with the agencies to identify qualified candidates who are immediately available to fill open positions. This approach allows us to fill positions quickly, observe the employees' performance and ability to work as team players to meet goals prior to hiring as permanent employees.

The results of this work can be seen in the Operations organizational chart. The most important result, however, is the assurance of success provided by the accurate assignment of personnel to this phase.

Job Descriptions for Key and Other Operations Personnel

Our staffing solution uses corporate-approved descriptions for the positions identified on the organization chart because our fiscal agent operation is a well-defined process with standardized positions across the enterprise. The position descriptions in this section provide further evidence that our proposed organization provides the right blend of skills to support the many branches of a large-scale fiscal agent operation.

Key Personnel and Operations Management Team

Account Manager

Melissa Robinson's primary responsibilities as the account manager for the Operations Phase comprise the following:

- Serving as the single point of responsibility and primary contact for the State
- Managing the performance of EDS' obligations under the contract
- Establishing and communicating the vision and goals to the project staff
- Reporting progress on issues to the State
- Working with the State to resolve disputes related to contract performance
- Acquiring and maintaining the personnel required to fulfill contractual obligations
- Attending meetings conducted by the State
- Overseeing the development of performance standards and reports
- Reviewing quality reports to assess current operational performance
- Reviewing corrective action plans as needed

Deputy Account Manager

The primary responsibilities of the deputy account manager for the Operations Phase comprise the following:

- Serving as a backup to the executive account manager
- Managing and overseeing daily operations, including the functional areas of claims operations, provider and recipient relations, prior approval (PA), pharmacy and financial and banking

- Attending State meetings
- Assist State in answering the State's questions related to account operations
- Work closely with DMA, DMH, DPH, and ORHCC leaders to provide support, assistance and input as needed
- Coordinating receipt of operational status reports from account functional managers and disseminating status reports to the account manager and the State
- Managing and monitoring daily operations to promote contract compliance
- Working with the PMO to monitor State satisfaction and resolve issues that may impact it

Provider/Recipient Relations Manager

Chris Ferrell's primary responsibilities of the provider/recipient relations manager for the Operations Phase comprise the following:

- Serving as backup to the executive deputy account manager
- Managing provider-related services, including provider call center, provider enrollment, and provider travel/field representatives
- Approving written and verbal communication to providers, including letters and the provider manual
- Managing recipient -related services and supporting Certificates of Credible Coverage (COCC) based recipient calls and written inquiries
- Approving written and verbal communication to recipients, including letters such as COCC and Health Check
- Working closely with the State's Provider and Recipient Directors and other NC medical stakeholders to make sure Replacement MMIS processes align with the established provider and recipient requirements
- Overseeing the operational readiness activities for all provider and required recipient areas
- Working closely with the State's Provider and Recipient Services department as well as the PMO to make sure provider and recipient communication is timely and of high quality
- Making sure provider and recipient service levels are met and executed through the Replacement MMIS Operations phase
- Working directly with the State to develop provider training such as workshops, hands-on, one-on-one meetings, and CBT and WBT courses

- Maintaining appropriate staffing levels and mentoring and coaching the provider and recipient services team
- Reviewing quality reports to assess current operations performance and establish with the EDS PMO office any required corrective action plans
- Conducting weekly status meetings with staff
- Attending State meetings
- Reporting progress on issues to the State
- Overseeing the development of performance standards and reports
- Performing administrative tasks necessary for smooth operation of the team

Pharmacy Director

Sharon Greeson's primary responsibilities as the North Carolina Pharmacy Director for the Operations Phase comprise the following:

- Overseeing areas involving the pharmacy program, including pharmacy point-of-sale (POS) and prospective drug utilization review (Pro-DUR) alerts, drug rebate, pharmacy PA, drug file maintenance, pharmacy bulletins, and DUR board meetings
- Overseeing the fulfillment of contract requirements regarding the pharmacy program
- Serving as the primary contact for the State for programs where a pharmacy or drug rebate contact is needed
- Maintaining overall responsibility for the operational success of the pharmacy benefit management services provided
- Working closely with the State's pharmacy directors, clinical program managers, and other NC pharmacy and drug utilization stakeholders to make sure Replacement MMIS processes align with the established medical policy per the RFP
- Overseeing the operational readiness activities for all pharmacy areas
- Working closely with the State's Provider and Recipient Services department and pharmacy program and the EDS Provider and Recipient Services team as well as the PMO to make sure North Carolina pharmacy provider communication is timely and of high quality
- Making sure pharmacy service levels are met and executed through the Replacement MMIS Operations phase
- Maintaining appropriate staffing levels and mentoring and coaching the pharmacy team

- Reviewing quality reports to assess current operations performance and establish with the EDS PMO office any required corrective action plans
- Conducting weekly status meetings with staff
- Reporting progress on issues to the State
- Overseeing the development of performance standards and reports
- Performing administrative tasks necessary for smooth operation of the team

Operations and Claims Processing Manager

Tammy Wheeler's primary responsibilities as the North Carolina Operations and Claims processing manager for the Operations Phase comprise the following:

- Serving as backup to the executive deputy account manager
- Providing leadership and direction to the operations and claims area inclusive of claims, mailroom, output mailing, EDI and reference
- Overseeing each operations unit within the claims area to support timely processing of functions performed
- Managing all inputs through the mailroom, scanning, indexing activities in support of the EDMS solution as well as the managing the claims processing subcontractors SunGard/FormWorks providing optical character reading and key from image data entry support of claims, PA forms and provider enrollment forms
- Managing all outputs through print and supporting vendors for print, pre-sort, mailing of all documents as defined
- Interacting with other EDS and State leadership team members to coordinate operations procedures to support efficient and accurate claims adjudication
- Interacting with the PMO regarding the quality of the claims operation
- Monitoring and assessing processes and procedures to recommend improvements to claims operations
- Monitoring the production and quality of work generated in the claims unit to support timely adjudication
- Attending status meetings and State meetings
- Providing status reports
- Serving as the primary contact for State staff regarding claims and all related issues

Financial Manager

Jamie Herubin's primary responsibilities of the financial manager for the Operations Phase comprise the following:

- Overseeing financial operations in accordance with State and federal guidelines, generally accepted accounting principles (GAAP), and approved operating procedures including all IRS and NC Department revenue required processes and reporting
- Working closely with the State's Financial Directors, DHHS Controller's offices, and other NC financial stakeholders to make sure Replacement MMIS processes align with the established financial requirements of the RFP
- Establishing and maintaining bank and lock box accounts and provide financial reconciliations and reporting as required
- Overseeing the operational readiness activities for financial areas
- Coordinating and designing procedures to support financial management activities
- Working closely with the State Financial department and the EDS Provider and Recipient services team as well as the PMO to make sure North Carolina provider communication is timely and of high quality
- Making sure financial service levels are met and executed through the Replacement MMIS Operations phase
- Maintaining appropriate staffing levels and mentoring and coaching the financial team
- Reviewing quality reports to assess current operations performance and establish with the EDS PMO office any required corrective action plans
- Conducting weekly status meetings with staff
- Reporting progress on issues to the State
- Overseeing the development of performance standards and reports
- Performing administrative tasks necessary for smooth operation of the team

Prior Approval (PA) Manager

Sharlene Bryant's primary responsibilities as the NC PA manager for the Operations Phase comprise the following:

- Overseeing daily operations of PA staff and processes for the review, assessment, and preapproval of medical, dental, orthodontic, optical,

durable medical equipment, surgical, physical therapy services as defined in RFP requirements

- Assisting the State in developing operational procedures and processes that support the State policies providing for payment of only those services and or treatments that are medically necessary, appropriate, and cost-effective
- Working closely with the State's Medical Directors, clinical program managers, and other NC medical stakeholders to make sure Replacement MMIS processes align with the established medical policy per the RFP
- Overseeing the operational readiness activities for all PA areas
- Working closely with the State's Provider and Recipient Services department and Medical program leaders and the EDS Provider and Recipient Services team as well as the PMO to make sure North Carolina provider communication is timely and of high quality
- Making sure PA service levels are met and executed through the Replacement MMIS Operations phase
- Maintaining appropriate staffing levels and mentoring and coaching the pharmacy team
- Reviewing quality reports to assess current operations performance and establish with the EDS PMO office any required corrective action plans
- Conducting weekly status meetings with staff
- Reporting progress on issues to the State
- Overseeing the development of performance standards and reports
- Performing administrative tasks necessary for smooth operation of the team

Medical Director

Margaret Martin's primary responsibilities as the North Carolina Medical Director for the Operations Phase comprise the following:

- Maintaining overall responsibility for the operational success of the medical administration of State's health care programs
- Working closely with the State's Medical Directors, clinical program managers, and other NC medical association stakeholders to make sure Replacement MMIS processes align with the established medical policy per the RFP
- Assisting with operational readiness activities for the medical areas

- Working closely with the State's Provider and Recipient Services and Clinical Policy departments and the EDS Provider and Recipient Services team as well as the PMO to make sure medical provider communication is timely and of high quality
- Reviewing requests for noncovered services or services that exceed State medical policy
- Assisting the EDS PA staff in making appropriate determinations on medical PAs, such as surgeries, that may or may not meet dental criteria
- Reviewing denials for PAs when medical providers inquire regarding the decision made by the PA staff
- Assisting with review of medical records and payment for unlisted medical procedure codes
- Reviewing additional information provided for reconsideration of services or denied payments; if the denial is upheld, the Medical Director will provide support for the State administrative appeal hearing process and provide all data and documentation readily available to us during our review process

Dental Director

David Brooks' primary responsibilities as the North Carolina Dental Director for the Operations Phase comprise the following:

- Maintaining overall responsibility for the operational success of the medical administration of State's health care programs
- Working closely with the State's Medical Directors, clinical program managers, and other NC medical association stakeholders to make sure Replacement MMIS processes align with the established dental policy per the RFP
- Assisting with operational readiness activities for the dental related areas
- Working closely with the State's Provider and Recipient Services and Clinical Policy departments and the EDS Provider and Recipient Services team as well as the PMO to make sure North Carolina dental provider communication is timely and of high quality
- Daily participation in support of operational activities reviewing and providing dental expertise and input as well as guidance according to State dental policy on claims payment/denial and/or PA requests approval or denial
- Reviewing surgical dental procedures

- Reviewing requests for noncovered services or services that exceed dental policy
- Assisting the EDS PA staff in making appropriate determinations on dental or orthodontic PAs that may or may not meet dental criteria
- Reviewing denials for PAs when dental and orthodontic providers inquire regarding the decision made by the PA staff
- Assisting with review of dental records and payment for unlisted dental procedure codes
- Reviewing additional information provided for reconsideration of services or denied payments; if the denial is upheld, the Dental Director will provide support the State administrative appeal hearing process and provide all data and documentation readily available to us during our review process

Certification Manager

The Certification Manager will perform the following tasks:

- Serving as a subject-matter expert for the certification process and providing oversight/direction based on preparation requirements
- Meeting with the State and CMS to demonstrate fulfillment of requirements and equivalent functionality
- Providing oversight for all certification preparation activities, including status reports and other project requirements, leading to the successful certification of the Georgia MMIS
- Overseeing the preparation of a demonstration plan
- Working with the systems group to provide status and report on any conditions requiring remediation, either prior to certification review or during the certification review

Technical Director and Systems Programming Manager

Tim Sullivan's primary responsibilities of the technical director and systems programming manager for the Operations Phase comprise the following:

- Serving as backup to the account manager for technical services
- Attending State meetings
- Analyzing needs and recommending appropriate planning concepts and tools used for planning, scheduling, and tracking projects

- Analyzing project progress and costs and facilitating the development of recommended alternatives
- Controlling project requirements, scope, and change management issues
- Coordinating status review meetings with staff and attending State meetings as requested
- Determining, monitoring, and reviewing project economics, including costs, operational budgets, and staffing
- Developing project control and reporting procedures and managing changes in the project work plan
- Planning, directing, and coordinating cross-functional team activities to manage and implement projects
- Managing adherence to contract requirements and long-term State goals
- Performing administrative tasks necessary for smooth operation of the team
- Managing multiple-stakeholder, multiple-entity projects individually and across multiple project participants

Project Management Office (PMO) Director

The primary responsibilities of the PMO director for the Operations Phase comprise the following:

- Establishing the program management infrastructure, including development of project plans, schedules, resource requirements, task orders, and benefit and value propositions
- Attending State meetings
- Maintaining a time-reporting system for collecting work efforts expended at the lowest level of detail available in each project plan
- Managing project performance by using earned-value or a comparable process
- Maintaining iTRACE for each project to collect, store, and disseminate project information, reports, and official communication
- Enforcing a problem management plan, a risk management plan, a quality management plan, a change and configuration management plan, and associated monitoring
- Managing multi-agency, multi-payer projects individually and across multiple agencies
- Measuring and monitoring project progress

Office Administration Support

Administrative Secretary

The primary responsibilities of the administrative secretary for the Operations Phase comprise the following:

- Providing administrative and clerical support functions
- Applying PC skills and understanding of policies and procedures to complete assignments
- Reconciling administrative reports as required
- Handling confidential material including new hire paperwork, or employee records
- Evaluating, ordering, and organizing office supplies and administrative forms
- Making travel arrangements, coordinating meeting plans, and scheduling appointments
- Answering telephones and resolving questions or taking messages
- Opening and sorting mail and answering routine correspondence
- Using automated office equipment to type correspondence and business reports

Administrative Assistants

The primary responsibilities of the administrative assistants for the Operations Phase comprise the following:

- Supporting administrative tasks of EDS
- Providing primary support for account manager
- Developing and maintaining a correspondence tracking system
- Receiving and delivering all correspondence, including deliverables through e-mail and hard copy
- Scheduling meetings
- Taking minutes at meetings if needed
- Supporting document production, including typing, copying, and distribution

Accountants

The primary responsibilities of the accountants for the Operations Phase comprise the following:

- Preparing basic accounting statements and reports for management
- Performing detailed account reconciliation and analysis of accounting transactions
- Preparing variance analysis reports, and researching and explaining variances
- Preparing journal entries and performing month-end general ledger close activities
- Explaining financial system operations and procedures to field personnel
- Supporting audit requests as needed

Receptionist

The primary responsibilities of the receptionist for the Operations Phase comprise the following:

- Greeting visitors and providers to the EDS facility and making sure they log in and out as required
- Answering telephones and directing callers to EDS staff
- Performing clerical duties as assigned

Provider/Recipient Services Team

Provider/Recipient Services Supervisors

The primary responsibilities of the provider/recipient services supervisors comprise the following:

- Supervising provider and recipient call center functions
- Making sure call center service levels are met
- Staffing to appropriate levels
- Evaluating the performance of call center representatives
- Making sure call center representatives receive appropriate training

Provider/Recipient Service Representatives

The provider/recipient service representatives will perform the following functions:

- Providing first-level support for provider and recipient telephone and written inquiries
- Supporting written and verbal requests from providers
- Entering information into computer system for purposes of tracking each provider or recipient issue or question
- Researching problem areas and documenting processes used to correct the problem

Trainer

The provider/recipient services trainer will perform the following functions:

- Developing and delivering training to EDS staff, State staff, and providers
- Working closely with operational and technical managers and the State to develop detailed training plans
- Identifying and escalating barriers to successfully achieving training objectives as scheduled

Research Analyst

The provider relations research analyst will perform the following functions:

- Receiving and completing provider inquiries that are complex and require additional research and provider assistance for resolution
- Supporting complex and detailed research requests from the State
- Supporting provider services leadership with completion of special projects in support of provider, State, or EDS needs
- Supporting interChange maintenance and modifications or enhancements by providing assistance in testing and determining provider impact related to such change and creating communication and education plans to support these changes
- Assisting provider services call center and field representative team with additional training and guidance on research inquiries and issues

Provider Enrollment Supervisor

The provider enrollment supervisor will perform the following functions:

- Supervising daily operations of the provider enrollment team
- Attending State meetings as required
- Hiring, training, and maintaining required staffing
- Working closely with DMA on provider enrollment questions or issues

- Providing reporting on provider enrollment inventory and tracking
- Coordinating with the supporting vendor, VisionPro, for credentialing activities

Provider Enrollment Service Representatives

The provider enrollment service representatives will perform the following functions:

- Receiving and processing provider enrollment packets
- Communicating and handling provider enrollment inquiries from the State or provider as necessary
- Completing certification and re-enrollment tracking through the Web portal
- Performing online, real-time provider file entry, update, and approval
- Maintaining comprehensive provider letters in EMC | Documentum that authorized users can initiate using point-and-click technology

Provider Relations Supervisor

The provider relations supervisor will perform the following functions:

- Providing leadership and direction for the provider representative team
- Making sure provider relations service levels are met and developing and executing corrective action plans if required
- Coordinating priorities and scheduling with the State
- Hiring, training, mentoring, and coaching provider relations staff
- Attending provider association meetings and other provider workshops as appropriate
- Working closely with the State, Provider/Recipient Services Manager Chris Ferrell, and the PMO to make sure provider communications are timely and of high quality
- Keeping EDS and State leaders informed of any provider issues

Provider Relations Field Representatives

The provider relations field representatives will perform the following functions:

- Scheduling and holding on-site visits with providers; research provider claim and billing history in preparation for the visit

- Documenting topics discussed during visits, following up on any open issues, and monitoring provider claims to provide resolution to issues discussed
- Providing software and billing training; periodic training seminars for mass training
- Serving as liaison between the State and the provider community
- Developing and maintaining relationships with key association groups to facilitate open communication through a variety of methods

Provider Relations Support Representatives

The provider relations support representatives will perform the following functions:

- Providing specific provider billing assistance, specializing in one or more provider types
- Handling and documenting provider visits from State provider referrals
- Visiting provider locations for hands-on instruction support in their assigned regions
- Assisting and conducting regional workshops
- Developing provider bulletins
- Updating provider manuals

Publication Coordinator

The publication coordinator will perform the following functions:

- Overseeing the publication of bulletins and technical handbook material
- Overseeing and creating public stakeholder–facing materials
- Coordinating content and posting it to the Web portal for providers and recipients

Workshop Coordinator

The workshop coordinator will perform the following functions:

- Overseeing the planning of provider workshops, includes booking, arranging, and planning attendance for remote workshops
- Coordinating RSVP, attendance tracking, and follow-up materials for remote workshops

Pharmacy Services Team

Pharmacy Drug Rebate Analyst

The primary responsibilities of the pharmacy drug rebate analyst for the Operations Phase comprise the following:

- Overseeing the drug rebate services
- Making sure drug rebate service levels are met
- Reviewing drug rebate deliverables, such as invoices and related reports, to make sure they are accurate and complete
- Providing drug rebate expertise to the drug rebate team members
- Working with the State, drug rebate team members, and manufacturers to resolve rebate disputes in a timely manner
- Establishing and reviewing cash-handling procedures
- Overseeing training of State staff on the use of the new rebate system

Pharmacy Drug Rebate Accountant

The primary responsibilities of the accountants for the Operations Phase comprise the following:

- Preparing basic accounting statements and drug rebate financial reports for management
- Performing detailed account reconciliation and analysis of drug rebate accounting transactions
- Pursuing timely collection of outstanding drug rebate invoices
- Reconciling lockbox activities
- Generating monthly and quarterly financial and drug rebate reports as required
- Supporting audit requests as needed

Clinical Pharmacist

The primary responsibilities of the clinical pharmacist for the Operations Phase comprise the following:

- Providing pharmacist support to the pharmacy program services
- Providing clinical expertise and pharmacist supervision to the PA call center personnel

- Working with the State to develop educational materials for prescribers, providers, and recipients as required
- Working with the State on operational and policy issues related to the pharmacy program services
- Attending meetings and Fair Hearings as requested by the State

Pharmacy PA Representative

The primary responsibilities of the pharmacy PA representative for the Operations Phase comprise the following:

- Overseeing the PA and preferred drug list (PDL) services
- Making sure PA and PDL service levels are met
- Providing clinical expertise to the PA and PDL teams and the State
- Working closely with the State to coordinate and schedule pharmacy and therapeutics (P&T) committee meetings
- Facilitating Pharmacy & Therapeutic (P&T) committee meetings
- Working closely with the QA manager to make sure PA and PDL deliverables are of high quality
- Advising the State on the administration of the PDL
- Developing PA Fair Hearing summaries for the State's approval
- Attending Fair Hearings as requested by the State
- Working closely with the State on educational materials for recipients, prescribers, and providers

Pharmacy Tech/Business Analyst

The primary responsibilities of the pharmacy tech/business analyst for the Operations Phase comprise the following:

- Identifying and defining pharmacy policy and or drug rebated business requirements
- Providing alternatives with cost/benefit justification and recommended solutions
- Completing detailed pharmacy/drug rebate business specifications for system modifications and enhancements
- Working closely with the State, systems engineers, and operations units to analyze, design, and test system modifications and enhancements
- Creating test cases and scenarios to verify State requirements

- Supporting the State and EDS user acceptance testing process
- Updating iTRACE with desktop/user procedures
- Providing performance metrics and statistics for reporting to the State
- Attending status review meetings with project team members and the State

Claims Operations Services

Mail Room Supervisor

The primary responsibilities of the mail room supervisor for the Operations Phase comprise the following:

- Directing the work activities of the mail room
- Reviewing daily inventory to support timely claims processing
- Reviewing the weekly inventory report sent to the State
- Overseeing work areas to maintain control of inventories and production
- Tracking production, reviewing quality metrics, and maintaining workflows and work process improvements
- Interacting with vendors supporting the mail room equipment
- Interacting with vendors supporting forms and supplies needed for mail-outs
- Performing random sampling of claims and non-claim documents that were screened and batched to validate that the work is being performed accurately
- Serving as a liaison to the account staff and the State to assist with issues associated with the mail room, such as special mailings

Mail Room Data Preparation and Claims Sorting Clerk

The primary responsibilities of the mail room data preparation and claims sort clerk for the Operations Phase comprise the following:

- Performing work related to preparation, control, and sorting of claims and non-claim incoming mail
- Performing claims-sorting and non-claims sorting based on specified criteria
- Preparing claims and non-claim mail for scanning by removing staples and paper clips and inserting bar-coded patch sheets
- Performing data control for incoming claims and special batches

- Serving as trained backup to perform all duties of the data preparation/correspondence clerk as needed

Mail Room Courier

The primary responsibilities of the mail room courier for the Operations Phase comprise the following:

- Performing daily pick and delivery of items in support of the NCXIX account
- Making courier runs to the post office for incoming mail, to the bank for delivery of the daily bank deposit, and to designated State offices for pickup and delivery of correspondence
- Following the HIPAA guidelines for transporting protected health information (PHI)
- Hand-delivering and acquiring signoff for designated items
- Assisting in the distribution and opening of incoming mail
- Coordinating vehicle maintenance and repairs

Mail Room Quality Control and Batch Control Clerk

The primary responsibilities of the mail room quality control and batch control clerk for the Operations Phase comprise the following:

- Validating that the claims scanned are activated and entered for processing
- Monitoring daily and weekly production and claims inventory
- Monitoring and working closely with our subcontractor, SunGard
- Reviewing daily and weekly QA reports for all scanned, optical character read/key from image (OCR/KFI) documents
- Researching and resolving OCR/KFI issues
- Updating and maintaining OCR/KFI instructions
- Assisting in OCR/KFI testing coding changes
- Handling document special batches
- Using various reports to identify the need for retraining or counseling of OCR/KFI personnel
- Generating reports regularly to monitor adherence to the required accuracy rate

Data Capture Scan Operator

The primary responsibilities of the data capture scan operator for the Operations Phase comprise the following:

- Maintaining input and output control processes and procedures for documents to be scanned
- Receiving, logging, and batching claims and non-claim receipts
- Operating a high-volume scanner with accuracy and speed
- Scanning claims and non-claim documents
- Assigning an internal control number (ICN) to each document for tracking, retrieval, and viewing purposes
- Resolving routine issues and escalating non-routine issues to the supervisor

Data Capture Document Indexing Clerk

The primary responsibilities of the data capture document indexing clerk for the Operations Phase comprise the following:

- Entering the specific data, such as provider number and tax ID, from an imaged document to provide linking to the document control number assigned
- Linking of the DCN and provider number to allow for non-claim documents to be searched, retrieved, and viewed by entering the provider number as search criteria
- Escalating any documents that cannot be indexed because of issues such as legibility and lack of data to the designated person for further research

Mail Room Outgoing Mail Clerk

The primary responsibilities of the mail room outgoing mail clerk for the Operations Phase comprise the following:

- Stuffing, labeling, metering, and distributing outgoing mail
- Sorting and distributing incoming mail
- Scanning paper claims and prescreen claims for required information
- Transporting documents to and from the account
- Transporting documents to and from the post office

EDI Help Desk Supervisor

The primary responsibilities of the EDI supervisor for the Operations Phase comprise the following:

- Preparing the monthly EDI billing report for invoicing
- Assigning processor control numbers to POS providers
- Monitoring translator processes
- Assisting providers and vendors with formatting issues
- Maintaining archives of claims transmissions
- Coordinating and assisting in HIPAA transaction testing
- Supporting software training workshops
- Performing routine telephone response and data analysis
- Training internal staff on changes to format and data flow
- Analyzing issues with claims file processing for problem resolution
- Monitoring the performance and quality of the technical help desk staff
- Handling escalated technical calls from the team

EDI Service Reps/Help Desk Analyst (Technical)

The primary responsibilities of the EDI help desk analyst (technical) for the Operations Phase comprise the following:

- Responding to telephone inquiries from providers and vendors regarding electronic claims submission issues and transmission problems
- Assisting providers with various software concerns and questions
- Troubleshooting and escalating claim and transmission problems and notifying providers of the resolution
- Confirming data transmissions
- Maintaining backups of transmissions received
- Assisting providers and vendors with testing
- Coordinating the implementation and testing of value-added networks (VANs)
- Assisting the project team in acquiring connectivity for the appropriate access required by the VANs
- Promoting ECS and quality improvements through numerous projects
- Marketing the electronic claims submission process

- Providing support for testing HIPAA-compliant transaction sets for providers and vendors
- Maintaining trading partner agreements
- Creating mailboxes and processes for claims and non-claims submissions

Claims Resolution and Adjustment Supervisor

The primary responsibilities of the claims resolution and adjustment supervisor for the Operations Phase comprise the following:

- Managing the claims resolution and adjustment team to make sure the work is performed within the RFP requirements and performance standards
- Serving as the backup to the operations claims manager
- Conducting team meetings
- Attending State meetings and supporting research requests received from the State
- Performing administrative tasks necessary for smooth operation of the team
- Managing adherence to contract requirements and long-term State goals
- Hiring, training, mentoring, and coaching claims resolution and adjustment staff

Claims Resolution/Adjustments Clerical

The primary responsibilities of the claims resolution/adjustments analyst for the Operations Phase comprise the following:

- Interpreting and determining appropriateness of providers' adjustment requests
- Reviewing and processing adjustments of previously paid claims and making final decisions on adjustments regarding diagnosis coding, procedure coding, pricing, and program coverage

Claims Resolution/Medical Policy Analyst

The primary responsibilities of the claims resolution/medical policy analyst for the Operations Phase comprise the following:

- Reviewing suspended claims using resolution criteria that does not require medical review
- Providing keying support of determined resolution

Claims Resolution/Medical Review Nurse

The primary responsibilities of the claims resolution/medical review nurse for the Operations Phase comprise the following:

- Reviewing submitted claims and adjustment requests where medical determination is required
- Reviewing weekly, monthly, quarterly, and annual reports for claims payment in adherence with federal guidelines
- Assisting in the implementation of yearly updating of CPT/HCPCS codes
- Reviewing and filing submitted consent forms and statements

Reference Support Staff

The primary responsibilities of the reference support staff for the Operations Phase comprise the following:

- Receiving, reviewing, analyzing, and working all reference file-related State requests
- Interacting with internal and external contacts to analyze, define, test, and implement reference file changes
- Gathering requirements necessary to implement reference file changes
- Interfacing with systems engineers to develop and review test plans and documentation
- Assisting other business units in reference file-related research
- Supporting the State in its desire to implement new services and new health care programs

Financial Services Team

Financial Accountant Analyst and Financial Business Analyst Professional

The primary responsibilities of the accountant analyst for the Operations Phase comprise the following:

- Balancing weekly reports to make sure that checkwrite activities have been appropriately recorded throughout the Replacement MMIS
- Receiving and processing electronic funds transfer (EFT), or direct deposit, requests
- Preparing monthly financial statements
- Processing governmental agency liens and levying withholdings

- Processing DMA withholds, payouts, and recoup requests
- Processing First- and Second-B Notices and tracking responses for required IRS backup withholding actions
- Inputting data to generate manual checks for previously funded issues and withholding payments to government agencies
- Processing bad debt for consideration for write-off on approval of the State
- Serving as the point of contact for Internal Revenue Service (IRS) Form 1099-MISCs issues by January 31 annually and Corrected IRS Form 1099s issues in the spring
- Researching issues referred by Provider Services, EDS and the State
- Support system modifications and maintenance changes on any area related to finance, tax, collections
- Responding to calls forwarded to Finance regarding questions about any of the aforementioned responsibilities

Finance Cash Receipt Clerical Staff

The primary responsibilities of the finance clerical staff for the Operations Phase comprise the following:

- Interpreting, coding, keying, and validating entry of provider refunds sent to the appropriate lockbox
- Researching returned paid claims checks and voiding claims where necessary
- Supporting research of refunds applied based on information supplied by or lacking from the provider
- Researching and requesting refunds of overpayments of recipient premiums as appropriate

Buy-In Processing Staff

The primary responsibilities of the buy-in processing staff for the Operations Phase comprise the following:

- Reconciling buy-in cycle outputs for both Medicare Part A and Medicare B buy-in processes
- Preparing buy-in transactions for buy-in cycle processing such as , accretes, deletes, and history change requests
- Verifying eligibility of North Carolina Medicaid recipients to make sure the State receives appropriate credits for those who are eligible

- Supporting suspended claims review for Medicare suspect
- Recommending codes to send to CMA to achieve the expected result

Third-Party Liability (TPL) Clerk

The primary responsibilities of the TPL clerk for the Operations Phase comprise the following in support of the DPH recovery activities:

- Interpreting, coding, keying, and validating entry of TPL recoveries
- Contacting providers to resolve questions or issues as necessary
- Researching and requesting as appropriate any recoveries in error or excess of recorded amounts

Recipient Processing Staff

The primary responsibilities of the recipient processing staff for the Operations Phase comprise the following:

- Interpreting, coding, keying, and validating entry of recipient premium recipients sent to the appropriate lockbox
- Researching any premium related questions/issues
- Resolving pending transactions
- Researching and issuing refunds on recipient premium as needed

Prior Approval Services

PA Supervisor

The primary responsibilities of the PA supervisor for the Operations Phase comprises the following:

- Serving as the backup to the PA manager
- Overseeing the PA department to make sure the work is performed within the RFP requirements and performance standards
- Conducting team meetings
- Attending State meetings and supporting the State research requests
- Performing administrative tasks necessary for smooth operation of the team
- Managing adherence to contract requirements and long-term State goals

PA Optical and Hearing Aid Analyst

The primary responsibilities of the PA optical and hearing aid analyst for the Operations Phase comprise the following:

- Performing reviews for visual aids and hearing aids
- Sending visual aid orders to the State's support vendor
- Giving refraction approvals by telephone when the AVRS is not available
- Performing optical and hearing aid worksheet resolution
- Assisting State and providers with optical and hearing aid PA issues

PA Analyst

The primary responsibilities of the PA analyst for the Operations Phase comprise the following:

- Performing preliminary work on PA forms, such as researching paid history, PAs existing, and background reviews to expedite the handling and reviewing of PA requests
- Conducting worksheet resolution for PA edits and audits
- Researching problems and questions Provider Services or other departments may need answered or researched
- Resolving PA denial reports
- Assisting the State and providers with issues regarding PA requests

PA Clerical Staff

The primary responsibilities of the PA clerical staff for the Operations Phase comprise the following:

- Performing worksheet resolution for PA edits and audits
- Gathering and organizing PA documents for medical director or dental director review
- Performing mail-backs for the unit

PA Registered Dental Hygienist

The primary responsibilities of the PA registered dental hygienist for the Operations Phase comprise the following:

- Performing review for dental services that require PA
- Performing dental worksheet resolution
- Assisting State and providers with dental PA questions and issues

Consulting Orthodontist

The consulting orthodontist is responsible for the following functions:

- Operating as a backup to the dental director
- Participating daily in the support of operational activities
- Providing orthodontist expertise and input on State dental policy for claims payment or denial and PA request approval or denial
- Reviewing requests for noncovered services or services that exceed orthodontic policy
- Assisting the EDS PA staff in making appropriate determinations on orthodontic PAs that may or may not meet dental criteria
- Reviewing denials for PAs when orthodontic providers inquire regarding the decision made by the PA staff
- Reviewing additional information provided for reconsideration of services or denied payments; if the denial is upheld, supporting the State administrative appeal hearing process and making data and documentation readily available during the review process

Dental Consultant

The dental consultant will perform the following functions:

- Operating as a backup to the dental director
- Assisting with operational readiness activities for the dental-related areas
- Reviewing surgical dental procedures
- Reviewing requests for noncovered services or services that exceed dental policy
- Assisting the EDS PA staff in making appropriate determinations on dental PAs that may or may not meet dental criteria
- Reviewing denials for PAs when dental providers inquire regarding the decision made by the PA staff
- Assisting with review of dental records and payment for unlisted dental procedure codes
- Reviewing additional information provided for reconsideration of services or denied payments; if the denial is upheld, supporting the State administrative appeal hearing process and making data and documentation readily available during the review process

PA Physical Therapist

The primary responsibilities of the PA physical therapist for the Operations Phase comprises the following:

- Performing reviews to determine the medical necessity for pediatric mobility equipment that is submitted on a CMN/PA form
- Assisting the State and providers with questions and issues on pediatric mobility PA requests

PA Nurse (DME)

The primary responsibilities of the PA registered nurse (DME) for the Operations Phase comprise the following:

- Reviewing certificates of medical necessity (CMN)/PA forms (for codes that require PA) to determine the medical necessity for the DME
- Reviewing and pricing required repairs to equipment for which Medicaid recipients are approved
- Performing worksheet resolution for manually priced items and repairs
- Assisting State and providers with problems and questions about DME PAs

Training Services

Training Supervisor

The training supervisor will perform the following functions:

- Providing oversight and standardization for account training and development activities
- Providing leadership and direction to the training team
- Reviewing deliverables and provide quality assurance input
- Partnering with the State to confirm requirements and identify areas for consideration
- Setting department goals, objectives and priorities
- Directing the training team resources and activities for State user training and provider training
- Defining, generating, and producing training requirements
- Reviewing and evaluating the post-session user evaluations
- Working closely with the instructional design specialist, trainers and other key stakeholders with daily operational issues

- Mentoring and coaching trainers
- Maintaining appropriate staffing levels

Trainers

The trainers will perform the following functions:

- Reviewing appropriate training and provider information to learn training session content
- Delivering effective training to State and EDS users, as well as the provider community when needed
- Verifying that training products are technically accurate and matched appropriately to the audience
- Testing and implementing training products, such as materials and computer-based training courseware
- Providing tutoring and supplemental training to the State, EDS, and provider community participants based on need and request

Instructional Design Specialists

The instructional design specialists will perform the following functions:

- Developing and deploying training solutions that are aligned with EDS and State training needs, including training material solutions
- Determining the optimum mix of training media, including trainer-led, CBT, and WBT
- Developing the project management approach to training solutions for the enterprise and setting the framework for future training activities, including scheduling training sessions
- Facilitating training to the State, EDS, and the provider community
- Preparing the annual training plan and training reports

Documentation Specialists

The documentations specialists will perform the following functions:

- Coordinating documentation to be included in iTRACE and on the Provider and Recipient Web Portal
- Developing and maintaining operations and stakeholder documentation
- Updating documentation in a timely manner and with the State's approval
- Documenting procedures and processes

- Maintaining the library of operations documentation
- Providing assistance with written documentation in other functional areas
- Receiving, tracking, and responding to all State-initiated requests for documentation

Quality Monitoring and Control

Operations Quality Control Manager

The primary responsibilities of the quality control manager for the Operations Phase comprise the following:

- Serving as the backup to the PMO director
- Establishing and maintaining an infrastructure, culture, and capability for continued improvement in quality control functions encompassing data entry, system inputs and outputs, balancing of jobs, data integrity, provider communications, finance, and accounting
- Prioritizing, planning, and coordinating the implementation of improvement initiatives
- Collecting, understanding, and documenting stakeholder expectations to guide process improvement
- Building support tools such as a status reporting mechanism, communication framework, system for gathering stakeholder expectations and perceptions, stakeholder repository, and expectation management worksheets
- Enlisting project management sponsorship for the process improvement program
- Using appropriate process models and certifications to guide improvement initiatives and measure progress

Quality Assurance Support Staff

The quality assurance support staff will perform the following functions:

- Establishing and maintaining an infrastructure, culture, and capability for continued improvement in quality control functions encompassing data entry, system inputs and outputs, balancing of jobs, data integrity, provider communications, finance, and accounting
- Prioritizing, planning, and coordinating the implementation of improvement initiatives
- Collecting, understanding, and documenting stakeholder expectations to guide process improvement

- Building support tools such as a status reporting mechanism, communication framework, system for gathering stakeholder expectations and perceptions, stakeholder repository, and expectation management worksheets
- Enlisting project management sponsorship for the process improvement program
- Using appropriate process models and certifications to guide improvement initiatives and measure progress

Security/Privacy Officer

The primary responsibilities of the security officer for the Operations Phase comprise the following:

- Managing the HIPAA-directed privacy program in compliance with federal and state laws and applicable regulatory accreditation standards
- Providing developmental guidance and assisting in the identification, implementation, and maintenance of organization information privacy policies and procedures
- Performing information privacy risk assessments and compliance monitoring activities in coordination with the program's assessment functions
- Working with the legal team to review contracts or other legal agreements that are subject to HIPAA standards and applicable State laws
- Serving as a liaison to the State for HIPAA privacy issues
- Maintaining current knowledge of applicable federal and state privacy laws and accreditation standards and monitoring advancements in information privacy technologies
- Implementing and managing CMS and State information security directives as mandated by the Administration Simplification portion of HIPAA
- Performing a gap analysis to assess the program's current security compliance status versus necessary status and periodically reassessing this status
- Protecting the confidentiality and integrity of information and maintaining the technical mechanisms of legitimate access to information
- Managing the complex, technically difficult, and dynamic process of policies and procedures across interdivisional lines
- Overseeing the process of ongoing integration of information security with program strategies and requirements

- Coordinating with external entities, such as other commercial and government insurance carriers and regulatory agencies, to improve information security within the organization
- Leading initiatives to contain, investigate, and prevent security breaches

Systems Quality Control Manager

The primary responsibilities of the systems quality control manager for the Operations Phase comprise the following:

- Developing and maintaining a vigorous quality control function that encompasses verification of system testing and production outputs, balancing of jobs, validating data integrity, controlling and accounting for system inputs, and providing adequate internal controls and quality checks
- Identifying and addressing system and data issues that affect the integrity of the system
- Applying and maintaining quality requirements that include the creation and execution of methods and procedures for testing and debugging programs
- Promoting testing results that are easily accessible and understandable
- Documenting and handling deviations identified during quality control activities and tracking the deviations to closure
- Aligning the system with changing program needs as necessary

Systems Group

Systems Maintenance Technical Leader

The primary responsibilities of the Systems Maintenance Technical Leader in the Operations Phase comprise the following:

- Scheduling and assigning maintenance work to systems engineer staff
- Working closely with the State to communicate maintenance project status, issues, or questions
- Participating in maintenance project deliverable walkthroughs
- Serving as leader on-call for production-related issues
- Making sure production system meets the contractual service levels
- Escalating issues or barriers to meeting contractual service levels

BizTalk Analyst

The BizTalk Analyst will perform the following functions:

- Designing, coding, testing, and implementing document interface and workflow changes to the Replacement MMIS
- Incorporating the latest advances in SOA/integration technology into the Replacement MMIS as appropriate
- Bringing specialized technical skills in the areas of integration and workflow, as well as pertinent knowledge and experience, to the project
- Updating technical documentation in iTRACE
- Providing regular status reports to technical functional area lead (TFAL)
- Coordinating and meeting required development and testing schedules across functional areas as they relate to integration

Senior Information Specialist

The primary responsibilities of the senior information specialist for the Operations Phase comprise the following:

- Designing, coding, testing, implementing, and documenting changes to the Replacement MMIS
- Incorporating the latest advances in technology into the Replacement MMIS as appropriate
- Bringing specialized technical skills, knowledge, and experience pertinent to the project
- Bringing specific expertise in Internet technology and claims engine internals
- Providing technical guidance to peers
- Updating technical documentation in iTRACE
- Providing regular statuses to technical functional area lead (TFAL)
- Meeting required development and testing schedules

Information Specialists

The primary responsibilities of the information specialists for the Operations Phase comprise the following:

- Designing, coding, testing, implementing, and documenting changes to the Replacement MMIS

- Incorporating the latest advances in technology into the Replacement MMIS as appropriate
- Bringing specialized technical skills, knowledge, and experience pertinent to the project
- Bringing specific expertise in Internet technology and claims engine internals
- Conducting initial research, code development, and testing for application modifications
- Providing technical guidance to peers
- Updating technical documentation in iTRACE
- Providing regular statuses to technical functional area lead (TFAL)
- Meeting required development and testing schedules

Information Analysts

The primary responsibilities of the information analysts for the Operations Phase comprise the following:

- Designing, coding, testing, implementing, and documenting changes to the Replacement MMIS
- Incorporating the latest advances in technology into the Replacement MMIS as appropriate
- Bringing specialized technical skills, knowledge, and experience pertinent to the project
- Updating technical documentation in iTRACE
- Providing regular statuses to technical functional area lead (TFAL)
- Meeting required development and testing schedules

Senior State Business Liaison

Anthony Perkins' primary responsibilities of the senior State business liaison for the Operations Phase comprise the following:

- Serving as an intermediary between the State and EDS to help define requirements for Replacement MMIS maintenance and/or modification efforts
- Attending meetings in which new projects are presented to understand the full intent of the project and discern potential areas of impact
- Analyzing stated requirements of projects or policy changes and identifying unanswered questions

- Reviewing requirements documentation and subsequent test results
- Researching identified issues from a business user or operational perspective
- Developing business relationships between systems and operational units and coordinating the communication to operations and the NC provider community

Senior Business Analyst Professionals

The primary responsibilities of the senior business analyst for the Operations Phase comprise the following:

- Researching business requirements to assist TFALs in technical design effort
- Working closely with the State, systems engineers, and operations units to analyze, design, and test system modifications and enhancements
- Comparing RFP requirements to modification designs to make sure requirements are met
- Assisting in updating documentation and change order status in iTRACE
- Acting as a liaison to State business leads
- Providing Medicaid and subsystem training as needed

Business Analyst and Testing Professionals

The primary responsibilities of the business analyst for the Operations Phase comprise the following:

- Identifying and defining business requirements
- Providing alternatives with cost/benefit justification and recommended solutions
- Completing detailed specifications for system modifications and enhancements
- Working closely with the State, systems engineers, and operations units to analyze, design, and test system modifications and enhancements
- Creating test cases and scenarios to verify State requirements
- Executing test cases, documenting problems, and verifying the corrections
- Providing Medicaid and subsystem training as needed
- Attending status review meetings with project team members and the State

Documentation Specialists

The primary responsibilities of documentation specialists for the Operations Phase comprise the following:

- Coordinating documentation to be included in iTRACE
- Developing and maintaining systems documentation
- Updating systems documentation in a timely manner and with the State's approval
- Distributing documentation update pages and instructions to State and EDS users
- Documenting complex procedures and processes
- Developing statements of understanding related to system change requests
- Maintaining the Edit/Resolutions Manual
- Maintaining the library of system documentation
- Providing assistance with written documentation in other functional areas
- Receiving, tracking, and responding to all State-initiated requests for documentation
- Periodically reviewing and approving the site administration manual documentation

Integrated Test Function Coordinator

The integrated test function coordinator will perform the following functions:

- Identifying and defining business requirements for the integrated test facility (ITF)
- Providing alternatives with cost/benefit justification and recommended solutions for ITF
- Completing detailed specifications for system modifications and enhancements to ITF
- Working closely with the State, systems engineers, and operations units to analyze, design, and test system modifications and enhancements to ITF
- Creating test cases and scenarios to verify State requirements and maintain ITF throughout the life of the contract
- Executing test cases, documenting problems, and verifying the corrections
- Providing Medicaid and subsystem training as needed on ITF requirements and functionality

- Attending status review meetings with project team members and the State

Data Analyst

The data analyst will perform the following functions:

- Attending deliverable walkthroughs to maintain quality and consistency of data definition and use
- Working with the business analysts to make sure reference data is consistently defined and used
- Working with the systems team to make sure data is consistently defined and used across the functional areas

Senior Technical Analyst and SME for MMIS and Multi-Payer

Mike Frost's primary responsibilities as the senior technical analyst/SME for MMIS and Multi-Payer for the Operations Phase comprise the following:

- For MMIS:
  - Validating that the Replacement MMIS is operational and meeting contractual performance standards
  - Coordinating development and implementation priorities and scheduling requests for maintenance and user support and modifications and enhancements
  - Assisting staff in the analysis and design of the Replacement MMIS maintenance and modifications
  - Designing, coding, testing, implementing, and documenting changes to the Replacement MMIS
  - Consulting with the State and other stakeholders on changes to the Replacement MMIS that support business processes
  - Providing in-depth knowledge of interfaces and common MMIS function points among DMA, DMH, DPH, and ORHCC
  - Maintaining a technical relationship with other State agencies, other EDS Medicaid accounts across the nation, insurance carriers, and federal agencies to facilitate the transfer of information electronically
  - Incorporating technology enhancements into the Replacement MMIS as appropriate
  - Participating in the development of test plans and test cases

  - — Participating in the review, research, and analysis of failed related test cases to determine the impact of enhancements and modifications on claims processing functionality within the Replacement MMIS
  - — Participating in periodic unit reviews of quality and performance
- For Multi-Payer
  - — Providing in-depth knowledge and expertise regarding the Replacement MMIS Multi-payer functionality, capabilities, and architecture
  - — Providing in-depth knowledge of interfaces and common multi-payer function points among DMA, DMH, DPH, and ORHCC
  - — Providing guidance and expertise during requirements determination to accurately document the needs of each division
  - — Serving as a liaison and supporting timely communication among all agencies
  - — Reviewing the technical design documents to verify that designs accurately address each division's requirements
  - — Setting the approach for use of common modules that can be leveraged across divisions and payers
  - — Assisting staff in the analysis and design of the Replacement MMIS maintenance and modifications

Senior Technical Analyst and SME for HIPAA

Stacy Barber's primary responsibilities of the senior technical analyst/SME for HIPAA for the Operations Phase comprise the following:

- Providing guidance and expertise to the State to assist in maintaining compliance with federally mandated HIPAA regulations
- Serving as a liaison to the State and EDS operational units
- Reviewing and approving system modification activities that impact HIPAA
- Validating that system requirements and system design components adhere to and accurately reflect HIPAA standards and regulations
- Participating in agreed-on HIPAA-related meetings, seminars, and conferences such as North Carolina Healthcare Information and Communications Alliance (NCHICA)
- Participating in standards-setting organizations, such as X12, to monitor the impact of standards changes to the State's HIPAA implementation and to assist in the development of future HIPAA standards

- Monitoring federal regulations for changes in HIPAA requirements and for new HIPAA requirements
- Working with other EDS Medicaid clients to share ideas and approaches related to HIPAA and determine how these solutions can most appropriately be used for the benefit of the State
- Interfacing with trading partners in the interpretation of HIPAA requirements
- Coordinating the development and implementation of HIPAA-related modifications and enhancements to the Replacement MMIS
- Producing HIPAA-related function and design specifications
- Designing, coding, testing, implementing, and documenting HIPAA-related changes to the Replacement MMIS
- Consulting with the State and other stakeholders regarding the impact of HIPAA-related modifications and enhancements on the Replacement MMIS and existing business processes
- Participating in the development of test plans and test cases
- Participating in the review, research, and analysis of failed HIPAA-related test cases to determine the impact of claims processing functionality within the Replacement MMIS

LAN/WAN Manager

The primary responsibilities of the LAN/WAN manager for the Operations Phase comprise the following:

- Planning, coordinating, and directing the activities of the network infrastructure group to support network availability
- Overseeing the team and activities involved in monitoring, isolating, resolving, and circumventing network problems
- Advising management and interfacing with the State concerning problems affecting network performance
- Defining present network needs and planning for future requirements by investigating, evaluating, recommending, and upgrading hardware and software to meet system requirements
- Serving as the primary point of contact with the State to facilitate the implementation of enhancements and upgrades to the network
- Preparing and maintaining documentation for current network platform, backup, and printing procedures

- Resolving complex hardware and software problems, performing trend analysis, and creating tools to prevent system interruption
- Managing the installation of new computer hardware and software for account staff
- Providing technical support and training to users
- Troubleshooting computer problems with EDS software
- Administering security procedures
- Establishing processes and procedures for inventory and accounting management
- Submitting purchase orders for hardware and software
- Monitoring software and hardware inventory
- Designing and implementing automated processes to keep hardware, system and application software, and network components operational
- Defining and implementing metrics that measure system performance to make sure design specifications are met

Database Administrator (DBA)

Terry Hensley's primary responsibilities of the DBA for the Operations Phase comprise the following:

- Creating efficient database technical designs that meet analysis and business design specifications, performance and platform requirements, and DBA organizational standards
- Developing policies and procedures for maintaining the security and integrity of the database
- Designing data models, performing imports, creating and maintaining database schemes, performance tuning and capacity planning, monitoring the database for potential problems, and creating user reports
- Working with other systems and operations business units to maximize the value of the data and determine the impact of changes on other systems
- Performing database maintenance and modifications
- Establishing and maintaining processes and procedures as well as standards related to database management in accordance with the State's technical architecture
- Identifying, analyzing, and documenting database system interfaces and database performance-related criteria

- Handling database change management
- Performing database space management and managing database products and utilities
- Supporting and reviewing data dictionary usage

Network Specialist

The primary responsibilities of the network specialist for the Operations Phase comprise the following:

- Serving as the primary point of contact for network-related issues
- Monitoring network performance
- Providing network status as scheduled or required to management and to affected users
- Troubleshooting network problems, determining appropriate responses, and implementing the solution
- Preparing network-related recommendations
- Assisting users with network connectivity issues

Technical Help Desk Analyst/Desktop Support

The primary responsibilities of the help desk analyst (technical) for the Operations Phase comprise the following:

- Responding to telephone inquiries from internal users regarding technology and application issues and problems
- Assisting internal users with various software, hardware, and network concerns and questions
- Troubleshooting and escalating problems and notifying users of the resolution

UNIX Administrator

The primary responsibilities of the UNIX administrator for the Operations Phase comprise the following:

- Implementing and supporting local area network (LAN) hardware and software specifically for the UNIX based servers and environment
- Analyzing workflow and procedures to recommend operational support tools and technologies
- Maintaining workstation and server data integrity by evaluating, implementing, and managing appropriate software solutions

- Serving as a liaison between the State, suppliers, and other technical groups to resolve network and hardware problems
- Analyzing performance problems and recommending solutions to enhance functionality, reliability, and usability
- Participating on project teams in the implementation of new or upgraded designs
- Implementing operational support standards and procedures relating to change management, performance management, and security
- Recommending changes and improvements to existing standards
- Implementing a schedule of system backups and database archive operations to support data and media recoverability
- Developing site administration documentation
- Providing user orientation on hardware, software, and network operations

Windows Administrator

The primary responsibilities of the Windows administrator for the Operations Phase comprise the following:

- Designing, testing, implementing, and optimizing portions of LAN, wireless LAN (WLAN), campus area network (CAN), and WAN networks that enable and support business operations
- Investigating, analyzing, and recommending solutions to performance problems to enhance functionality, reliability, and usability
- Analyzing State workflow and procedures to recommend operational support tools and technologies to satisfy State needs
- Maintaining workstation and server data integrity by evaluating, implementing, and managing appropriate software and hardware solutions
- Analyzing network structures to maintain stability of connections
- Analyzing system service irregularities and disruptions and identifying improvement recommendations
- Acting as a liaison between the State, suppliers, and other technical groups to resolve complex network and hardware problems
- Advising management and the State on security-related issues
- Participating on project teams in the implementation of new or upgraded designs

- Designing and implementing migration strategies
- Designing, developing, and implementing operational support standards and procedures related to change management, performance management, and security
- Analyzing and recommending changes and improvements to existing standards
- Enabling data and media recoverability by implementing a schedule of system backups and database archive operations
- Performing problem and task analysis and trending
- Keeping abreast of emerging operational support technologies and industry trends
- Assisting in the evaluation, testing, and recommendation of hardware, software, and network configuration based on State needs

Modernization Team Technical Leader

Please refer to the position description for the Systems Maintenance Technical Leader for responsibilities assigned to the technical leader position.

Senior MMIS Application System Architect

The primary responsibilities of the Senior MMIS Application System Architect for the Operations Phase comprise the following:

- Serving as the senior technical advisor on the most specialized phases of system design, implementation, analysis, and programming
- Supporting systems engineers in developing sound architecture and distribution strategies, taking into account total system requirements, advanced principles, theories, and concepts to develop plans, strategies, and tools to resolve issues
- Communicating technical alternatives and new technologies to management and recommending action
- Providing technical direction for the account
- Directing the modifications to the base system to facilitate future implementations
- Enforcing policies that maintain the integrity of the data model
- Serving as a technical expert during product presentations to the State
- Providing leadership and advice to the entire organization on technology issues that optimize delivery capabilities

Project Manager

The project manager's primary responsibilities will comprise the following:

- Measuring and monitoring daily progress to deliver project requirements that meet or exceed expectations in accordance with project goals and objectives
- Maintaining the program management infrastructure by coordinating with other project managers regarding project plans, schedules, resource requirements, task orders, and benefit and value propositions
- Monitoring and managing project staffing needs
- Enabling the ongoing execution of risk management activities
- Attending State meetings as requested
- Providing input to project teams and management for ongoing operations and new project activities
- Monitoring project performance by using earned-value or a comparable process
- For active projects and identified account activities, making sure project standards are maintained for each project to collect, store, and disseminate project information, reports, and project communication
- Providing integration management by managing a portfolio of plans, such as a risk management plan, a quality management plan, a change and configuration management plan, and staffing management plans
- Managing multiple-stakeholder, multiple-entity projects individually and across multiple project participants
- Formulating contingency plans in areas such as schedule revisions, resource adjustments, and areas of risk
- Monitoring, assessing, and maintaining appropriate reporting on metrics such as performance report cards data
- Overseeing ongoing configuration and change management activities
- Working with the Quality Management team to make sure appropriate quality monitoring and control activities are followed

Work Planner

The work planner will perform the following functions:

- Developing and maintaining project work schedules, including maintaining schedules, resource allocation, cost controls, and task predecessor/dependency relationship management

- Working closely with the project managers, systems manager, deputy account manager, and quality assurance manager to make sure all tasks are in the work plans and status is accurately reflected
- Identifying and monitoring each project's critical path
- Providing project status reports and metrics as required by contract and other additional reports as requested by the account manager and project managers

Project Management Specialist

The primary responsibilities of the project managers for the Operations Phase comprise the following:

- Coordinating project-related tasks
- Tracking deliverables
- Coordinating team assignments and meetings
- Maintaining vendor relations
- Coordinating with users to obtain information needed for DDI
- Conducting walkthroughs
- Conducting deliverable reviews as dictated
- Conducting project kickoff meetings
- Performing other research-related duties pertinent to the project
- Performing other related work as required

PMO Services

Performance Metrics Analyst

The primary responsibilities of the metrics analyst for the Operations Phase comprise the following:

- Consolidating operational performance metrics for the dashboard and continued monitoring and review
- Maintaining the dashboard and related reports
- Creating, consolidating, reviewing, and reporting on operational and project-related benchmarks

50.2.5.5 Communications Approach

RFP Reference: 50.2.5.5 Communications Approach, Pages 278-279; Joint DDI Communications Plan CDRL, Page 264

Open, consistent, and informative communication is essential to accomplishing the internal and external changes associated with deployment and subsequent modification of the Replacement MMIS. Our robust communication approach fosters well-defined interaction among the project's stakeholders, and it is built on a foundation of trust from many years of working with the State.

Vital to the success of this undertaking is the effective communication among EDS and State stakeholders and leadership. As the current fiscal agent, EDS has worked diligently with State personnel to achieve effective working relationships with the Division of Medical Assistance (DMA) and the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (DMH). We will continue to build on these relationships and look forward to the addition of the Division of Public Health (DPH) and the Migrant Health Program in the Office of Rural Health and Community Care (ORHCC). Working together will enable a smooth implementation of and transition to the Replacement MMIS.

Because communication is such a critical part of this implementation effort, EDS will develop a joint communication plan with the State after contract award. As required in the RFP, this activity will involve EDS' preparation of a communication plan and then collaboration between the State and EDS to prepare the joint communication plan. Working with the State, we will determine what communication to send, the audience, the timing, and the method so that our messages are clear, concise, and understood by the affected parties.

Communicating With DMA, DMH, DPH, and ORHCC

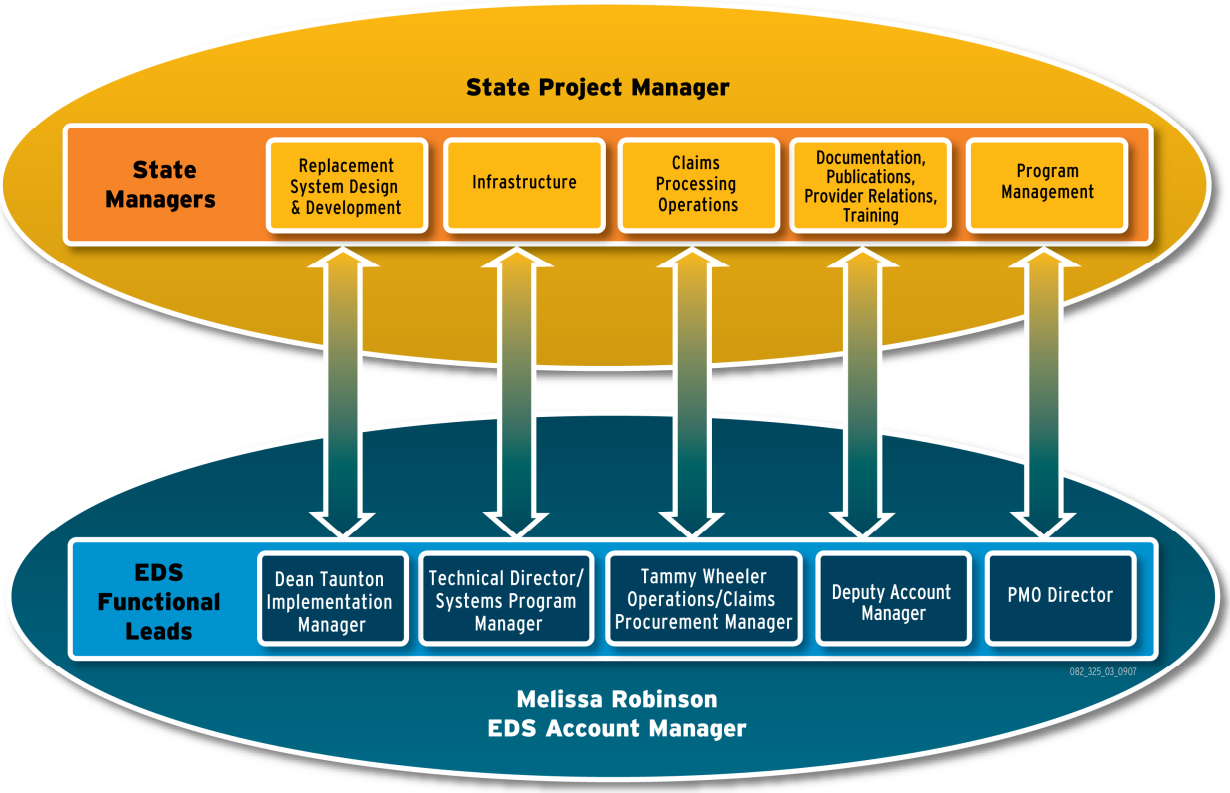
Frequent communication—scheduled and as needed—with State staff will be a key component of our approach to project management during the DDI and Operations phases. Our communication approach includes numerous scheduled interactions for such purposes as the review and submission of deliverables, project planning, and project status checks. In addition to these scheduled checkpoints, project staff from the four divisions using the Replacement MMIS—DMA, DMH, DPH, and ORHCC—and EDS will work together daily to perform the many tasks of the DDI and Operations phases. In this section, we describe the

most common approaches to communication with State staff from the four divisions.

We have noted that the RFP requires all communication with the State to go through the Office of MMIS Services (OMMISS). We will implement the communication strategy described in this section with the involvement and permission of the OMMISS.

As illustrated in the following exhibit, Functional Leads, each State functional manager will have a direct functional lead counterpart in our service delivery organization.

Functional Leads



Every State task manager has a counterpart EDS functional lead, providing program integration and speed to service and value.

These leads will respond to their State counterparts for the following:

- Working daily problem-solving and issue resolution
- Establishing mutual goals and objectives for their areas of responsibility
- Developing technical solutions to issues
- Establishing close relationships built on mutual trust and respect

The purpose of this functional structure gives the State the ability to have a real-time contact person or organization that can respond to the evolving needs of their business. Over the years, EDS has built a relationship model that functions

daily to accomplish this task. This interaction between the State functional managers and our functional leads is one of the key features of our solution. We will cultivate and thrive on strong relationships among these managers to facilitate rapid reaction to issues and a clear common ground from which to continuously improve our service.

While most issues or enhancements will be worked within the vertical relationship between two managers, there are occasions requiring cross-functional integration. In these instances, Account Manager Melissa Robinson will assume the integration responsibilities and make sure the issues are properly addressed.

Just as the counterpart to our account manager is a highly experienced individual, the counterparts to our functional leads are experts in their fields who interact on a planning, policy, and oversight level with our leads. Our leads will maintain a constant dialogue with State functional leads to make sure we are working the right problems and providing the right service at the right time.

We envision the following three primary interactions with State personnel:

- Regularly scheduled meetings between State and EDS personnel
- Periodic reports and publications
- Ad hoc communication exchanges among the organizations

Taken together, these three approaches will help us keep the State fully informed of the status of the Replacement MMIS project, communicate issues and concerns early, and make the information needed for decision-making available to the decision-makers.

Communication Management

EDS brings a robust communication and coordination planning and delivery process to the Replacement MMIS project. This process provides for well-defined communication between key stakeholders, such as the State, the OMMISS project team, EDS interChange team, external stakeholders, and the EDS and project management staff. We are committed to open, consistent, and informative communication, which is essential in accomplishing the internal and external changes associated with deployment and subsequent modification of the Replacement MMIS.

Equal to this commitment is our focus on maintaining uninterrupted service to the current and expanded MMIS user community. An integral part of our communication approach is the training plan and deployment of user training necessary to facilitate a smooth transition from the current legacy system to the new, interChange-based Replacement MMIS.

Our structured approach to communication planning and stakeholder management is a critical function in any project. EDS' project managers, who are

responsible for DDI planning and operations, will focus on developing well-defined communication plans and keeping the State well informed.

Mutual communication planning and ongoing stakeholder coordination is a core function of our joint project management team. The larger project team, staffed by State and EDS project management professionals, will closely integrate their work with the other stakeholders to plan and deliver effective project communication. Our goal is to make sure the internal and external stakeholders are represented and to implement the project with minimal impact to the MMIS user community. A tool we will use to reach that goal is the stakeholder analysis matrix, which we will incorporate into the joint communication plan. This matrix will identify who the stakeholder are, their involvement, degree of information needed, and their areas of concern.

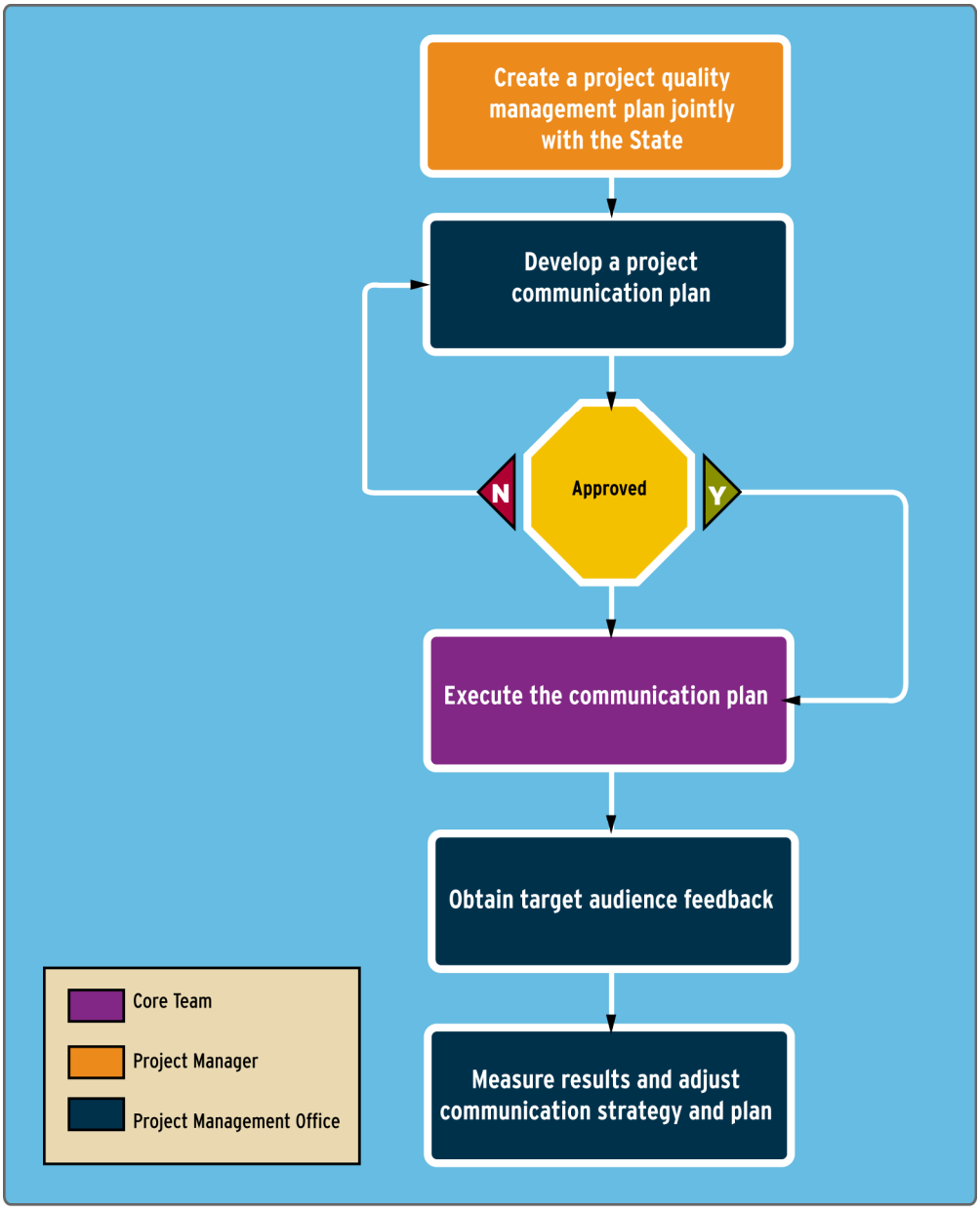
As we learn more about the stakeholders' needs, we will work closely with the State to update communication plans and project activities. This approach of developing well-defined communication plans will continue through the Operations Phase.

In working with other states to deliver interChange MMIS solutions, we have found that addressing the various communication needs of individual stakeholder groups at different points of the program requires an overarching communication framework that includes communication and coordination principles, strategies, approaches, and deliverables. This in turn provides the foundation for tactical communication activities that address specific areas of need concerning the initiative, such as

- Project-level communication
- Governance communication
- External communication
- Operations communication

EDS and State project teams will work together to effectively manage project communication. The following exhibit, Effective Communication Management, demonstrates the flow of communication management tasks.

Effective Communication Management



Effective communication management requires an understanding of project scope and audience and a plan for delivering information and receiving feedback.

Communication Plan

The Project Management Office (PMO) director will update the project communication plan. Working in collaboration with the State, a joint communication plan will be developed. We recognize that the State represents not a single audience but a broader collection of internal and external stakeholders, and that different State divisions will have different needs.

Therefore, the communication plan will document each audience and its communication and coordination needs, the vehicles by which each audience will be reached, the kinds of information and messages required by each audience, how the information will be prepared, and how and when it will be delivered.

The joint communication plan will set forth standards for status reporting mechanisms and protocols for information distribution. The plan will be a working document that presents guidelines for repeatable methods of communication. Effective communication guidelines require regularly scheduled reviews to make sure that, as business and communication needs change, the document is revised for continuity of purpose, design, and audience. This can be readily accomplished because it will be stored in iTRACE, our browser-based project information repository. The following subsections outline an example of a communication plan.

Purpose

Communication among the individuals fundamental to a project must be clear and straightforward and carry a consistent message. The communication plan will be used during the Start-Up Phase to document the types of communication that will occur throughout the project and how each team member will be affected by the communication event. The plan also will set forth standards for status reporting mechanisms and protocols for communication delivery.

Objectives

The communication plan will increase stakeholder understanding, commitment, and involvement by meeting the following objectives:

- Provide timely, accurate, appropriate, and detailed information about the Replacement MMIS project
- Create regular checkpoints for feedback to assess the effectiveness of the communication and adjust the plan accordingly
- Communicate both minor and major milestones of the project, status, and issues

The communication plan will serve as a mechanism for making sure stakeholders receive the information they need when they need it, as well as making them aware of their responsibilities for communicating during the DDI and Operations phases of the project. The plan will identify regularly scheduled meetings and communication, as well as project reporting procedures to relay pertinent information to the groups included in the plan.

The communication plan will accomplish the following for the Replacement MMIS project:

- Identify the stakeholder groups affected by communication events
- Identify the most common communication events that will occur throughout the implementation and raise awareness of these events among the stakeholders
- Identify the frequency and the media for each communication event
- Identify how progress will be measured as we reach milestones in the project to acknowledge and celebrate achievements throughout the implementation process and into operations
- Identify the standards that will be adopted to make communication more efficient and measurable
- Provide stakeholders with relevant information concerning progress issues and the schedule of project activities
- Provide stakeholders with the "who, what, when, why, and how" of relevant and critical issues
- Encourage stakeholders to accept and promote project decisions and activities
- Reduce the level of misinformation and misunderstanding about the project
- Provide stakeholders with information concerning decisions, delays, and changes in the implementation process

Stakeholders

The communication plan will service and support State and EDS affected parties. It will identify the people and groups with whom we need to communicate to achieve our objectives over the course of the implementation. When developing our communication strategy, it is important that we recognize the various interests, needs, and differences among stakeholders, such as location, title, and job responsibility. During project implementation, the State and EDS will define each of the specific parties that make up each of the teams.

Roles

The communication plan will identify implementation team members and document their roles and responsibilities.

Effective Communication Vehicles

Several communication vehicles we and other State clients have found to be effective will be used to communicate the Replacement MMIS project's activities, including the following:

- **Status/project updates—**Face-to-face meetings to openly communicate project status, work plan task progress, and key issues
- **Training sessions—**Sessions to train project stakeholders so they fully understand and can access and use the MMIS processes that affect them
- **Project e-mails or memos—**Written correspondence relaying project information, delivered by e-mail or formal memorandum
- **Progress reports—**Written reports that document project status, including key issues and work plan task progress
- **Project briefings—**Face-to-face meetings to openly communicate project status and key issues
- **Work plan updates—**Updates to the work plan that identify and define each project task, subtask, activity, and completion date
- **Issue/decision log—**A written record that documents project problems and the resolution of the problems
- **Project deliverable walkthroughs—**Face-to-face joint reviews with project team members to examine project deliverables to facilitate understanding and expedite the approval process
- **Test result walkthroughs—**Face-to-face joint reviews with project team and testing participants to examine test results to facilitate understanding of the test approach and test results
- **Policy updates—**Updates issued by the State to alert stakeholders of new or revised policy
- **iTRACE—**An online tool that documents and communicates the activities related to the project, providing a common storehouse for the work products completed during each project task
- **Other reports—**Written reports containing required project data, defined as the project progresses and stakeholder informational needs are identified, as defined up front by the PMO
- **Provider relations meetings—**Face-to-face informational meetings between the provider community and EDS staff to relay information pertaining to the Replacement MMIS
- **Meeting schedules—**A listing of planned meetings used to inform project stakeholders of project meetings where their attendance is required
- **Project updates—**Monthly written updates to keep stakeholders informed about project happenings

- **Informal discussions—**Daily casual communication to supplement scheduled meetings, such as impromptu meetings, discussions in the corridor, and telephone calls—including appropriate project follow-up
- **Remittance advice alert—**Text added to the provider remittance advice to alert providers regarding critical program information

Communication Standards

The communication plan will create standards that set accepted norms for communication and lead to greater awareness of the expectations of the team and project leaders. The general rules for meetings include the following:

- **Frequency—**Regularity with which the meeting is held
- **Format—**Whether the meeting is by teleconference or in person
- **Attendees—**The intended participants for the meeting
- **Responsibility—**Who is responsible for calling and facilitating the meeting
- **Meeting output—**Documentation expected from the meeting, which will be published for immediate review and finalization in iTRACE

Other communication guidelines will incorporate standards for meeting protocols and agendas, scheduling meetings and conference calls, and recording meeting minutes into the communication plan.

General Communication Guidelines

The following guidelines, EDS' standard practice, are provided to govern communication development and execution activities:

- Acknowledge e-mails with an answer, a date and time when there will be an answer, or a referral to someone who can get the answer within the same or the next business day.
- Acknowledge written correspondence.
- Return telephone calls in a timely manner.
- Present messages in a positive and fact-based manner.
- Make the message consistent across every stakeholder group, but tailored to meet the needs of the particular stakeholder.
- Communicate the message in a manner that is understandable to all audiences.

Following these guidelines allows information to be presented clearly and concisely and helps eliminate delays and misunderstanding.

The communication plan will document the most common communication events and the purpose they serve during project implementation. As demonstrated in the following table, Internal and External Communication, the plan will include information about how the events will be recorded, the media chosen to distribute documentation, the frequency of the events, and the person accountable for making sure the process is completed.

Internal and External Communication

Type (1)	Description/ Purpose (2)	Attendees/ Stakeholders (3)	Distribution (4)	Media (5)	Timing (6)	Standard (7)
Type of communication	Purpose and timeliness, such as event-driven or regularly scheduled	Who will participate	Distribution of agenda and meeting minutes	How information will be distributed	When the communication will occur	

The following table, Communication Matrix, will guide the planning of immediate and long-term communication needs. It contains a list of each stakeholder group and its communication needs.

Communication Matrix

Group	Stakeholder Involvement	Information Needed	Areas of Concern	Types of Communication	Frequency	Responsible Party
Identify the stakeholder	Degree of involvement					

Approach to Incident Reporting and Escalation

During DDI and the Operations phases of the contract, EDS will notify the State immediately if a critical problem occurs. We will report noncritical problems through the weekly status report to the State. We will create an issue-tracking log and assign each issue to an owner for resolution. The State and EDS will determine points of contact. We will establish communication protocols for incident reporting, escalation, and resolution.

Communication Management Activities

The following table, Communication Management Activities and Tasks, identifies the activities within the communication management tasks.

Communication Management Activities and Tasks

Activity	Tasks
Establish a project communication strategy	• Identify and confirm target audiences and communication needs and requirements • Identify additional communication objectives • Analyze historical communication mechanisms performed • Review any lessons learned • Document the communication management strategy in other management plans, as appropriate
Develop a project communication plan	• Complete communication plan template with appropriate elements that describe each communication item • Submit to the State for approval • Review with interChange implementation stakeholder representatives and provide them with a copy of the project communication plan • Define and document project communication measures for use in measuring project communication effectiveness
Execute the communication plan	• Receive status report format and content approval before the commencement of status reporting • Distribute information by means such as meetings, reports, and iTRACE • Communicate effectively with the State and other project stakeholders through status reports and meetings • Post current status reporting and meeting minutes on iTRACE to keep them as an audit trail of status
Obtain target audience feedback	• Capture target measures that were defined in the project communication plan • Survey target audience • Capture feedback for formal and informal reviews
Measure results and adjust the communication strategy and plan	• Analyze feedback using target measures • Identify and document any new issues or risks in iTRACE so that everyone with access can view the information • Document lessons learned and success stories • Use the feedback to improve the communication strategy and plan • Submit the new strategy and plan to the State for approval and put into use

The State-approved joint communication plan will be available in iTRACE and will contain a schedule of communication activities and a calendar of communication and coordination events. It also will contain a project contact list.

We will integrate the communication plan into the overall project plan, which will reflect and incorporate visible communication and coordination activities and deliverables. During the planning phase of the Replacement MMIS project, we will work with the State to refine and complete the communication plan and then change it as appropriate for project communication during operations.

Building on Current Successful Approaches

In the DDI and Operations phases of the Replacement MMIS project, we propose a continuation and expansion of communication approaches that have proven helpful in our current contract with the State.

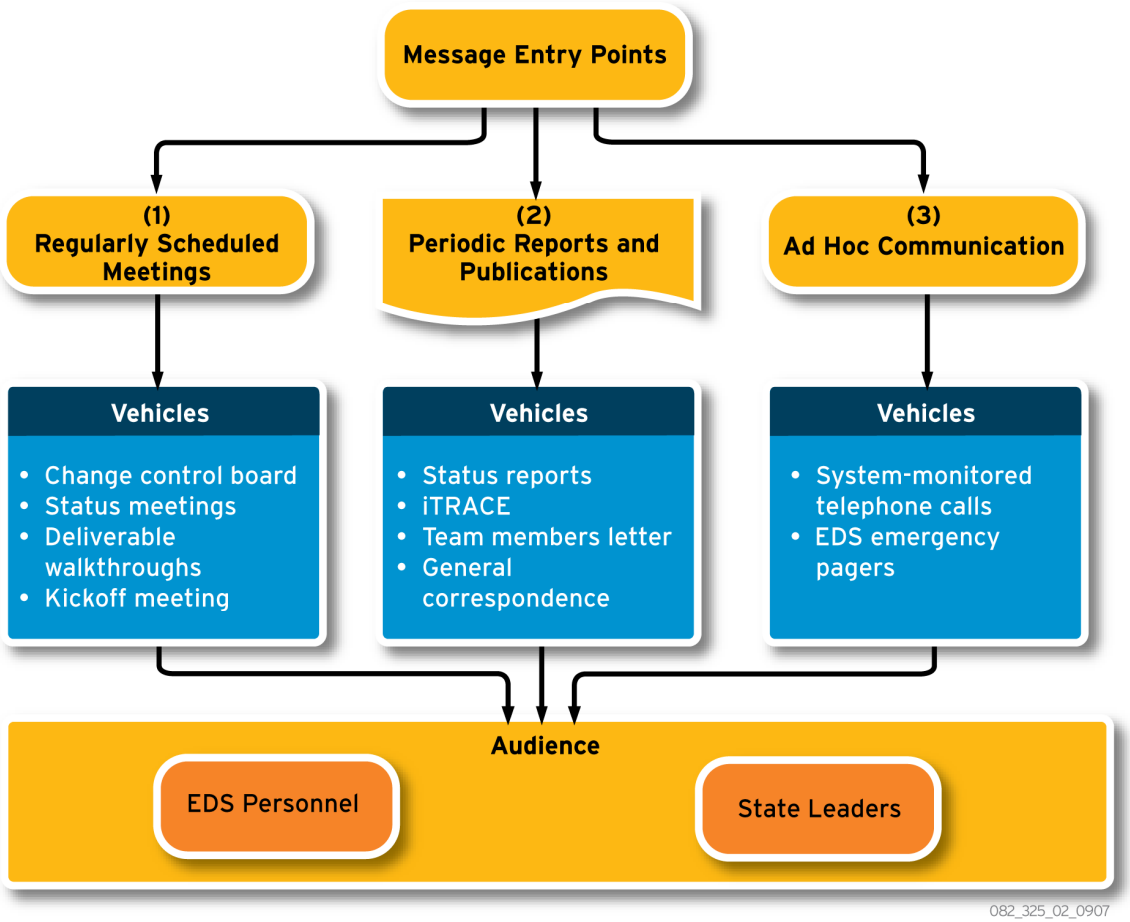
The first class of communication tools is regularly scheduled meetings. Our current approach includes the following scheduled meetings:

- A monthly meeting with the State director and the EDS account manager
- Participation on a monthly basis at one of the weekly State Medicaid assistant director meetings, allowing for open dialogue on issues, concerns, and new initiatives
- For DMH, a weekly meeting (called the Core Meeting) to focus on the specific needs of DMH, an approach we believe will work well for DPH and ORHCC

Besides these existing meetings, we propose to attend meetings with the State and other vendors that are supporting State programs to work through implementation and interface needs of expanded programs and services feeding into the Replacement MMIS. This is current practice today, as EDS meets with Value Options and Affiliated Computer Services (ACS) to discuss DRIVE, SMart PA, PA PHarmacy, and other projects. As is the current practice, we will continue to do everything possible to work with and support the success of State initiatives that require the assistance of other vendors.

The following exhibit, Communication Events, describes the events needed to complete the Replacement MMIS implementation and provide ongoing operational support.

Communication Events



Our three primary communication interfaces enable an inclusive, comprehensive, and timely exchange of information with State staff.

The second class of communication tools includes periodic reports and publications. These documents may be paper-based, sent by e-mail, or published in iTRACE, depending on the type of communication and the project's phase.

The third class of communication that will interface with the State includes ad hoc tools such as system-monitored telephone calls and communication by our cell phones or pagers. These tools are effective when the State or EDS must contact key leaders in either organization. This communication may be necessary in the event of a catastrophic system or telecommunications failure, or in the event of a significant State event that has an immediate effect on our ability to complete our tasks under the Replacement MMIS contract.

Of the many contract requirements that will support the DDI and Operations phases, we expect effective communication with the State and other stakeholders to be the easiest for us to meet. We can facilitate many kinds of communication through the solid working relationships our North Carolina team has already

established with the State. We have built trust and respect over many years of working together and are ready to build the new system on this solid foundation.

To demonstrate our successful approach to project communication, we provide a sample excerpt from the Kentucky MMIS Stakeholder Communication and Coordination Plan following this page. As stated in RFP section 50.2 Technical Proposal Requirements, this sample does not count toward any page limit.

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Stakeholder Communication and Coordination Plan

Kentucky MMIS Project

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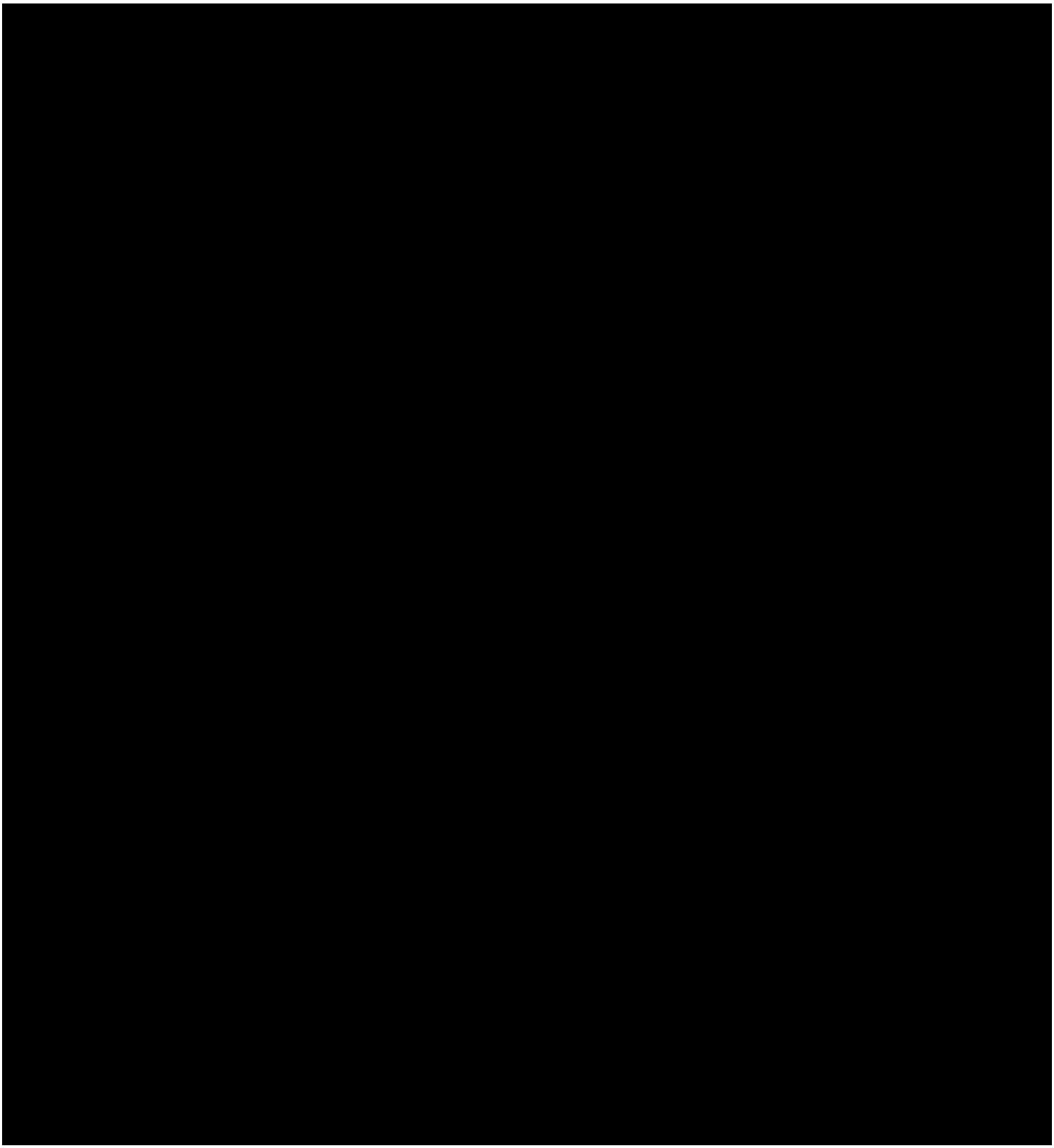
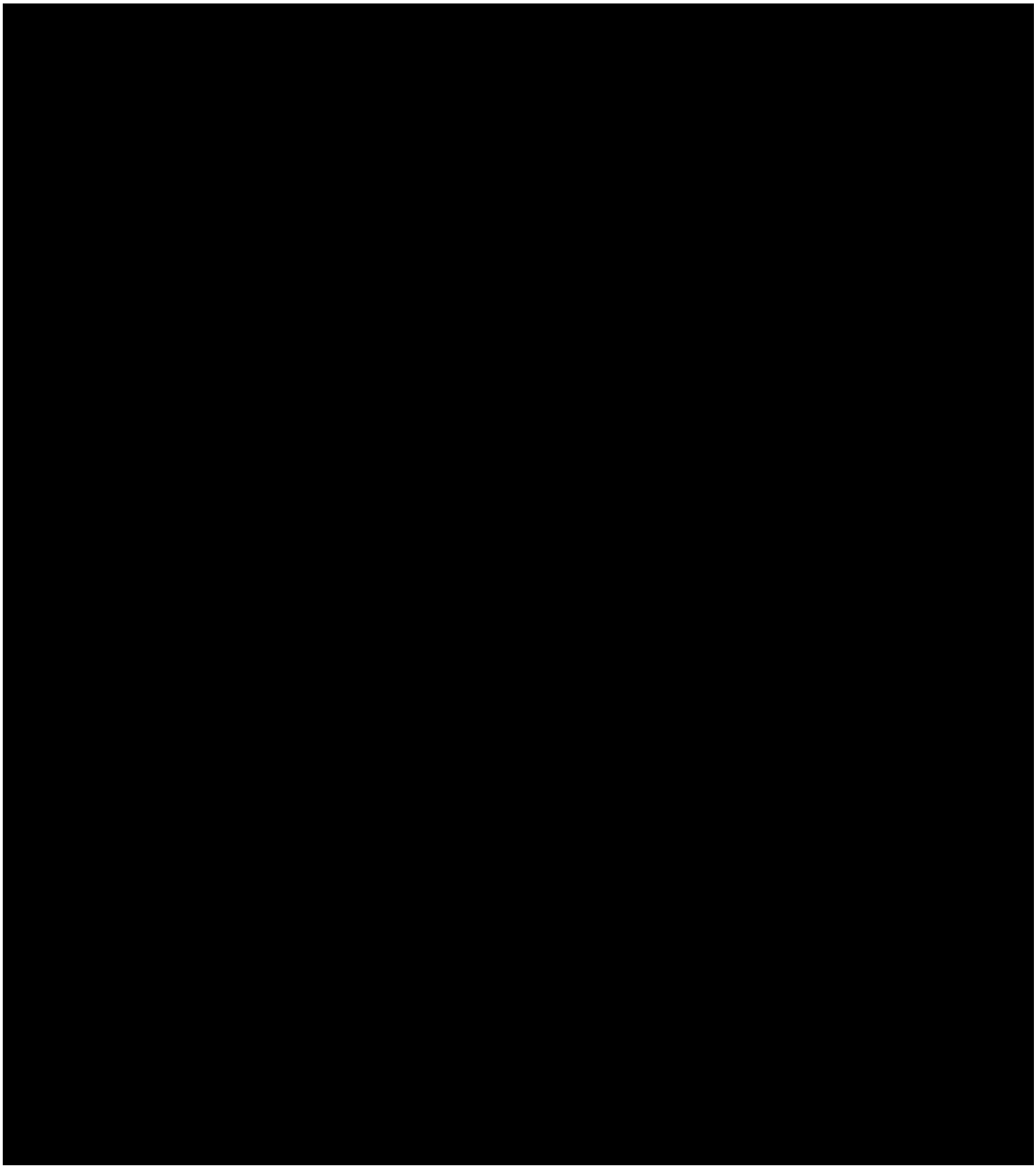
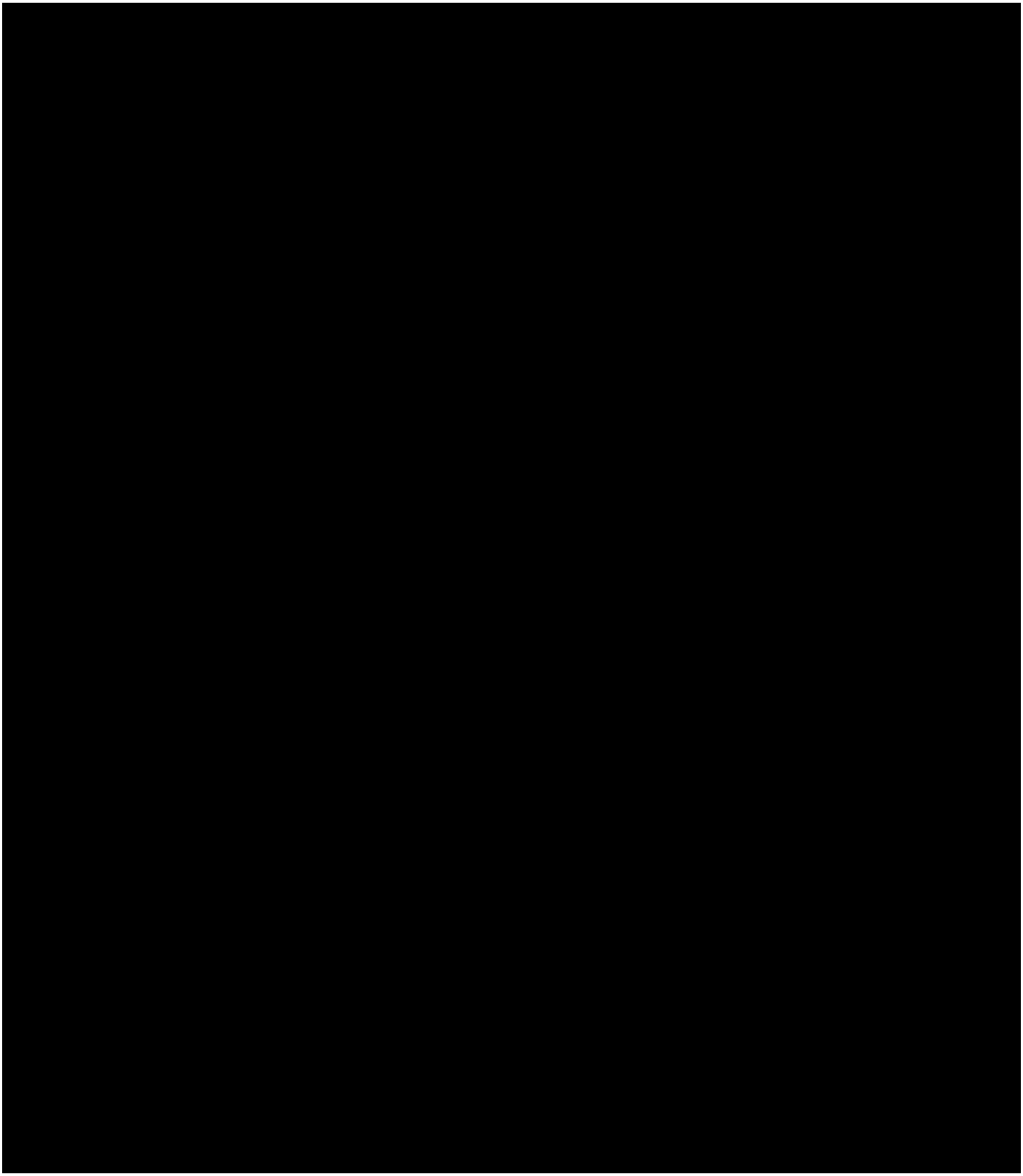
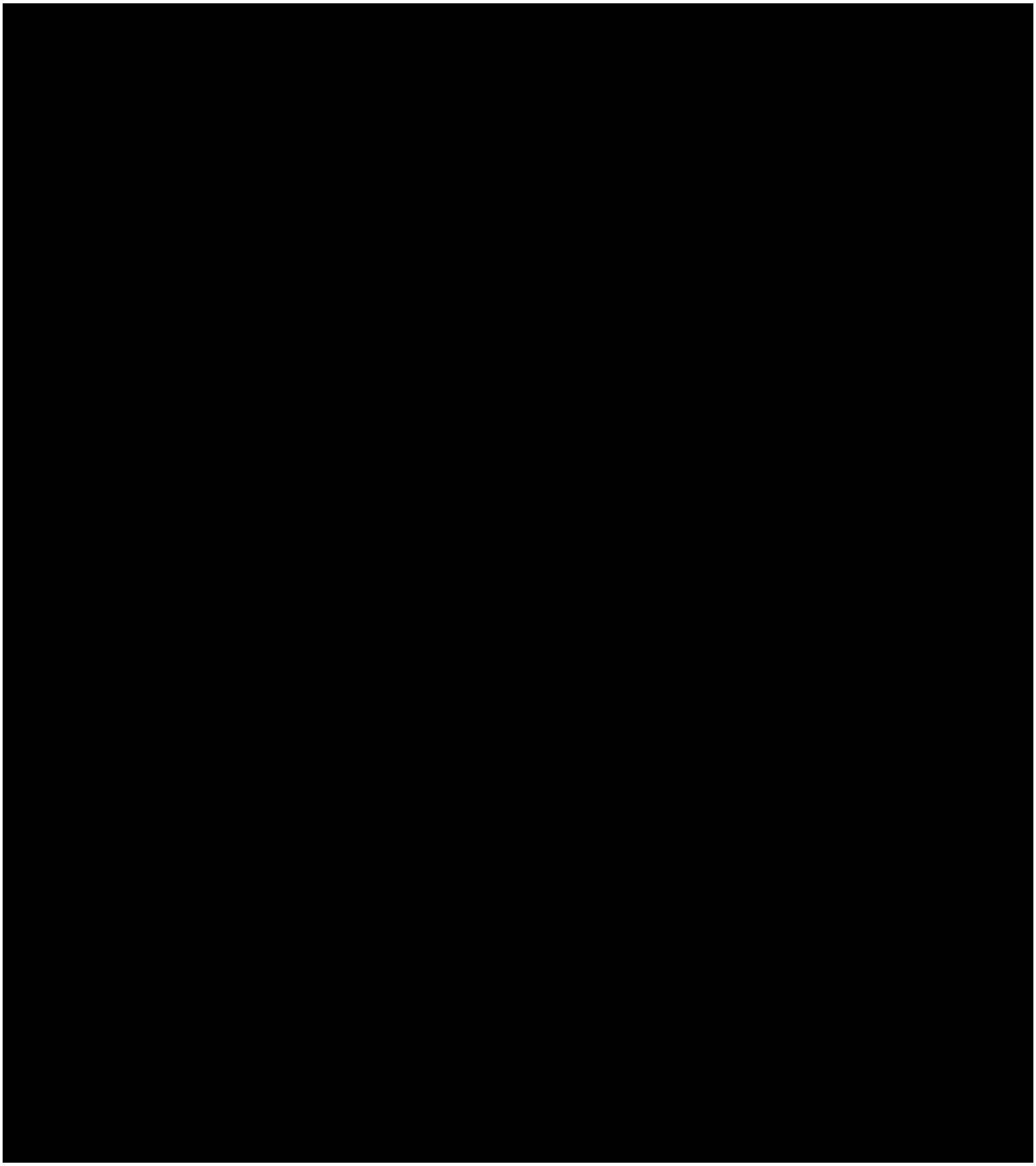
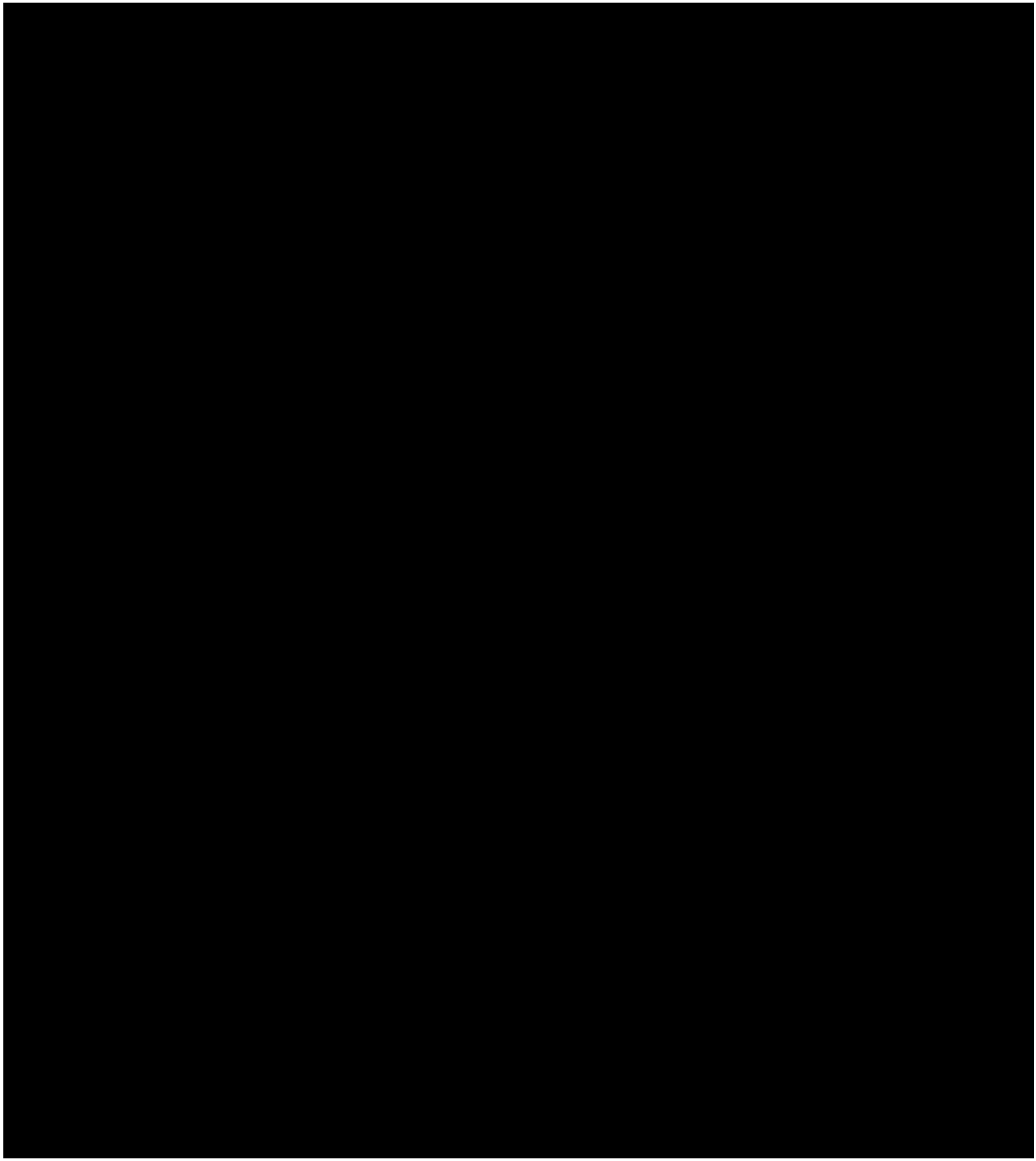
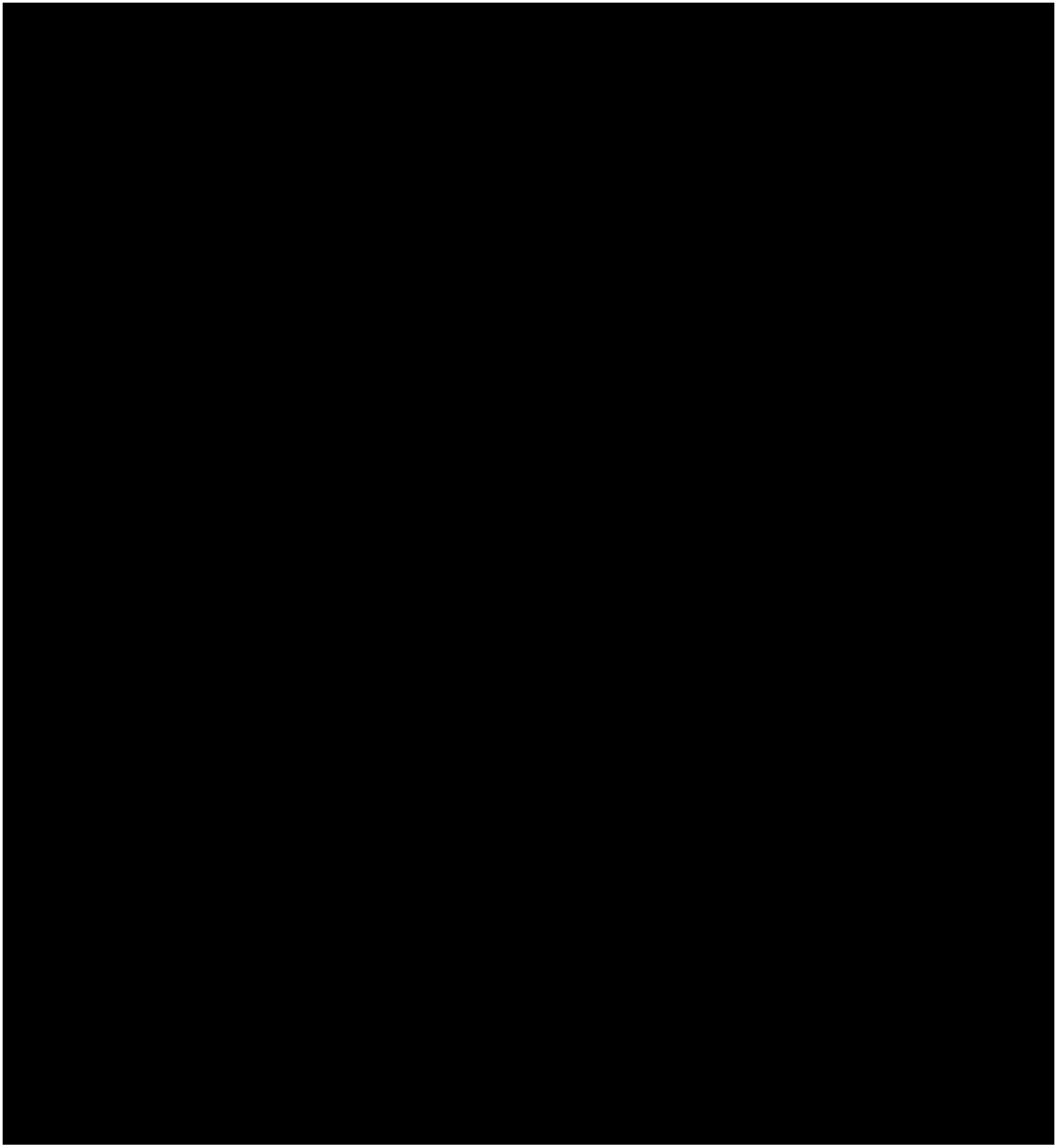


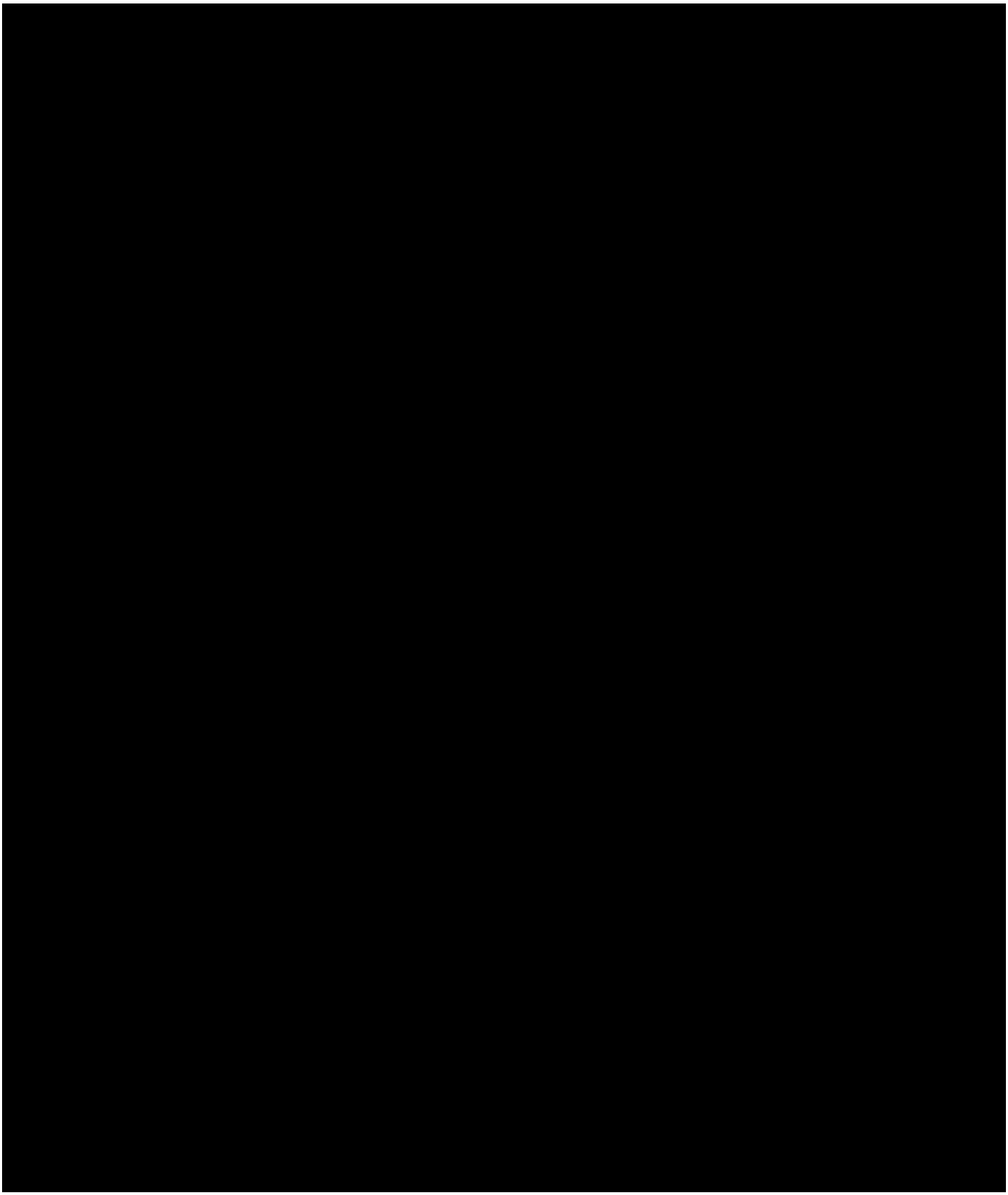


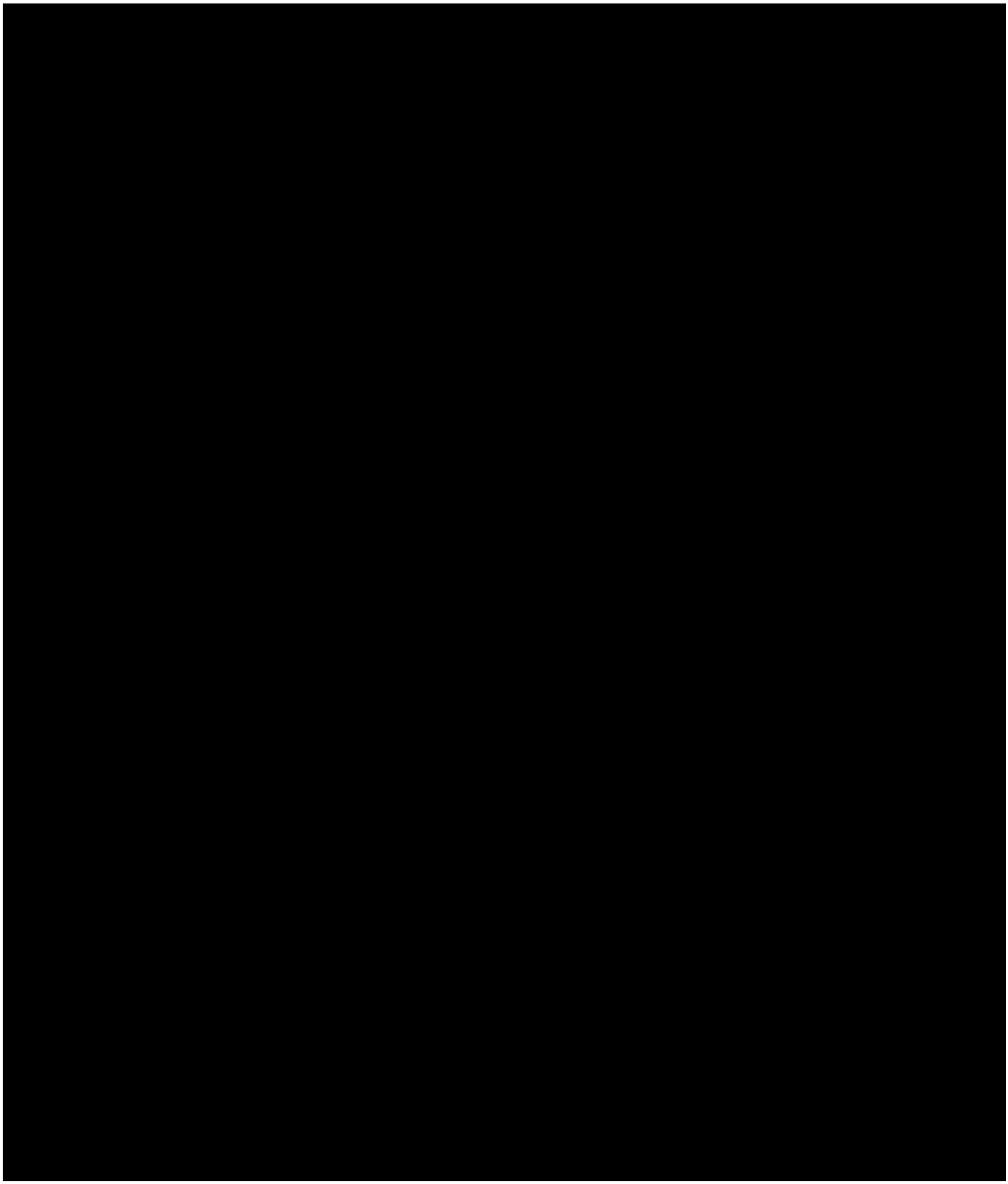


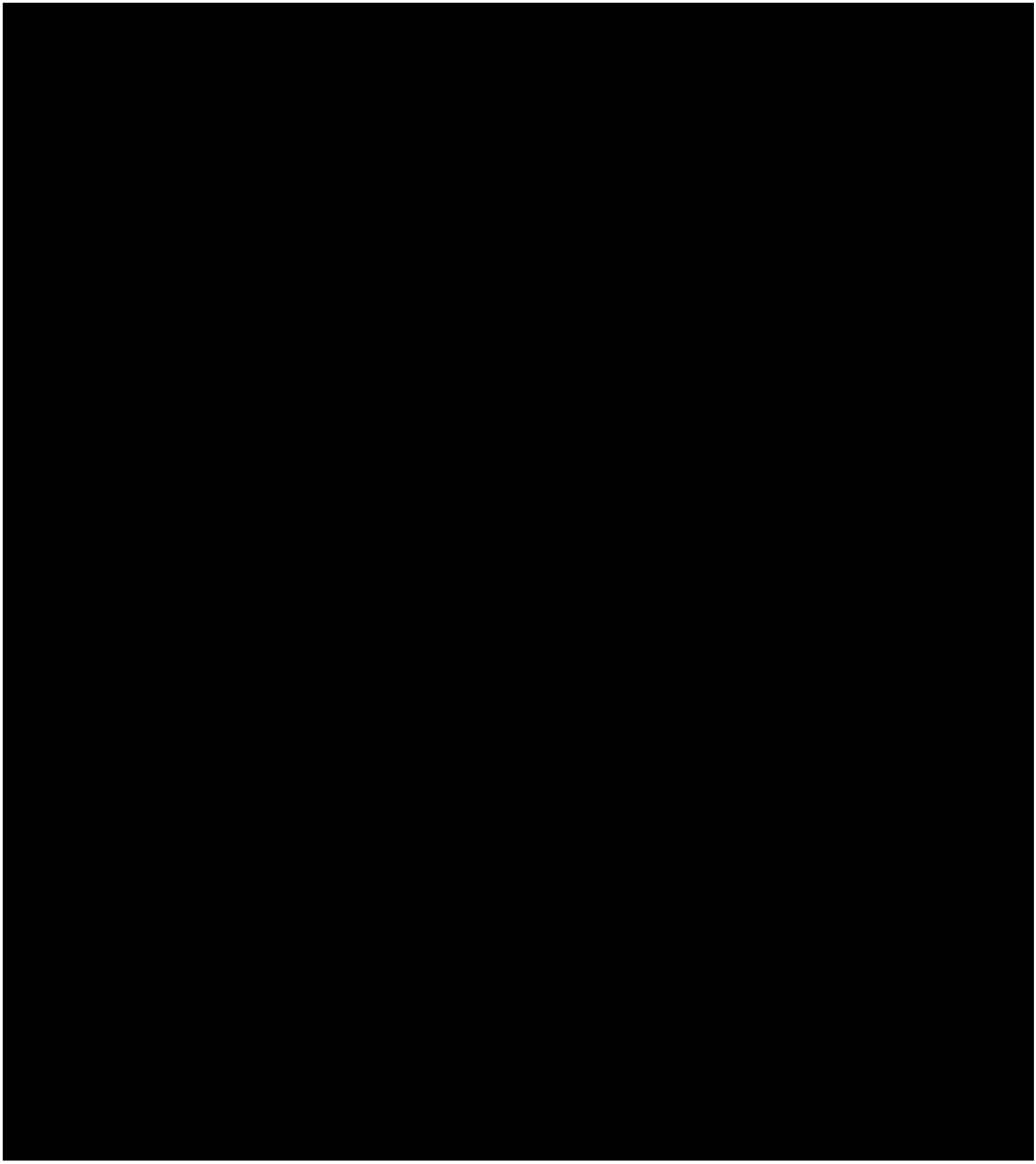


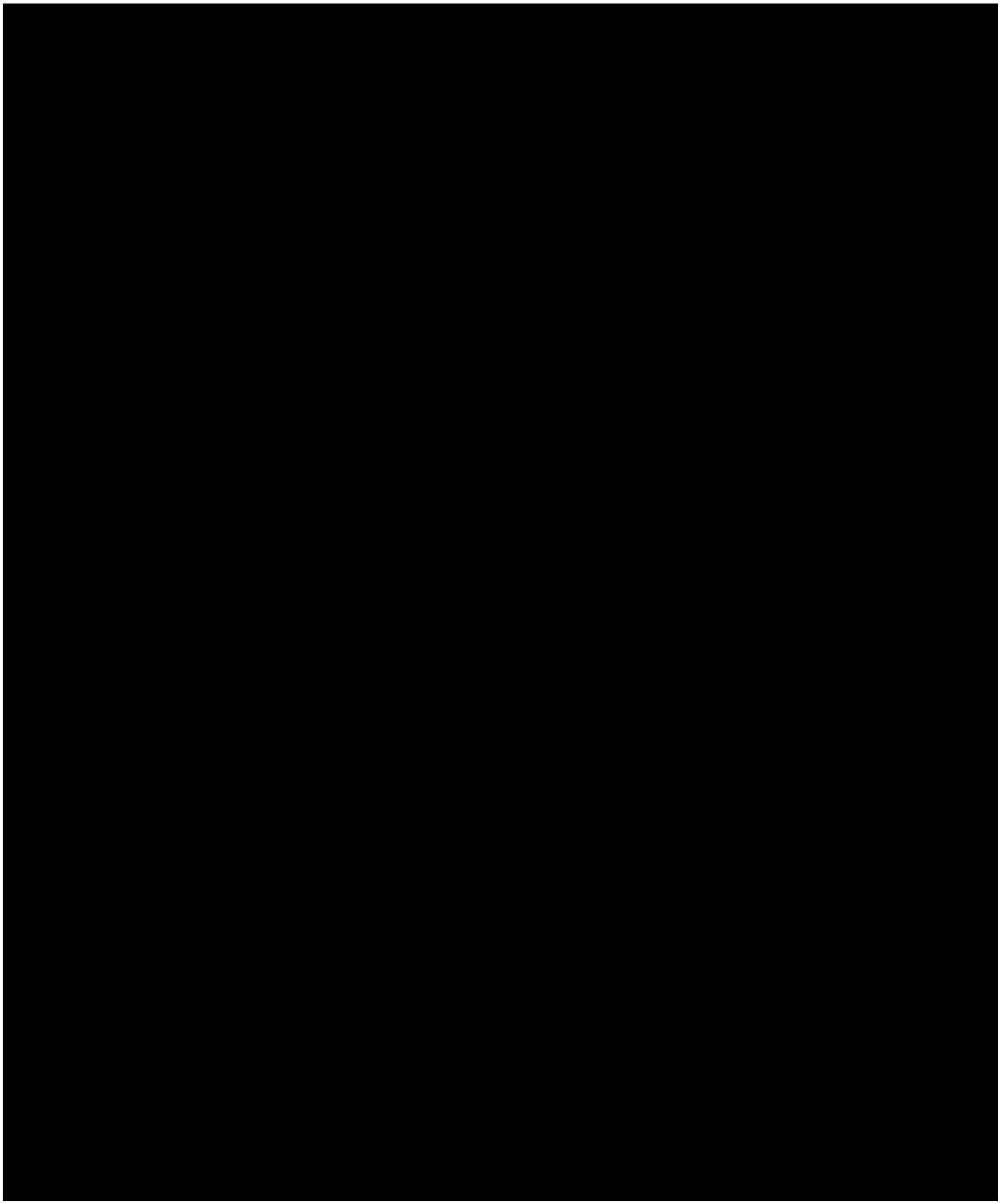


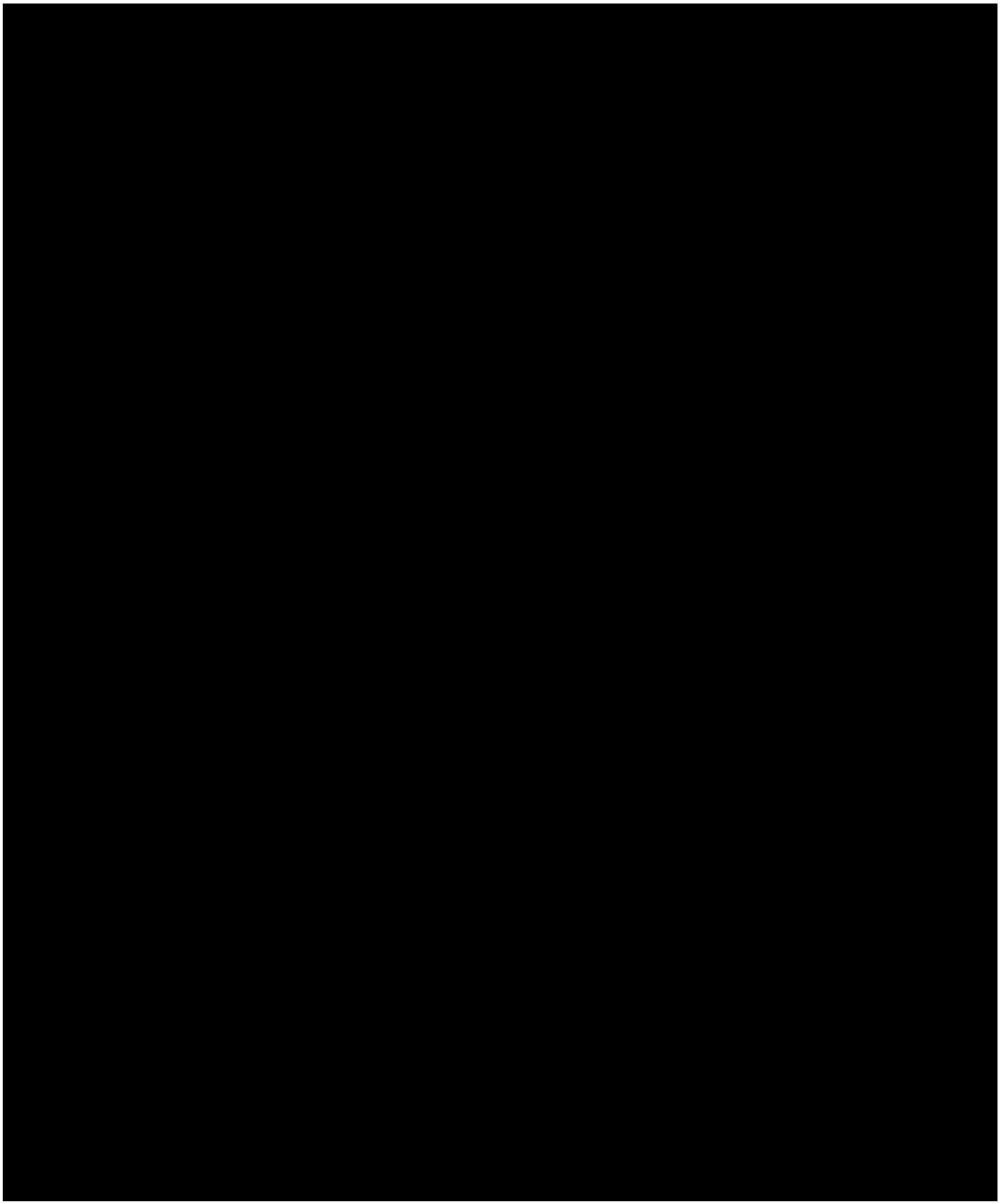


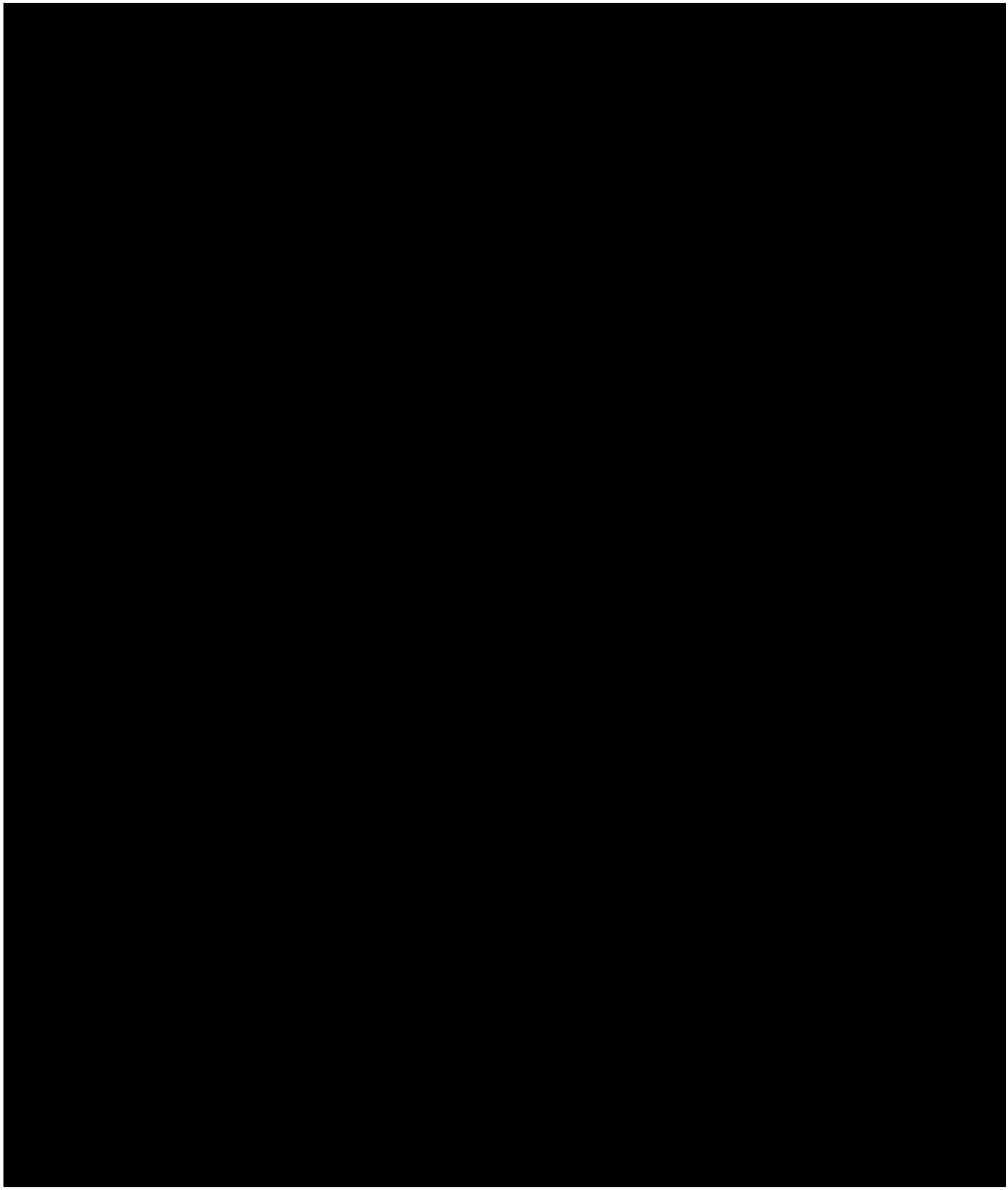


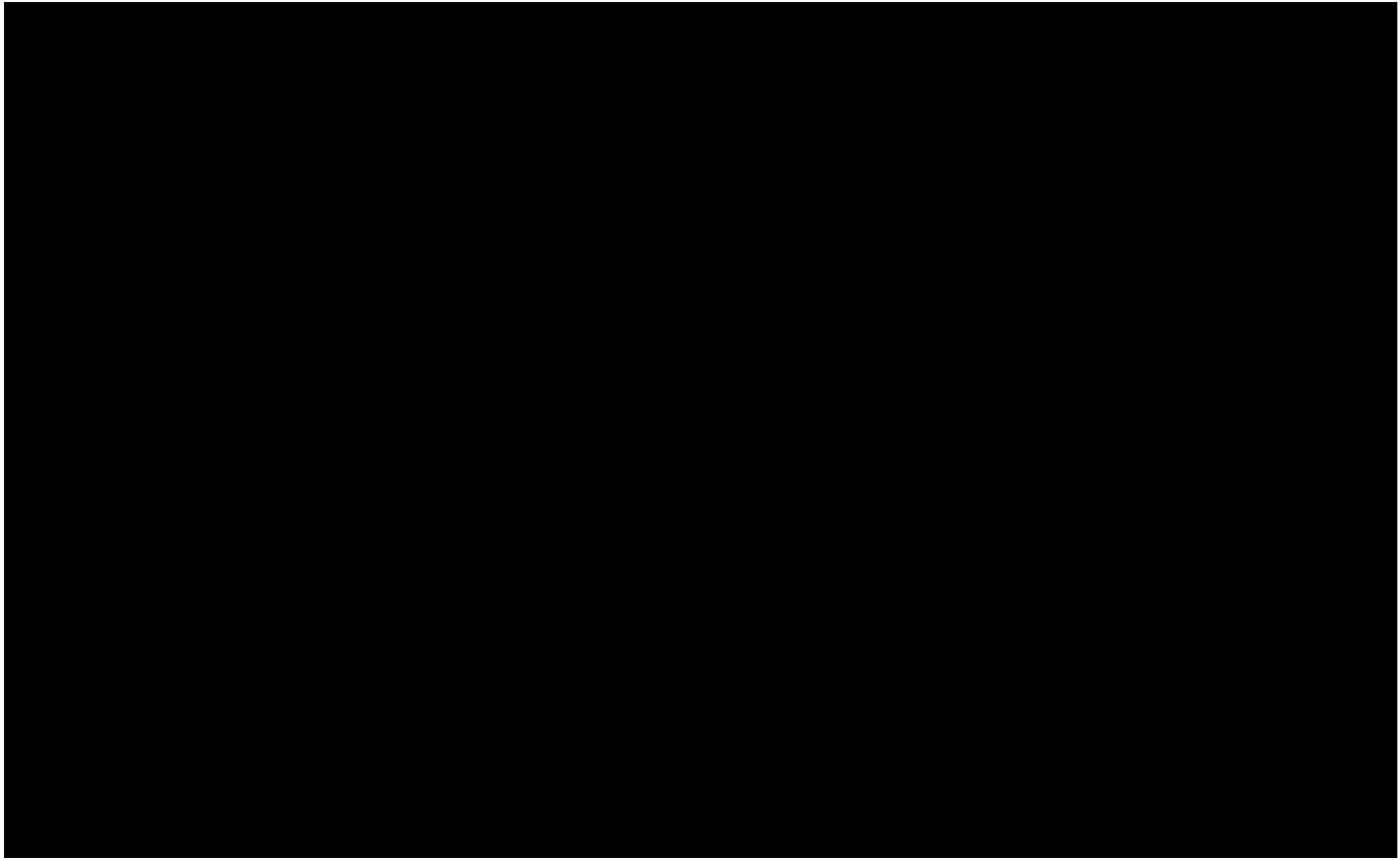


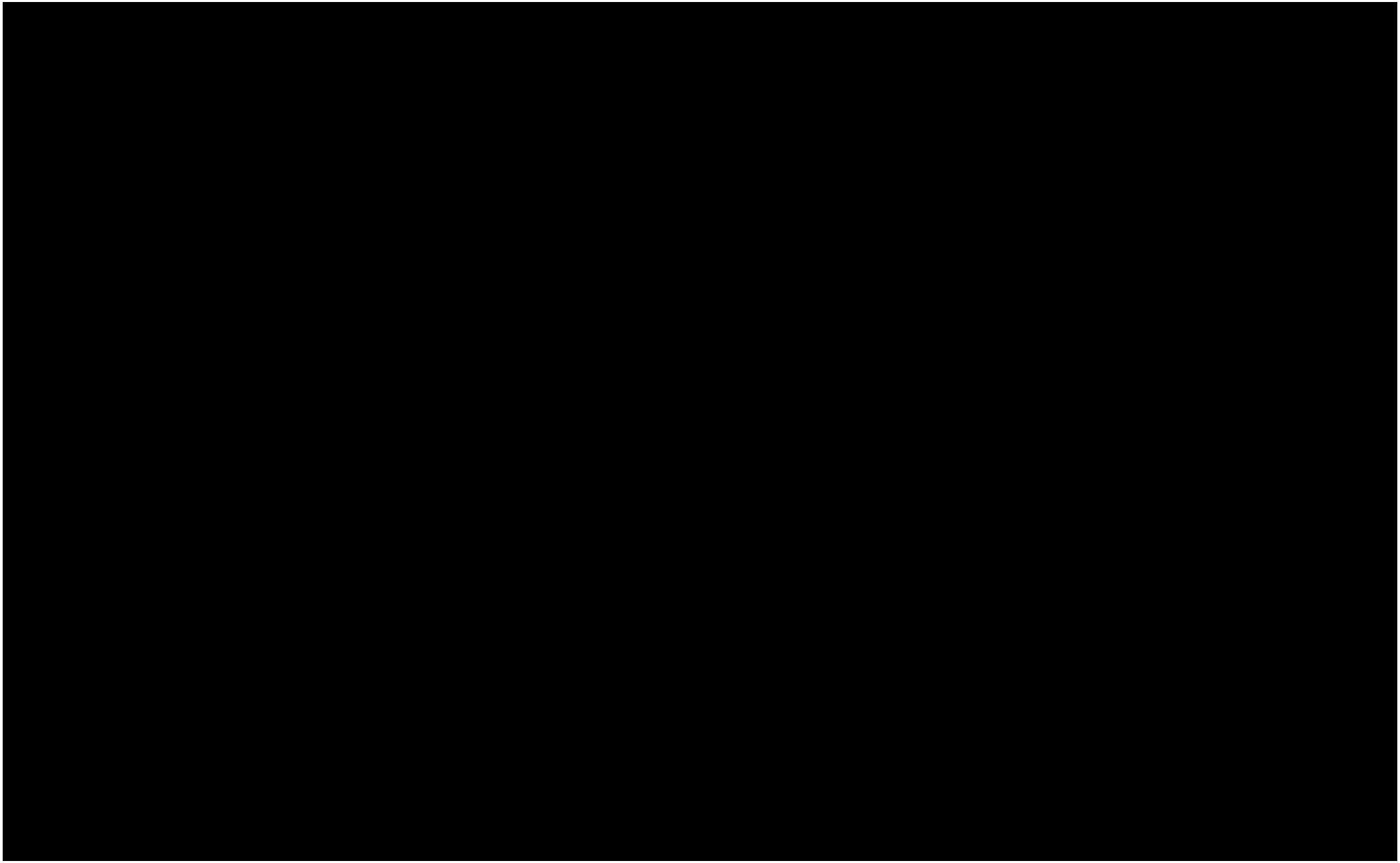


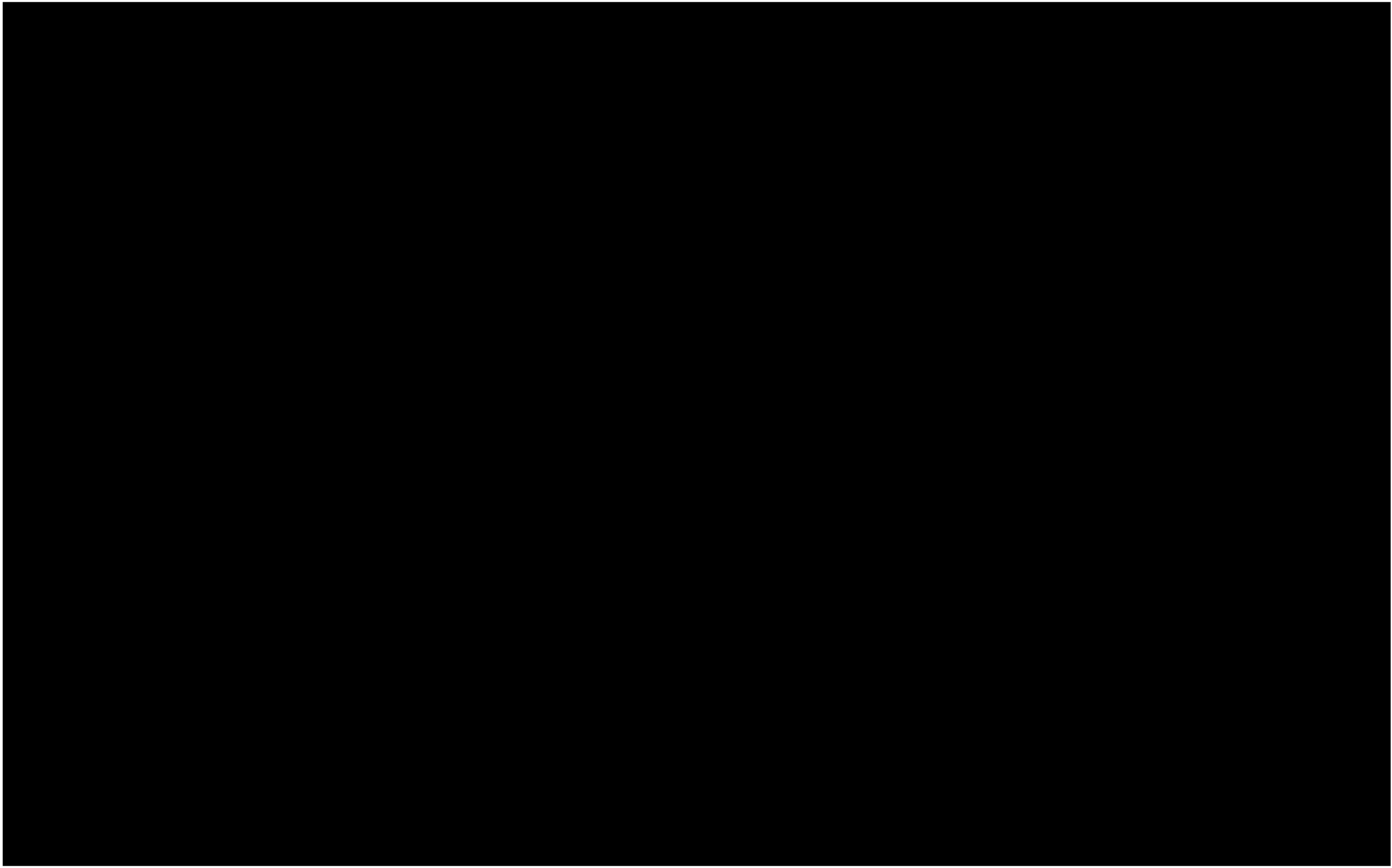


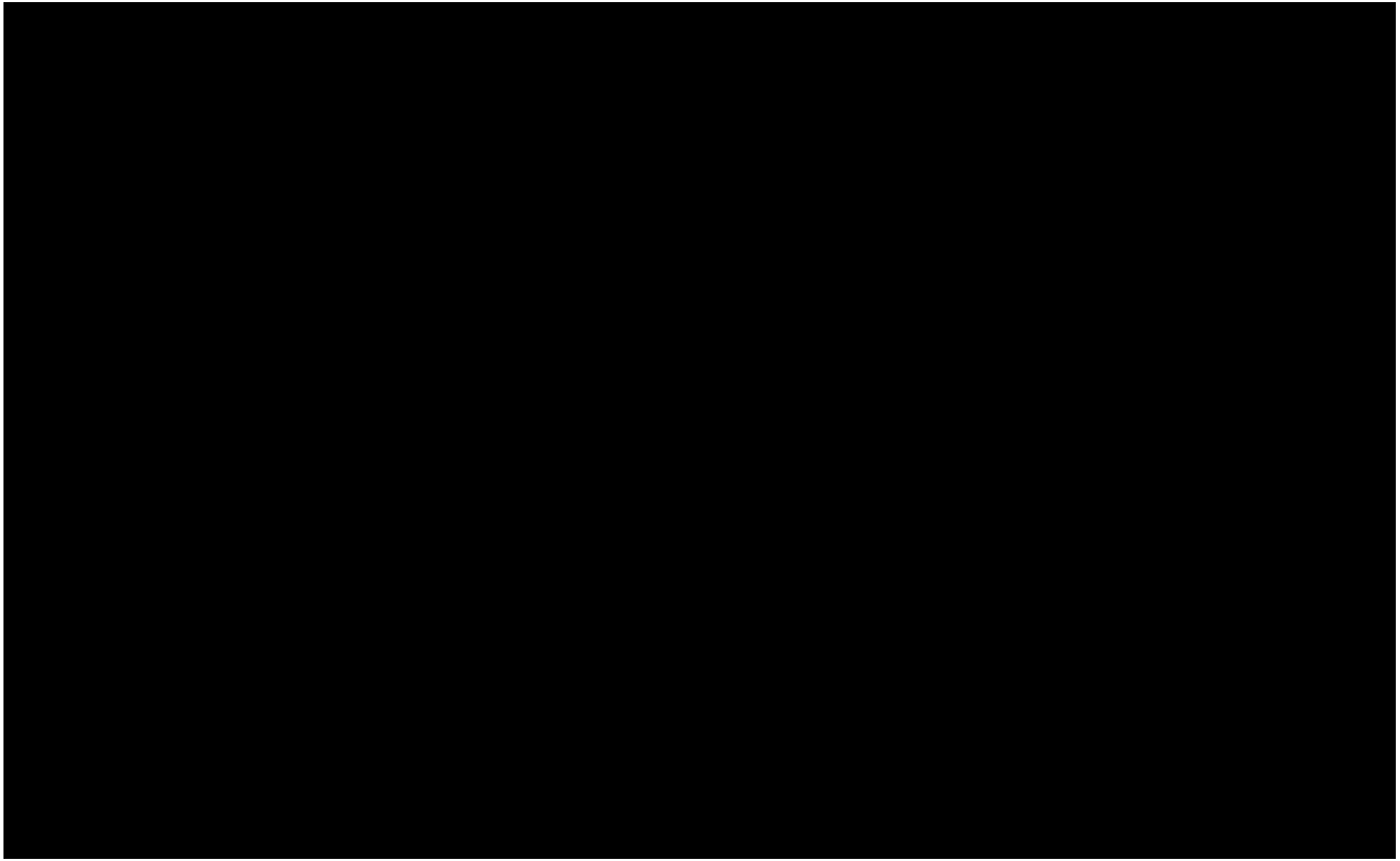


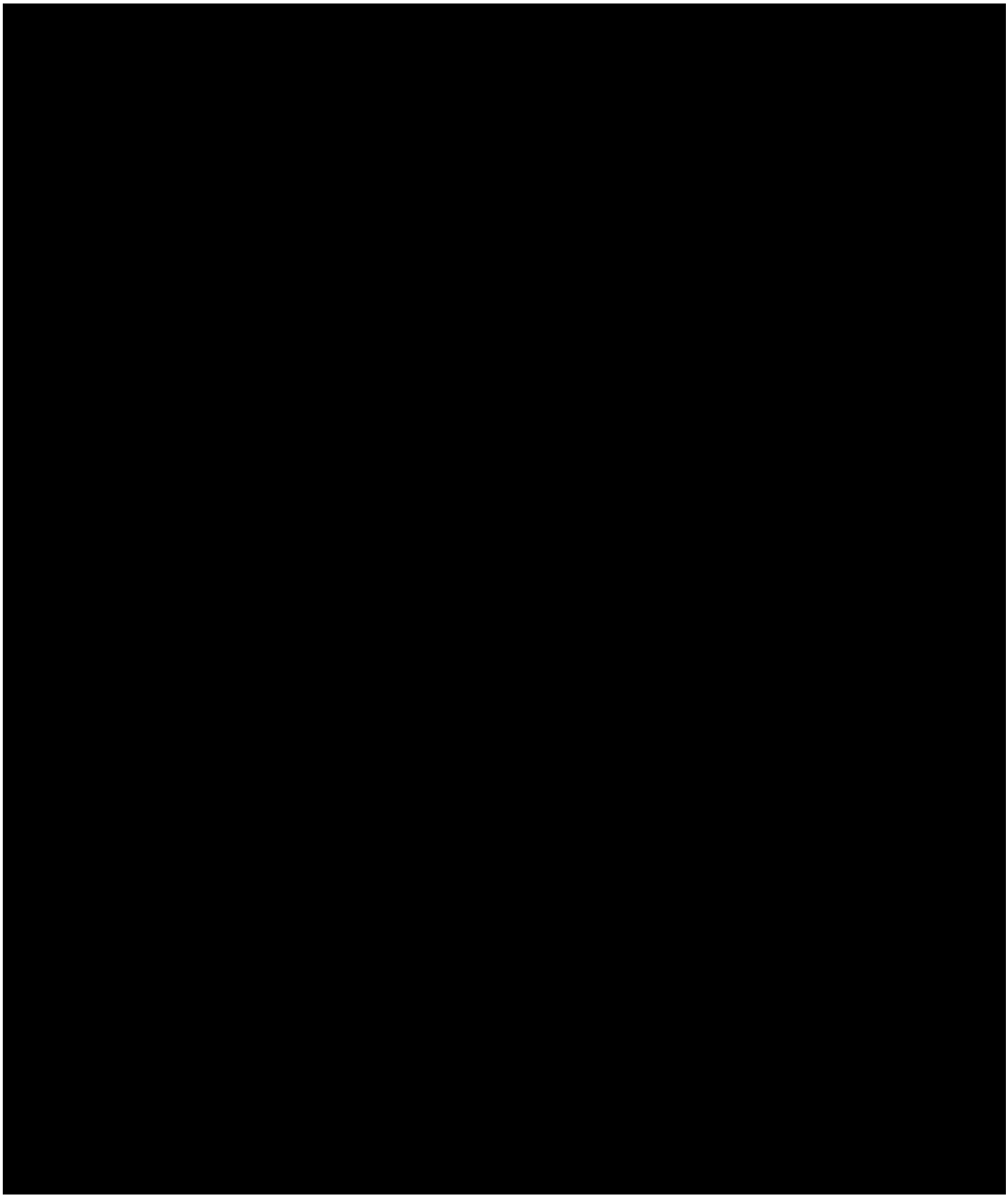


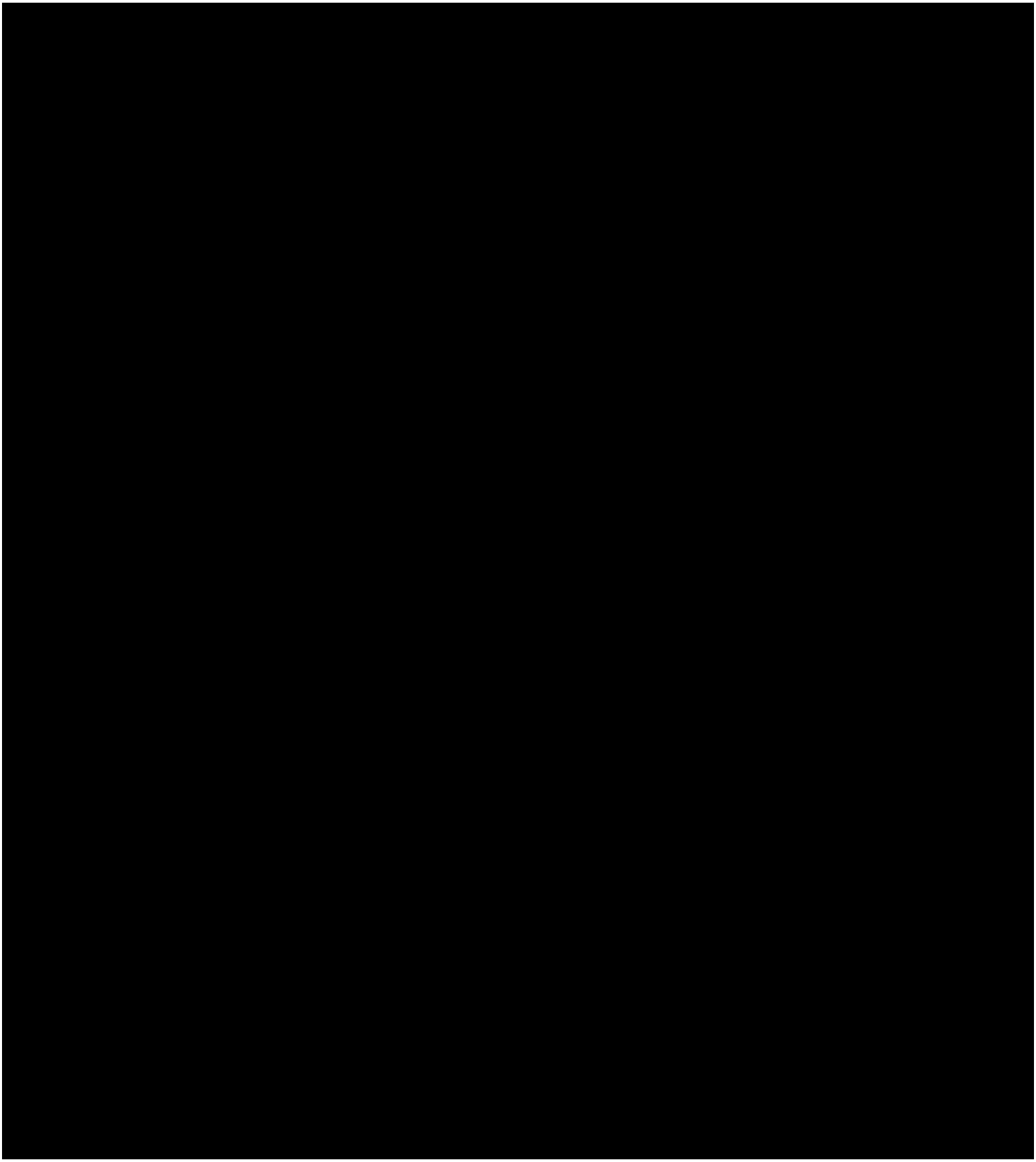


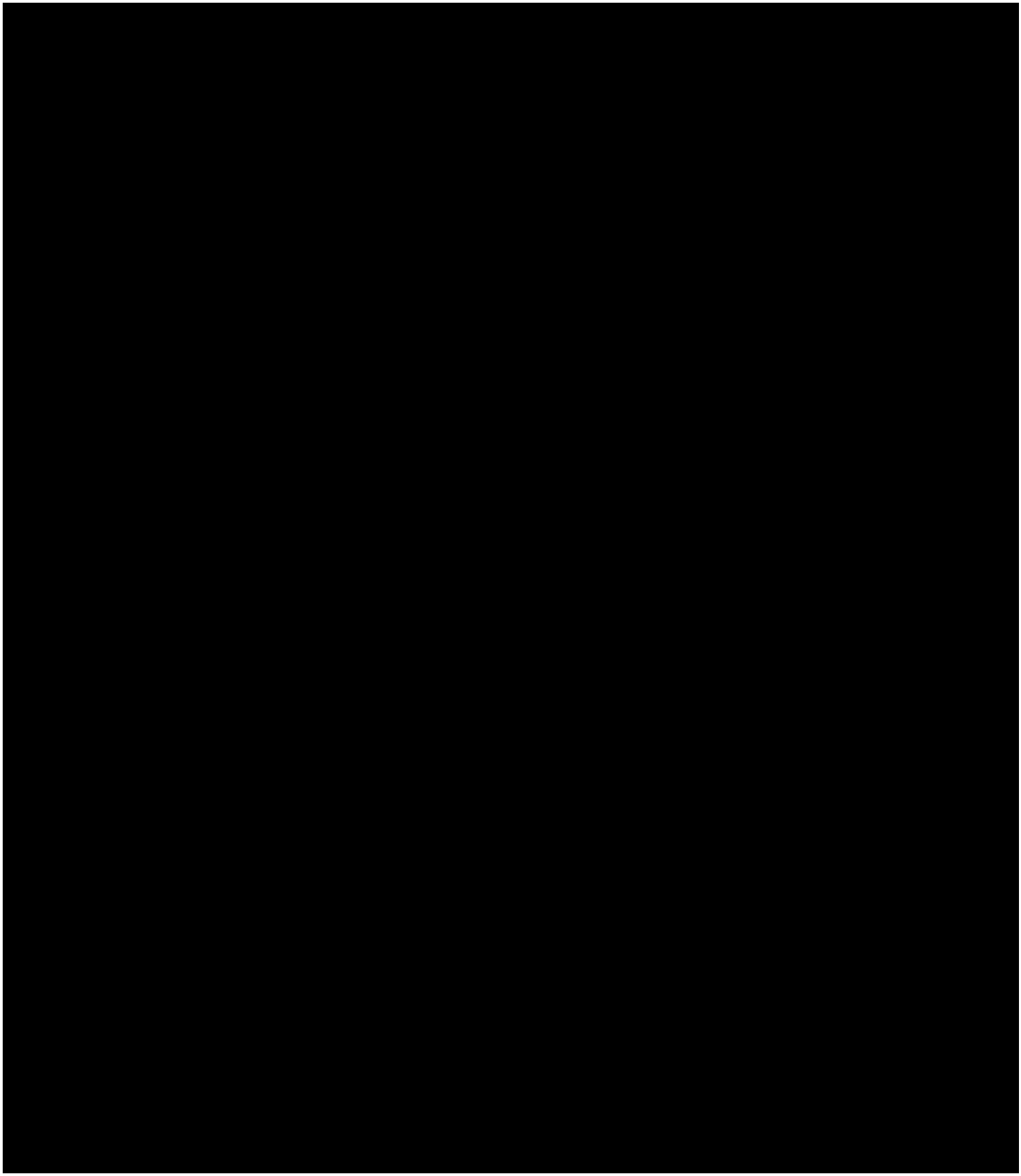


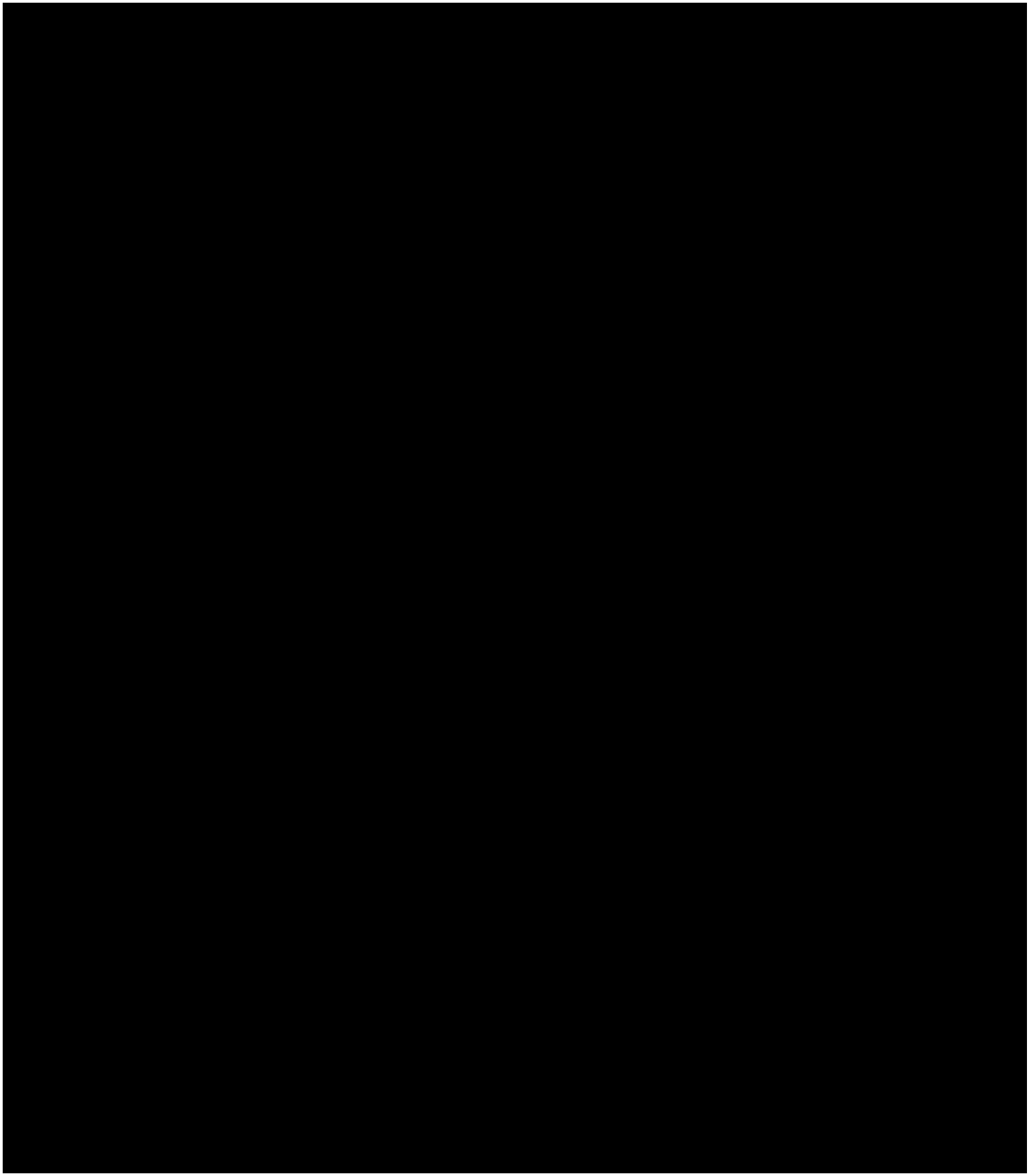


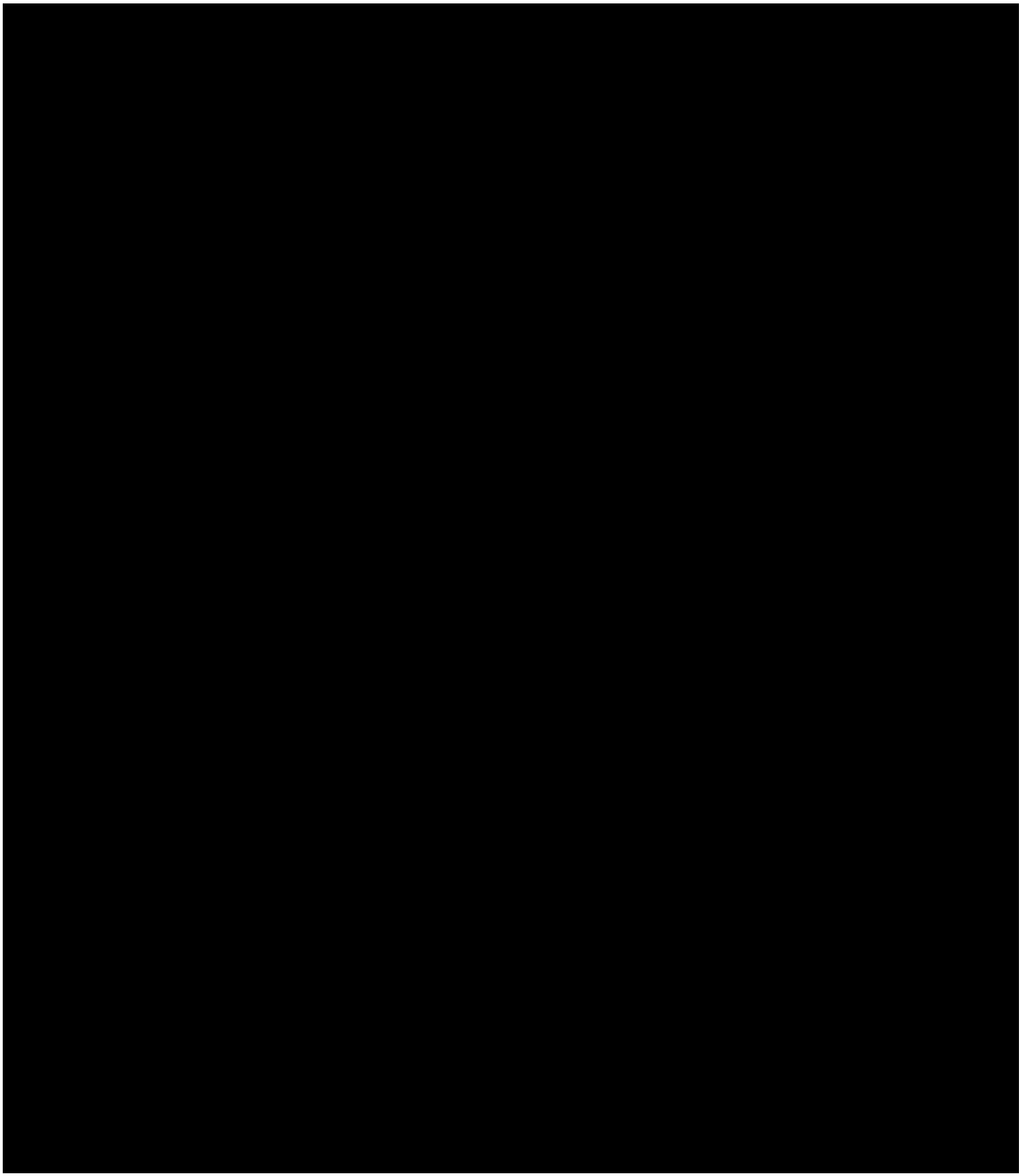


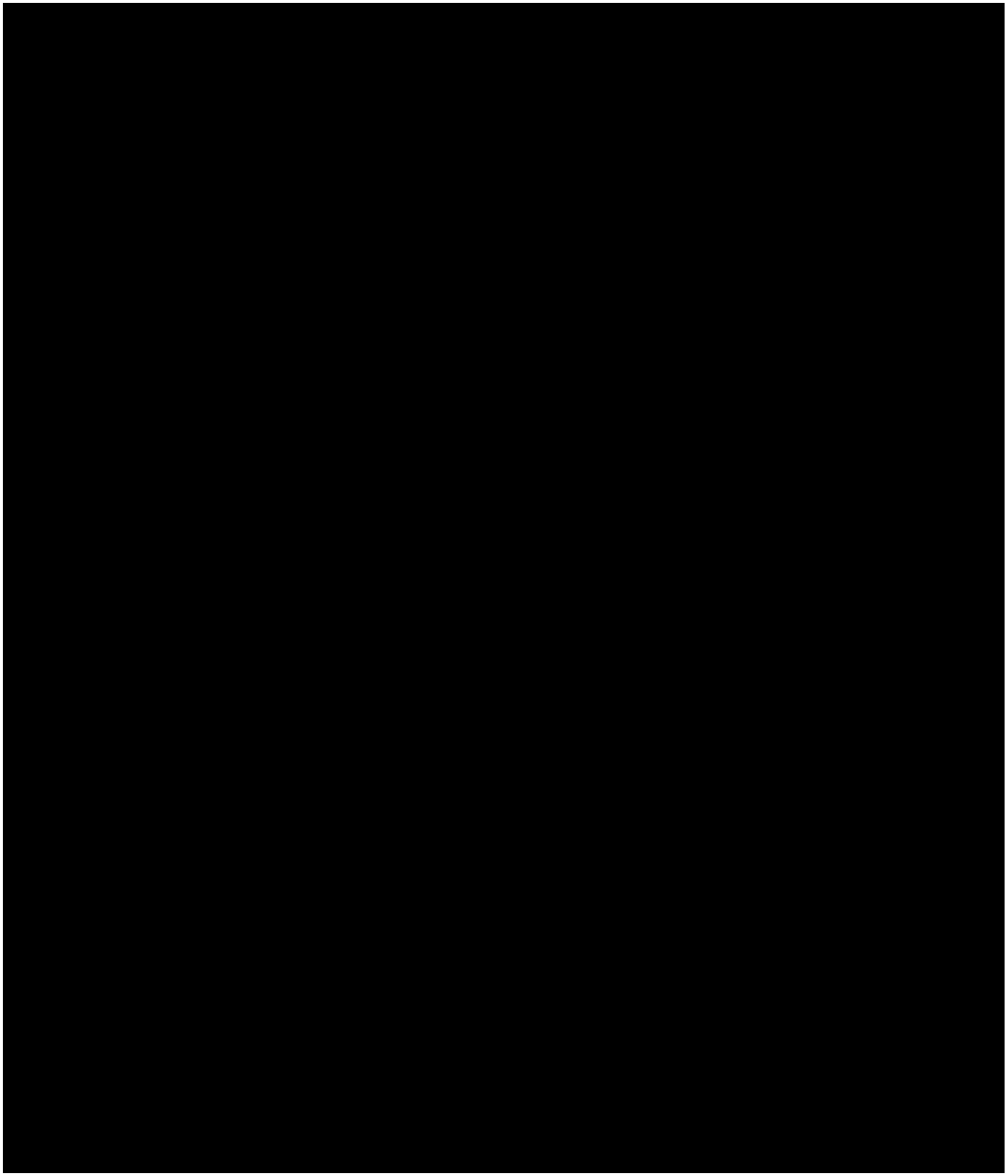


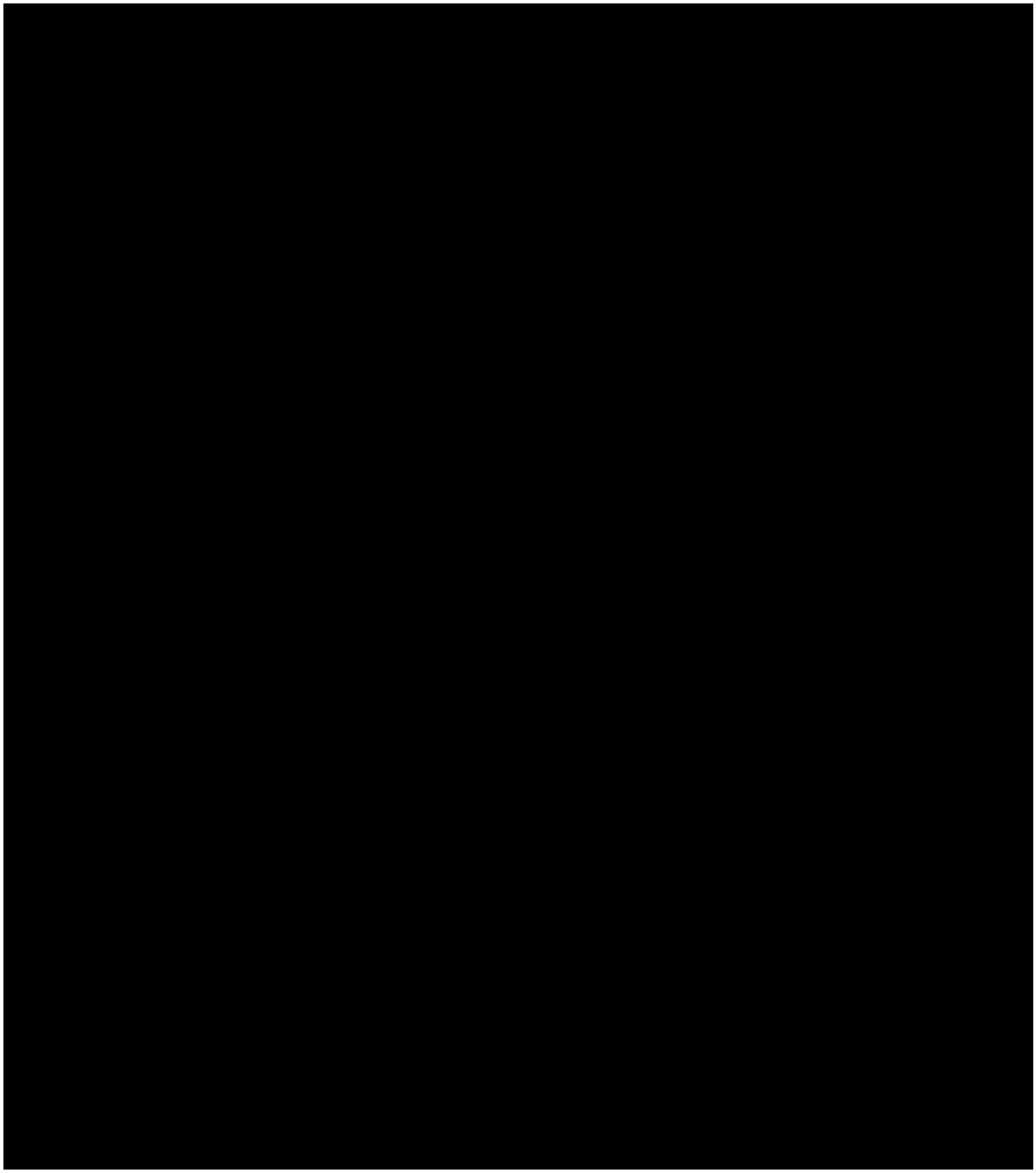


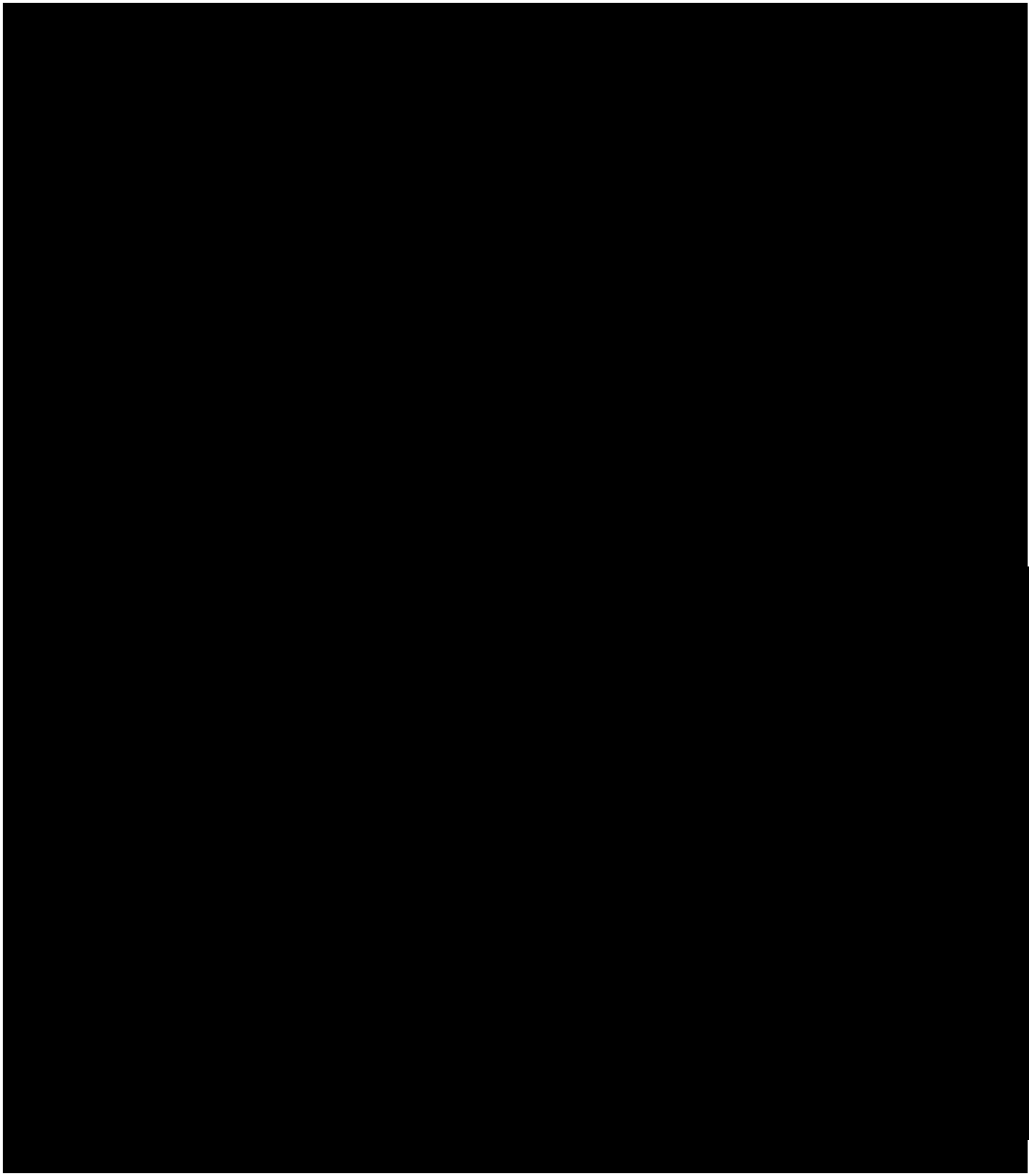


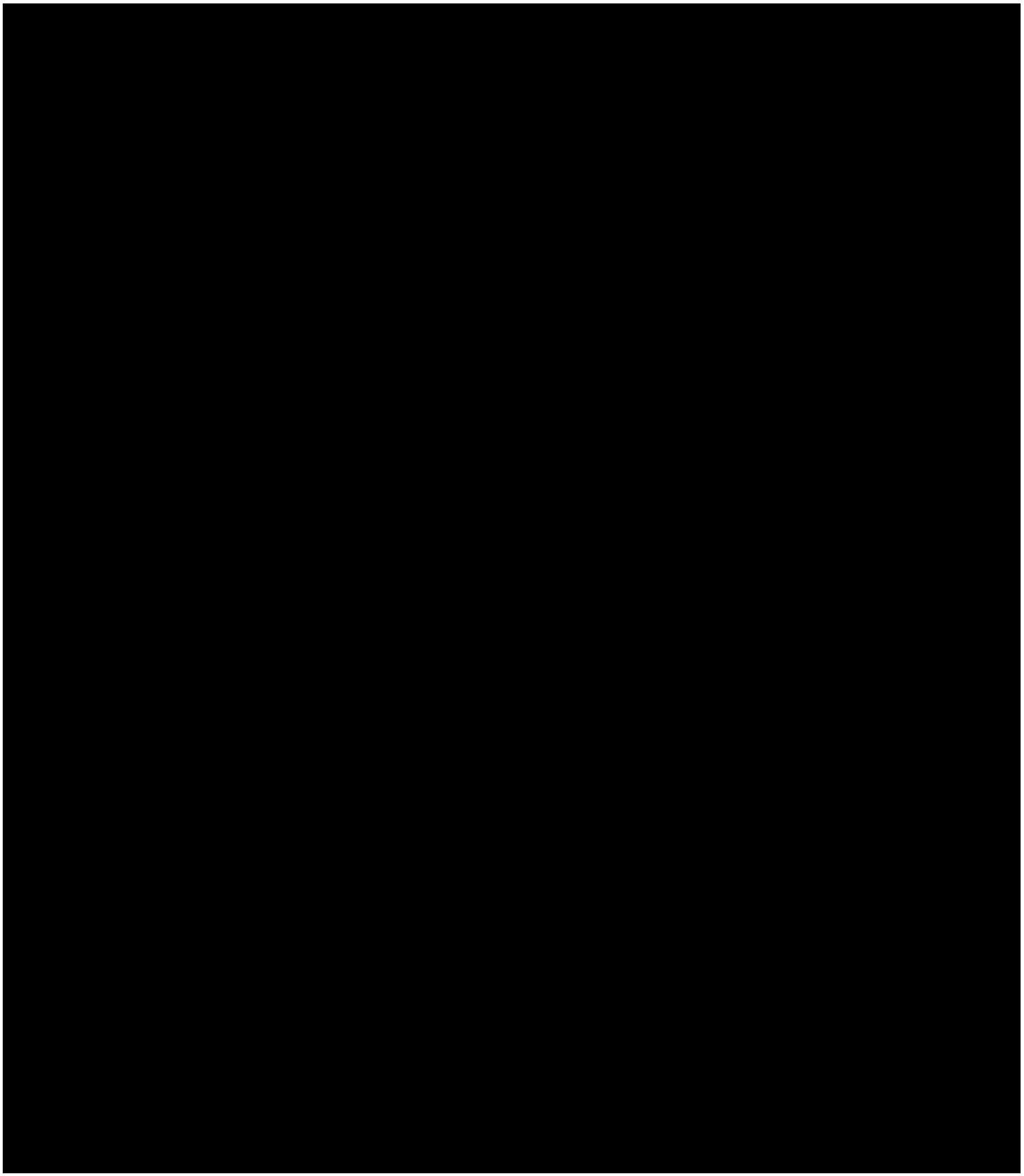


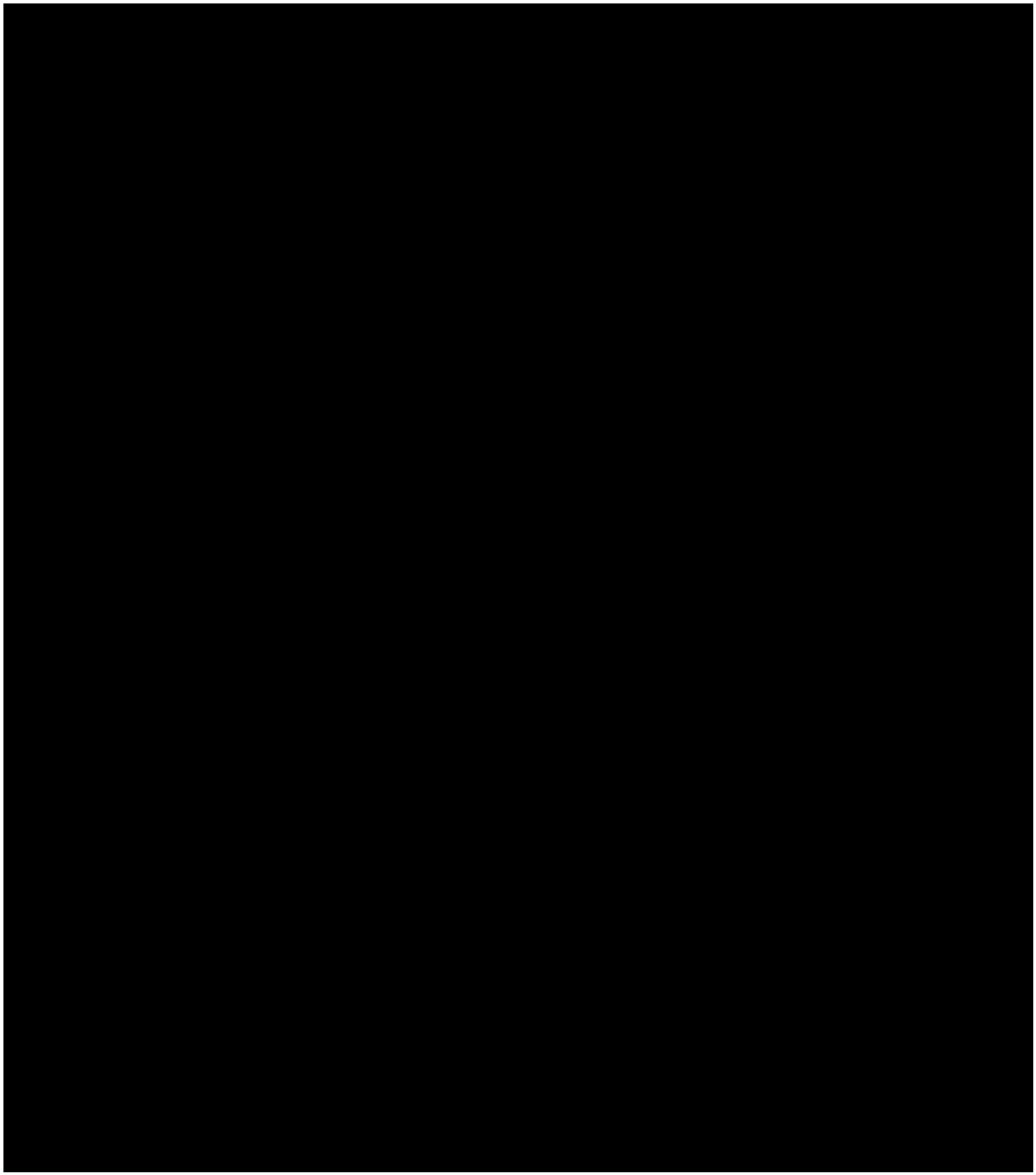


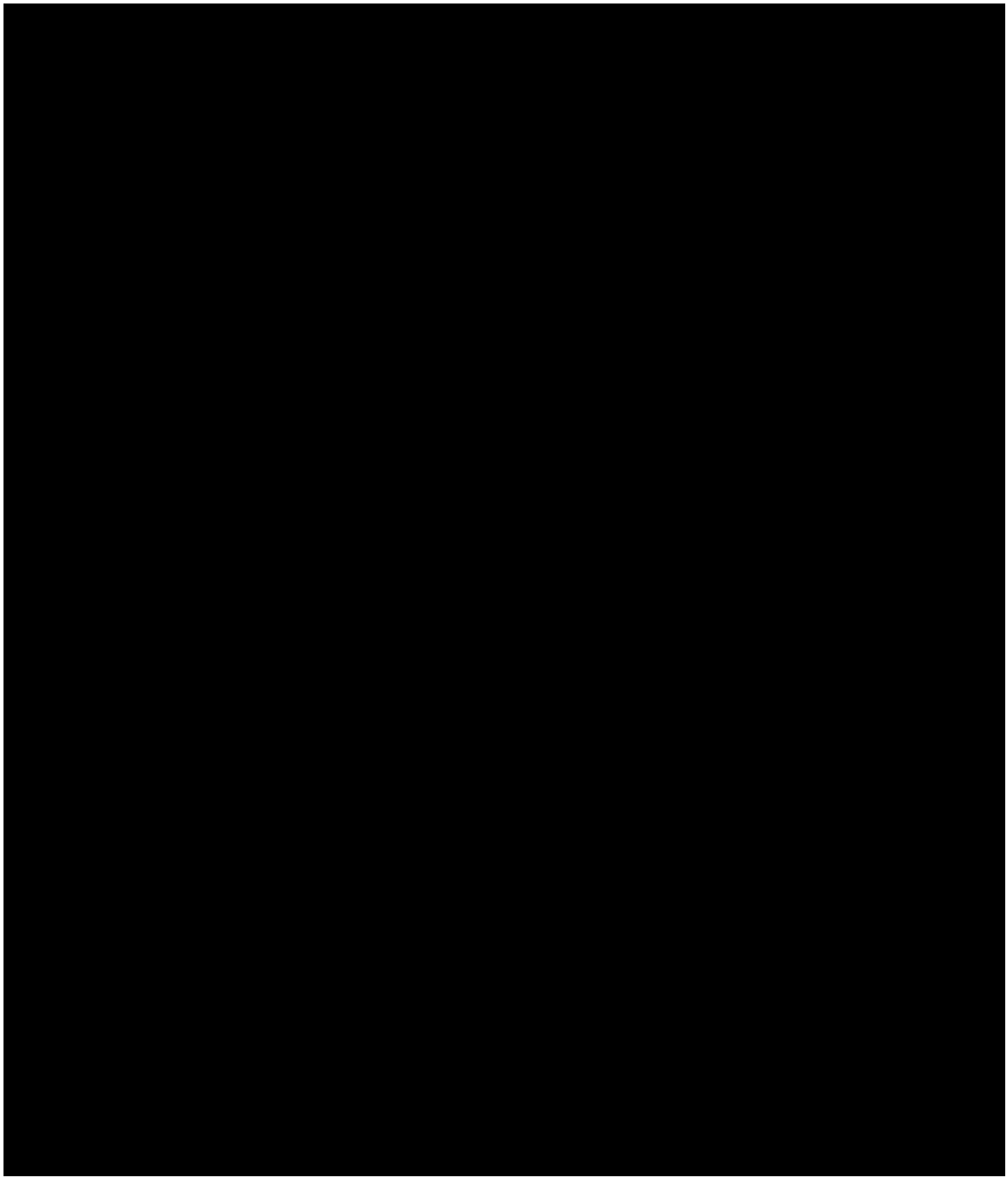


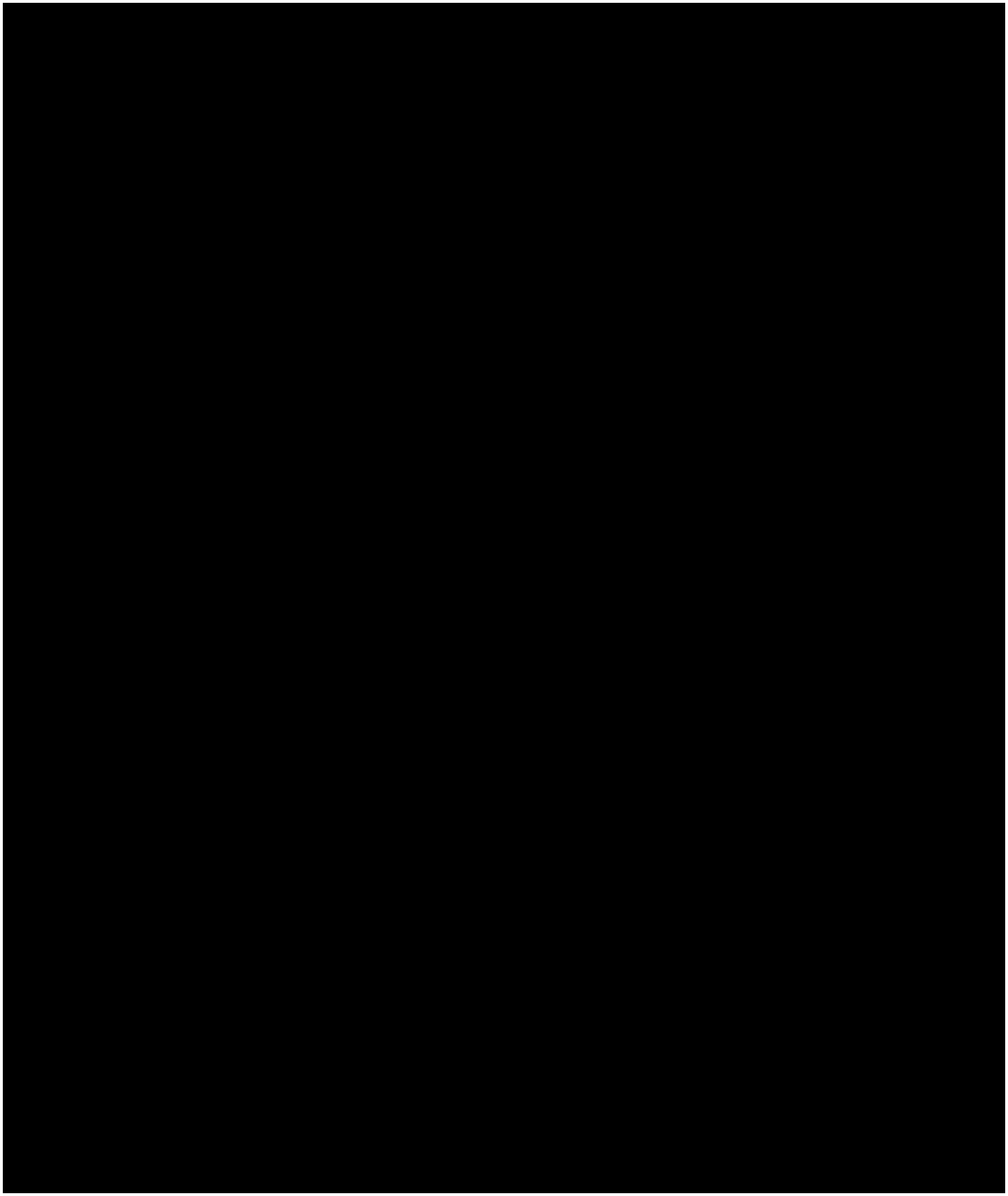


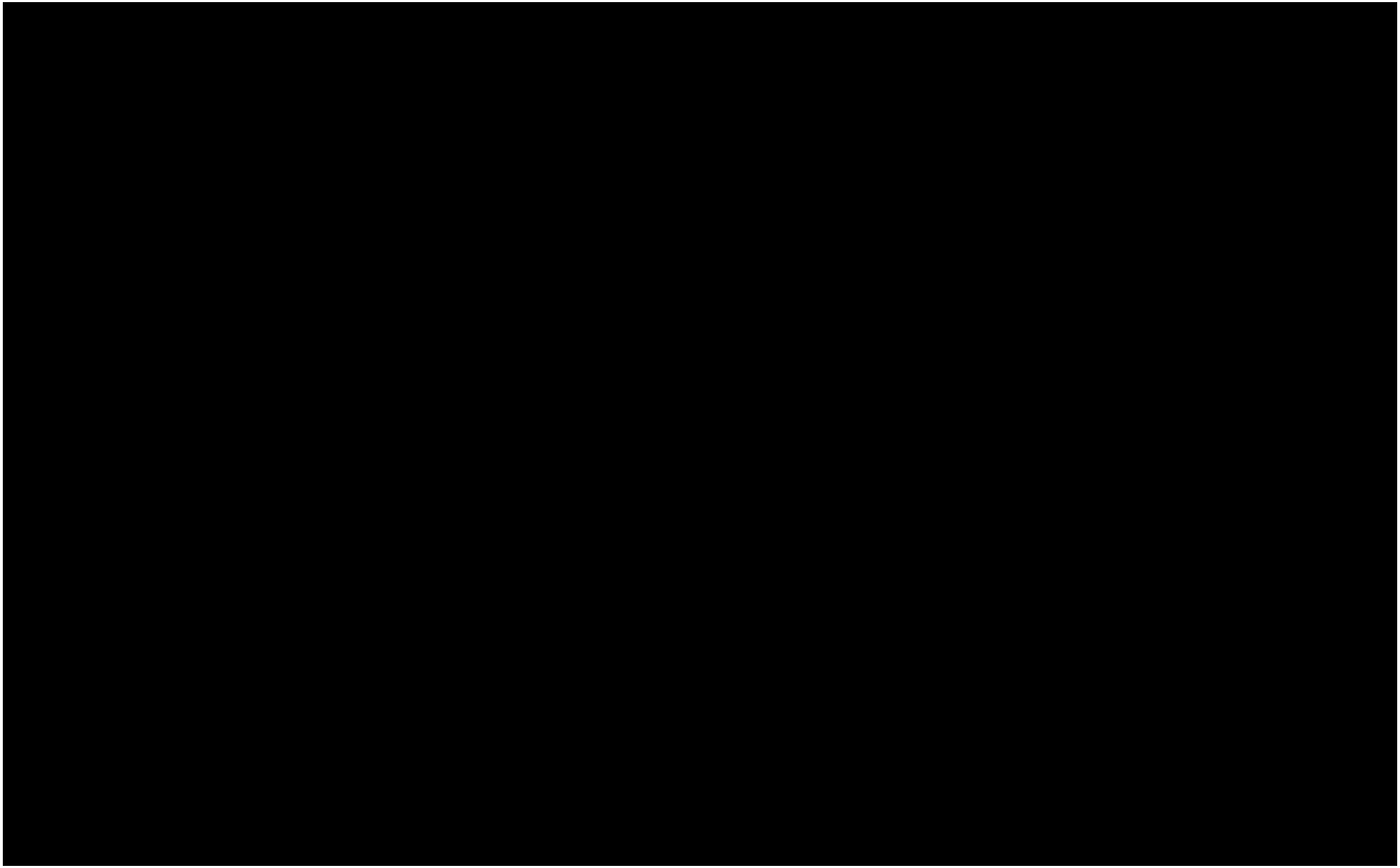


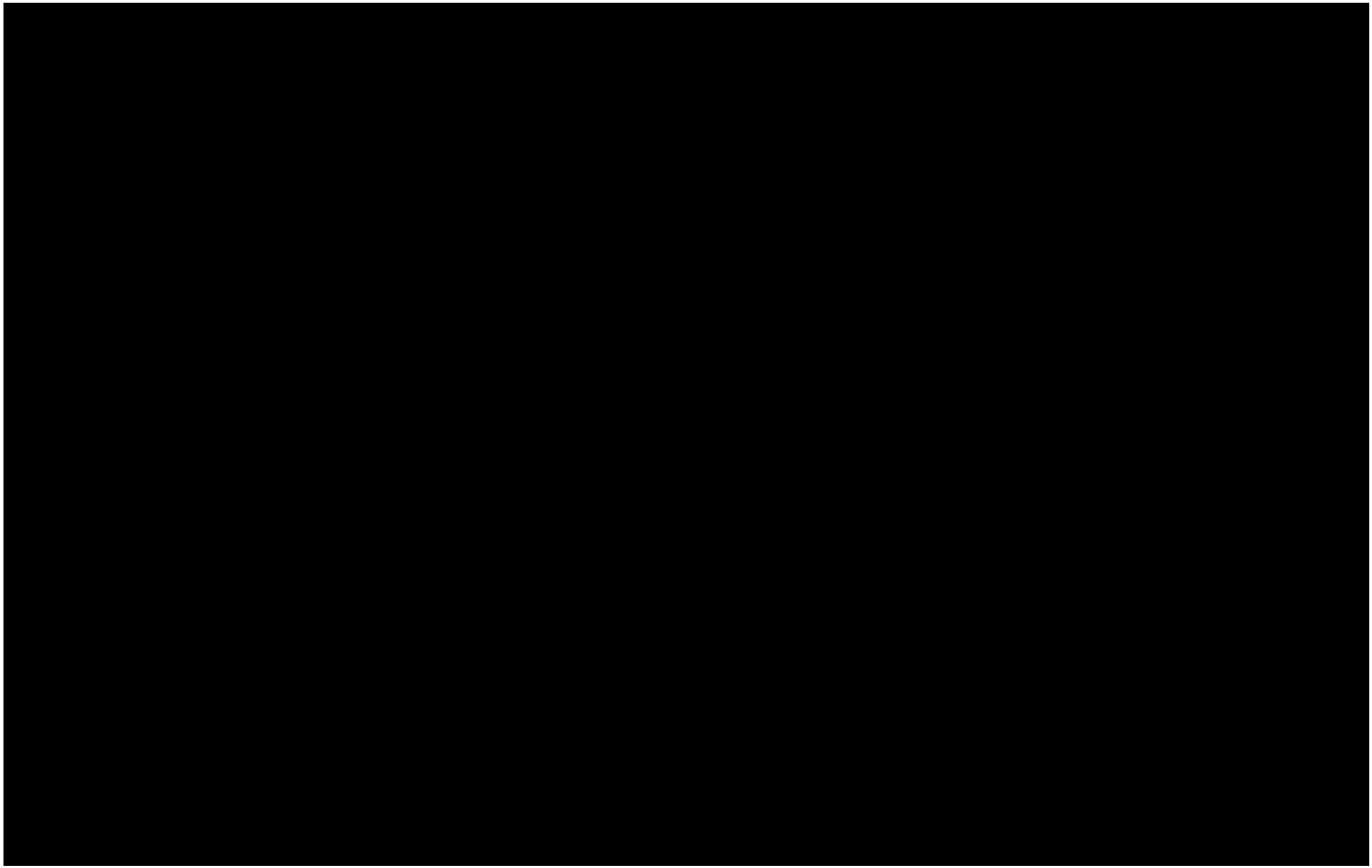


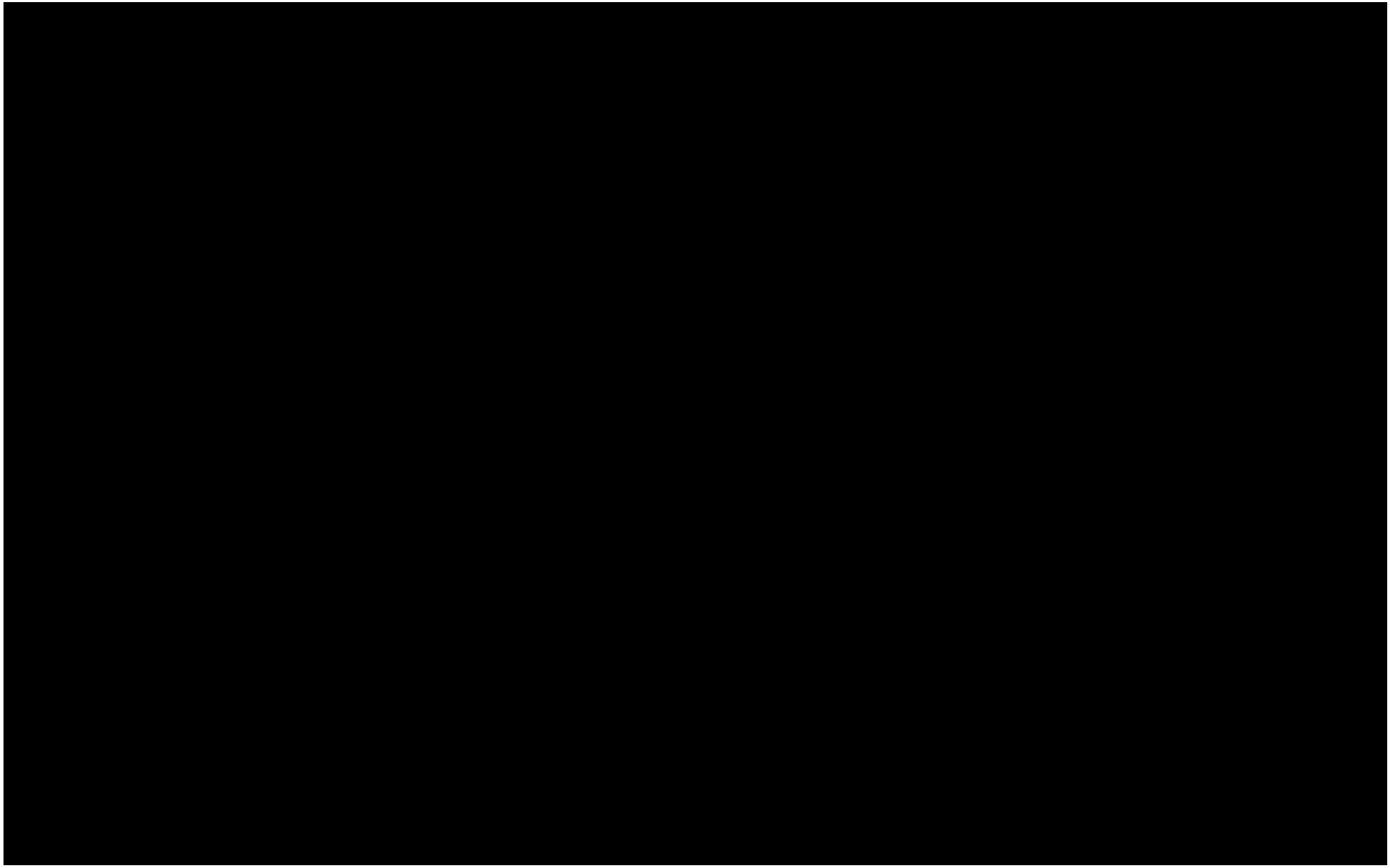


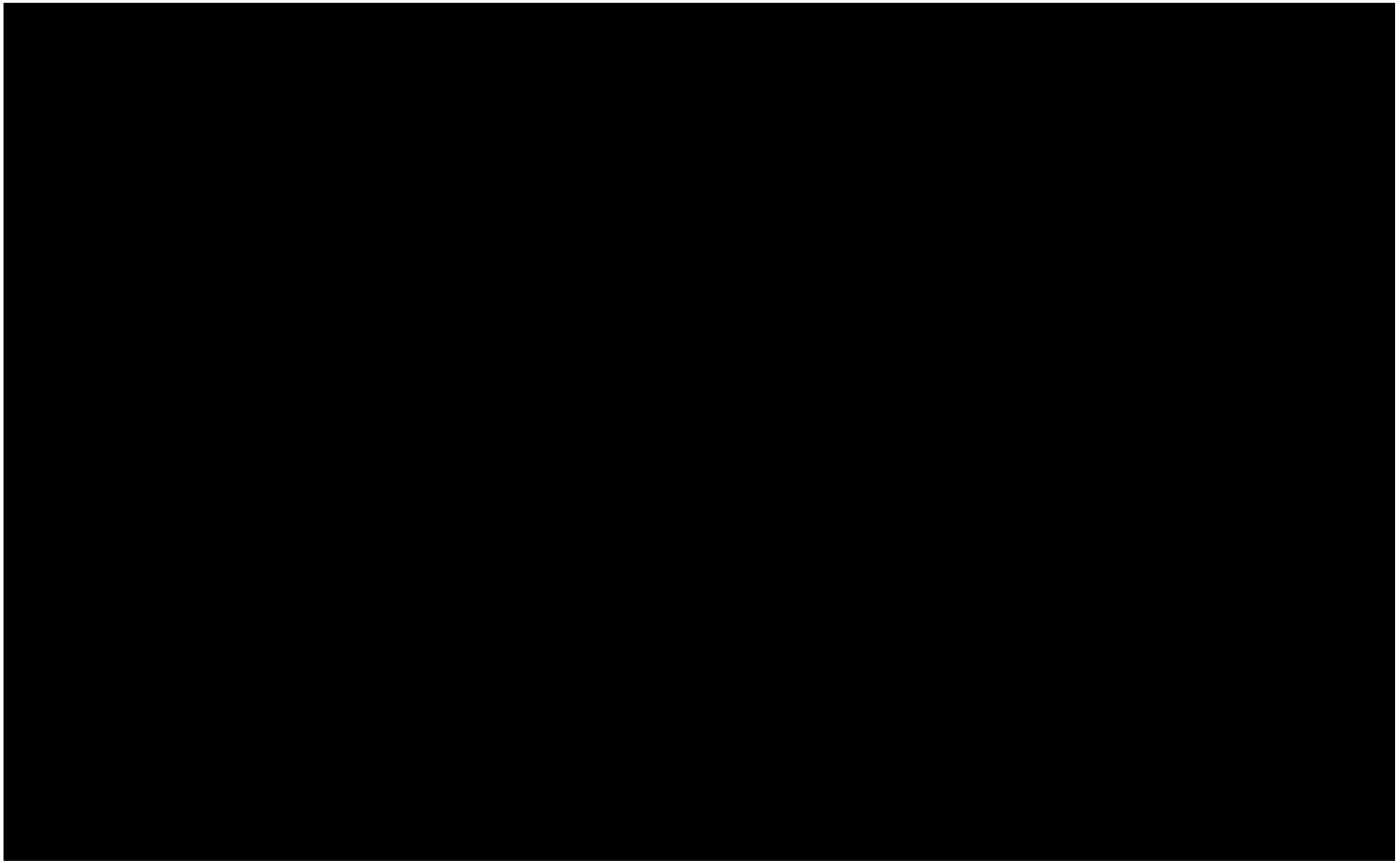


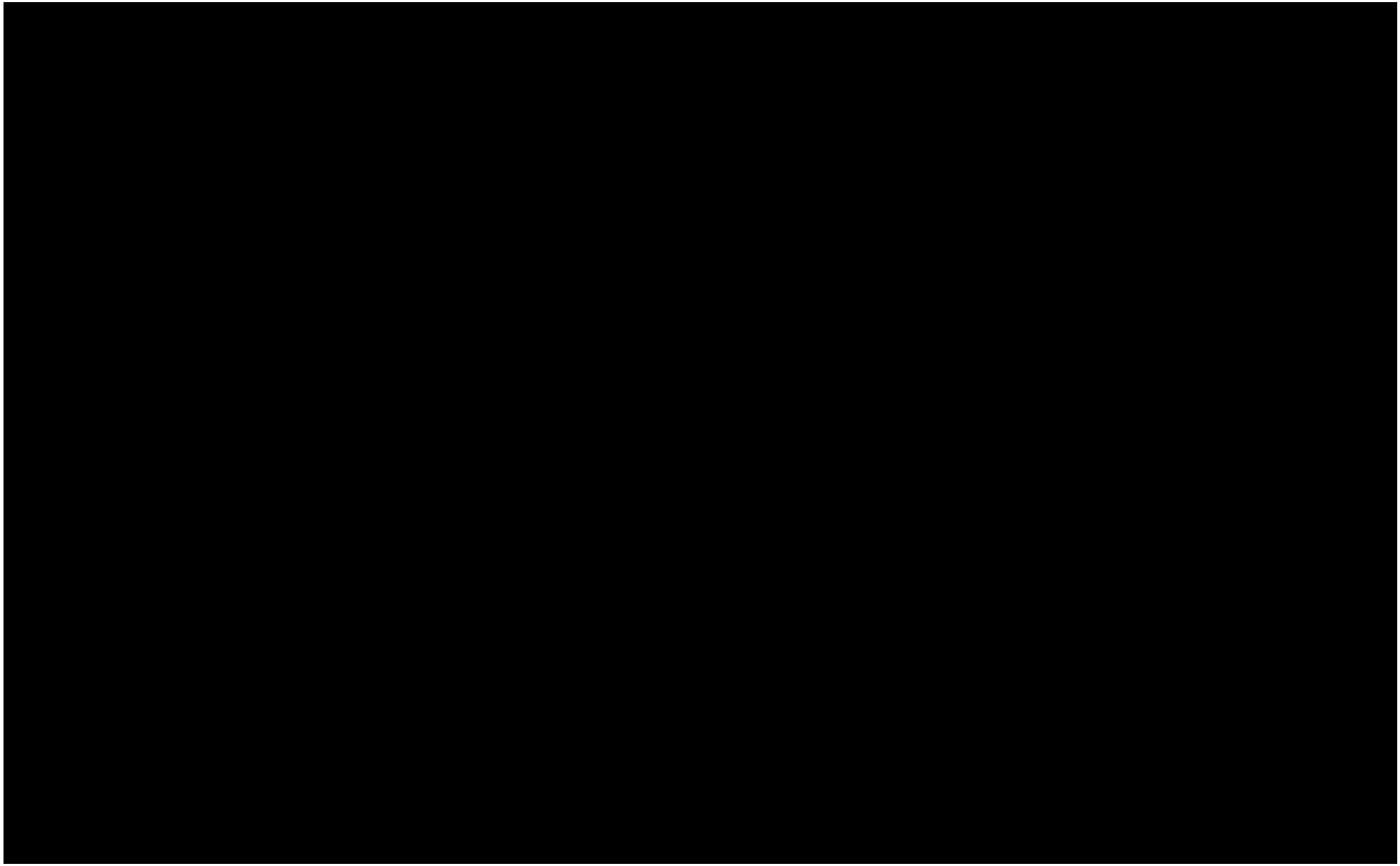


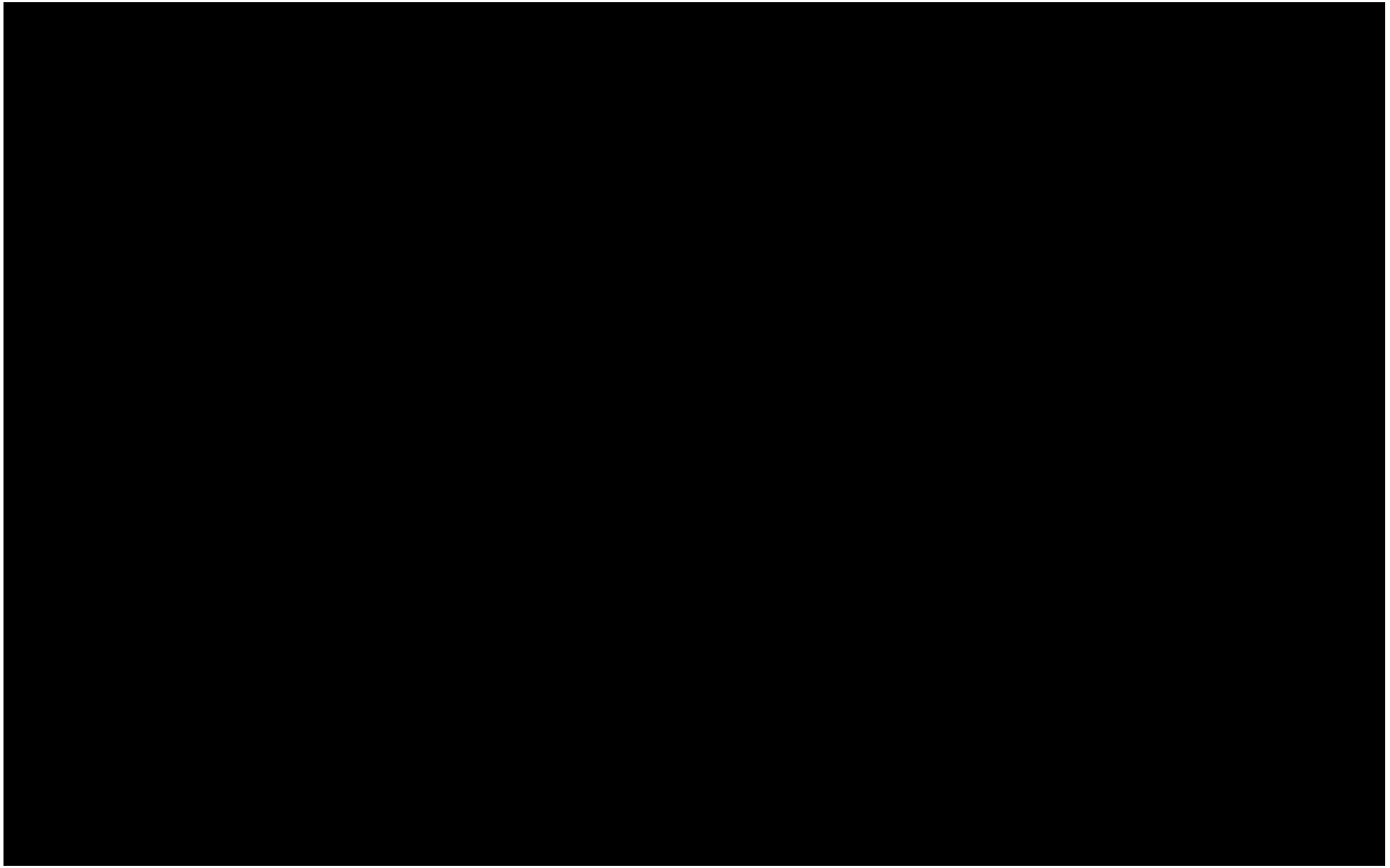


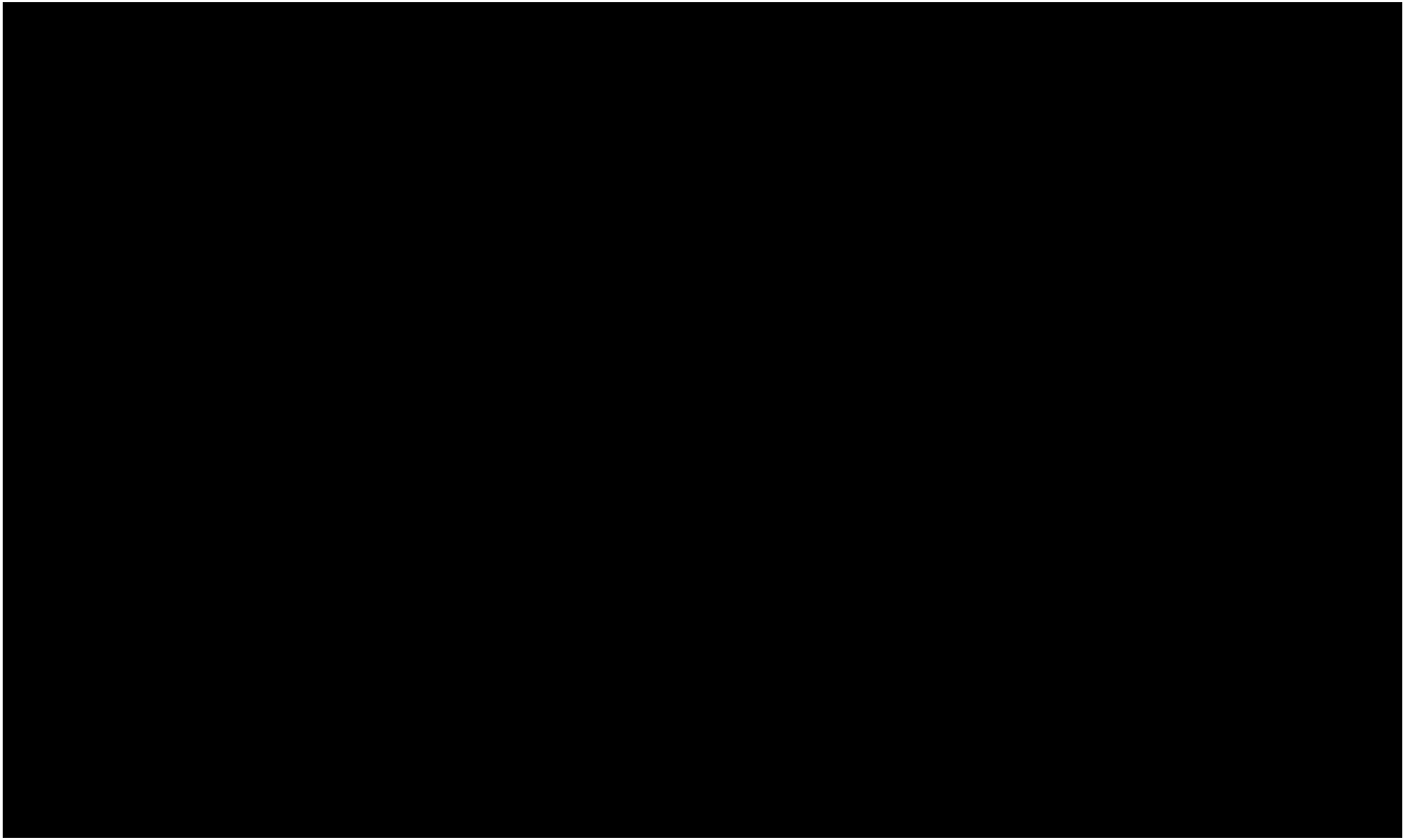


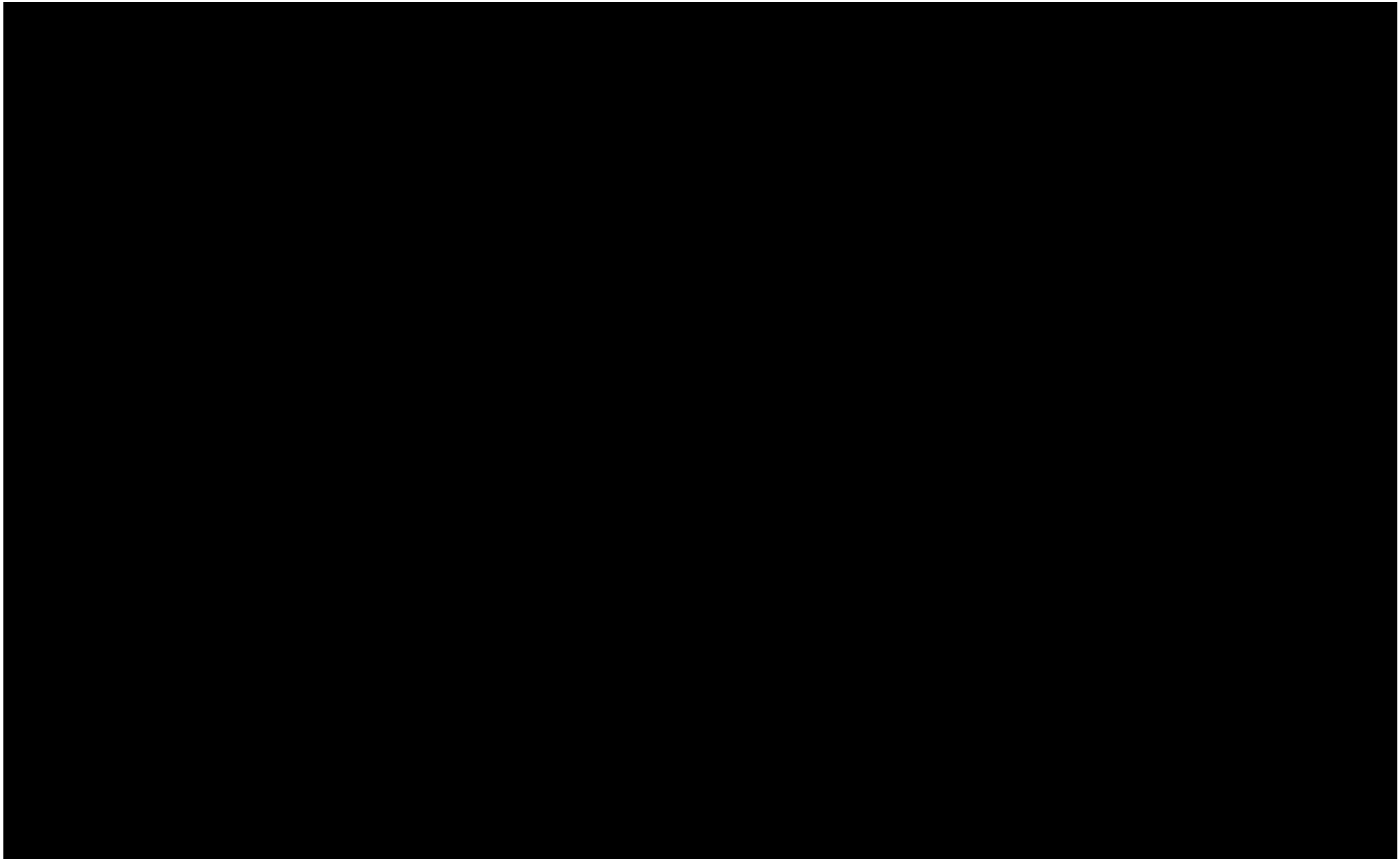


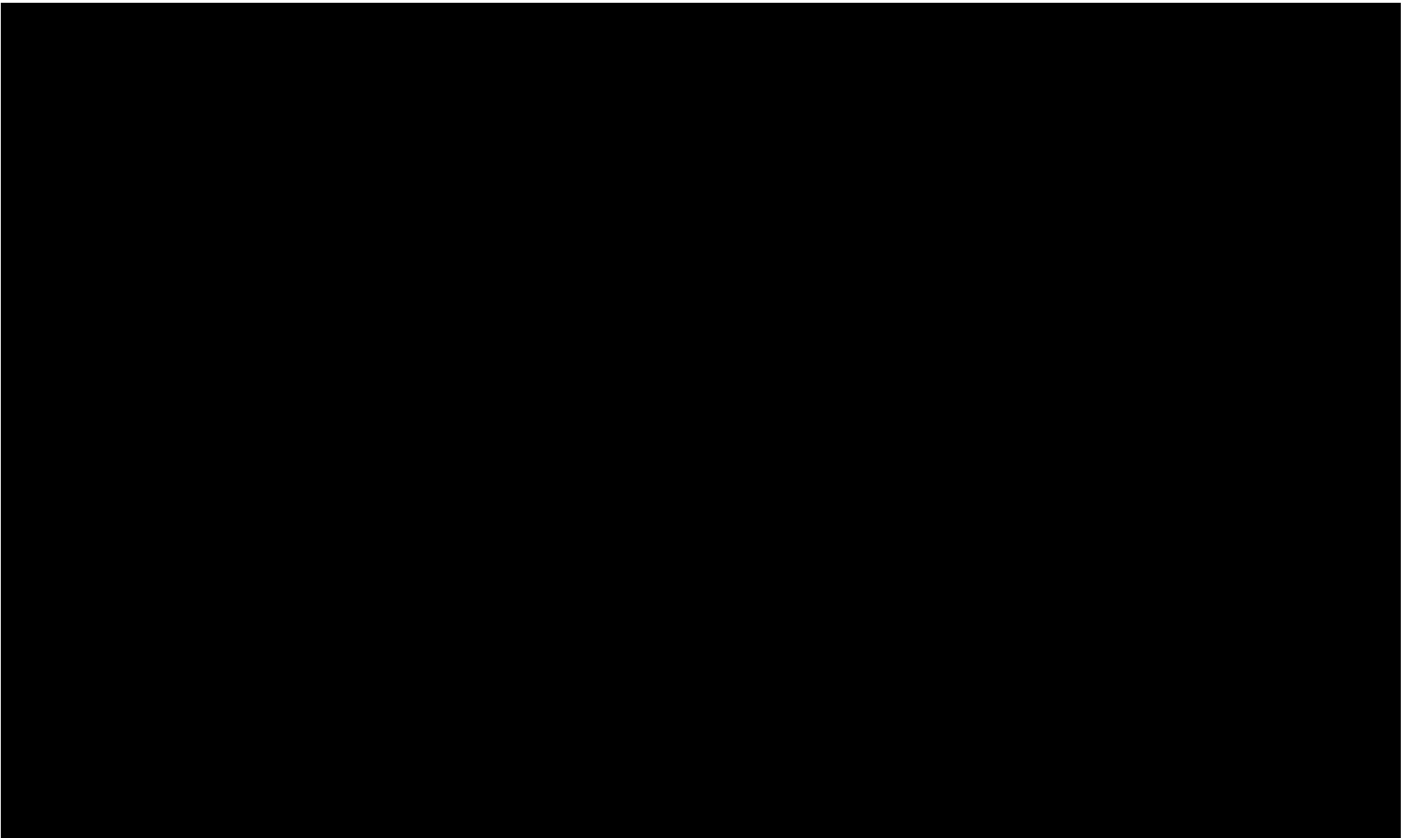


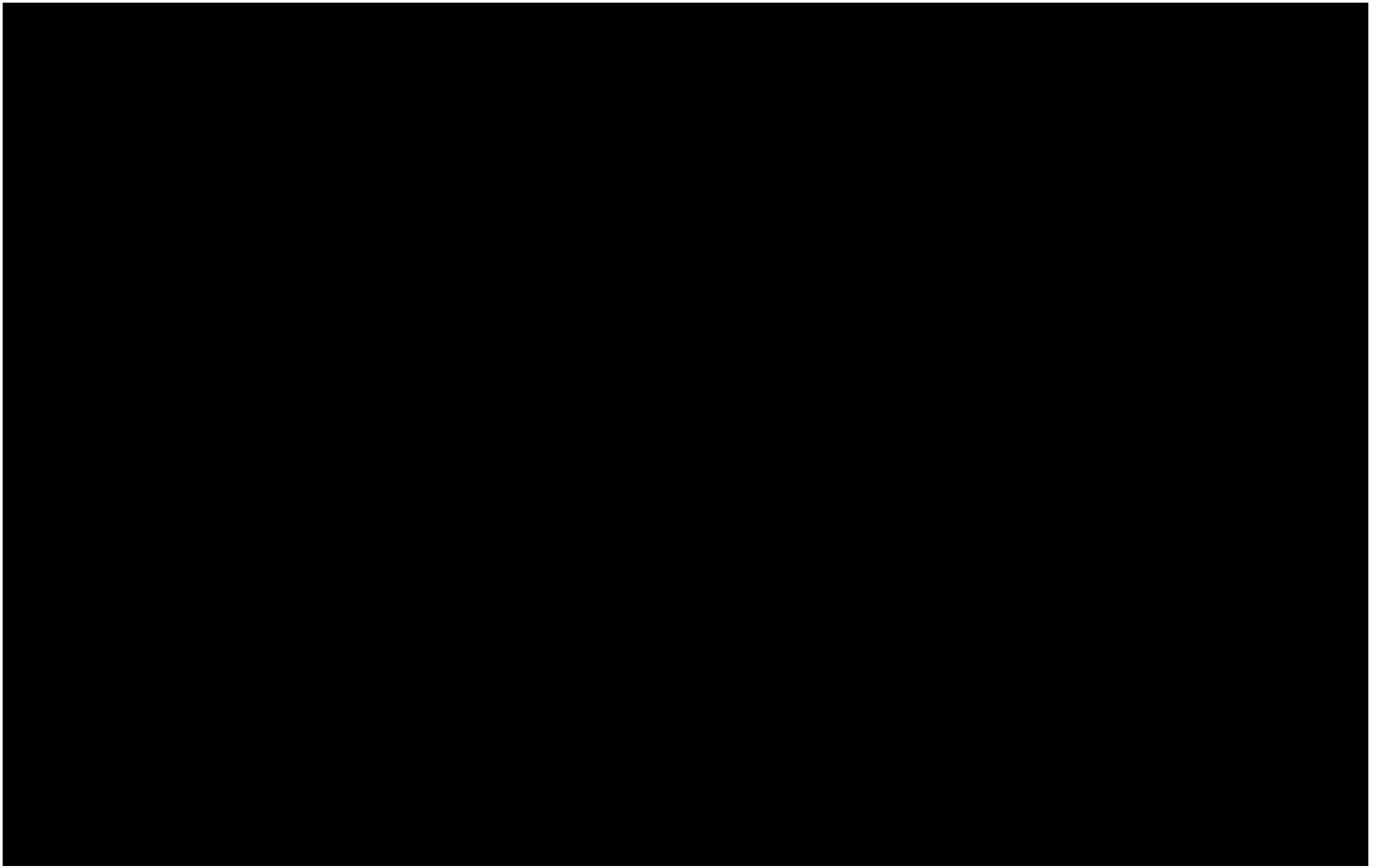


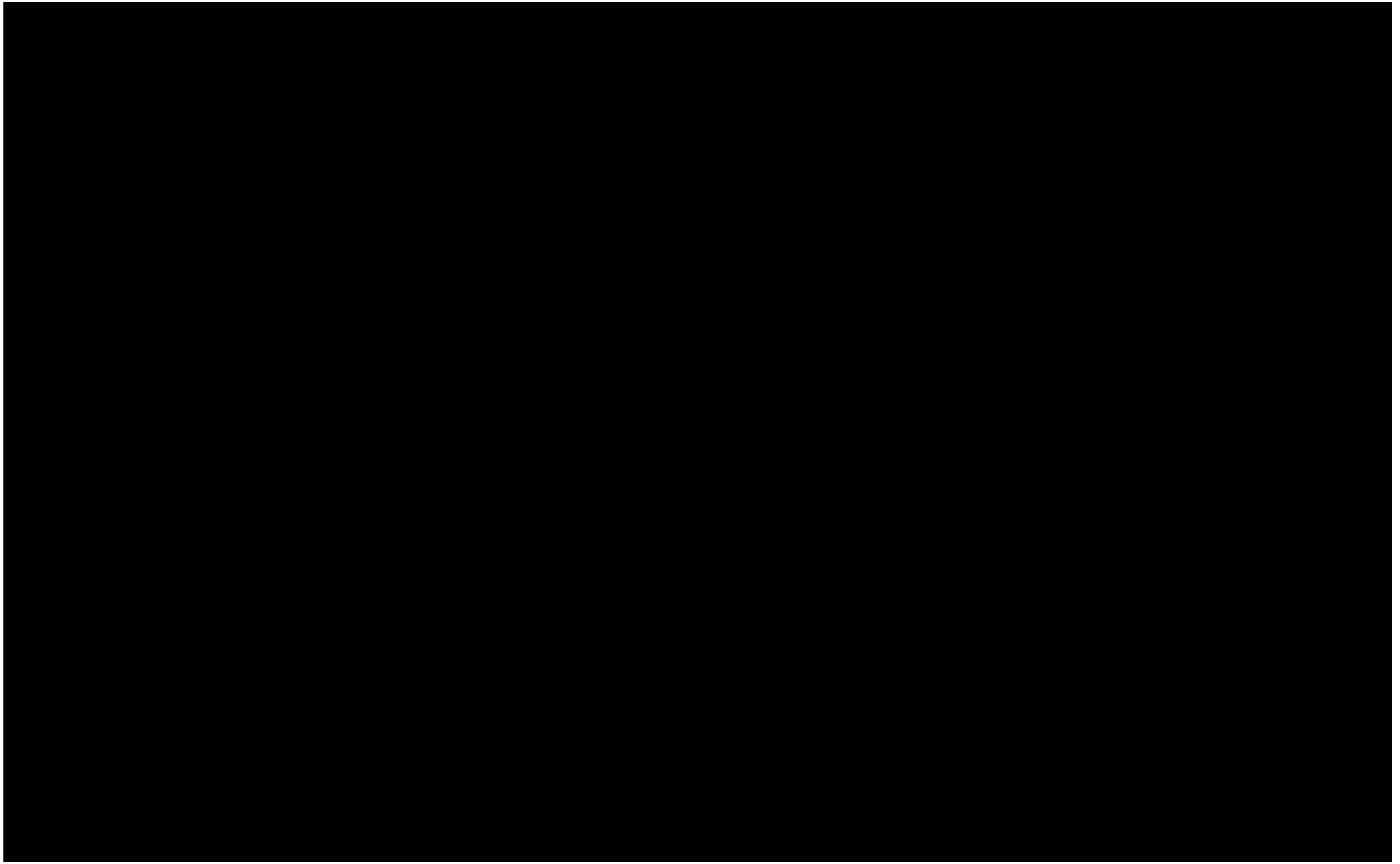


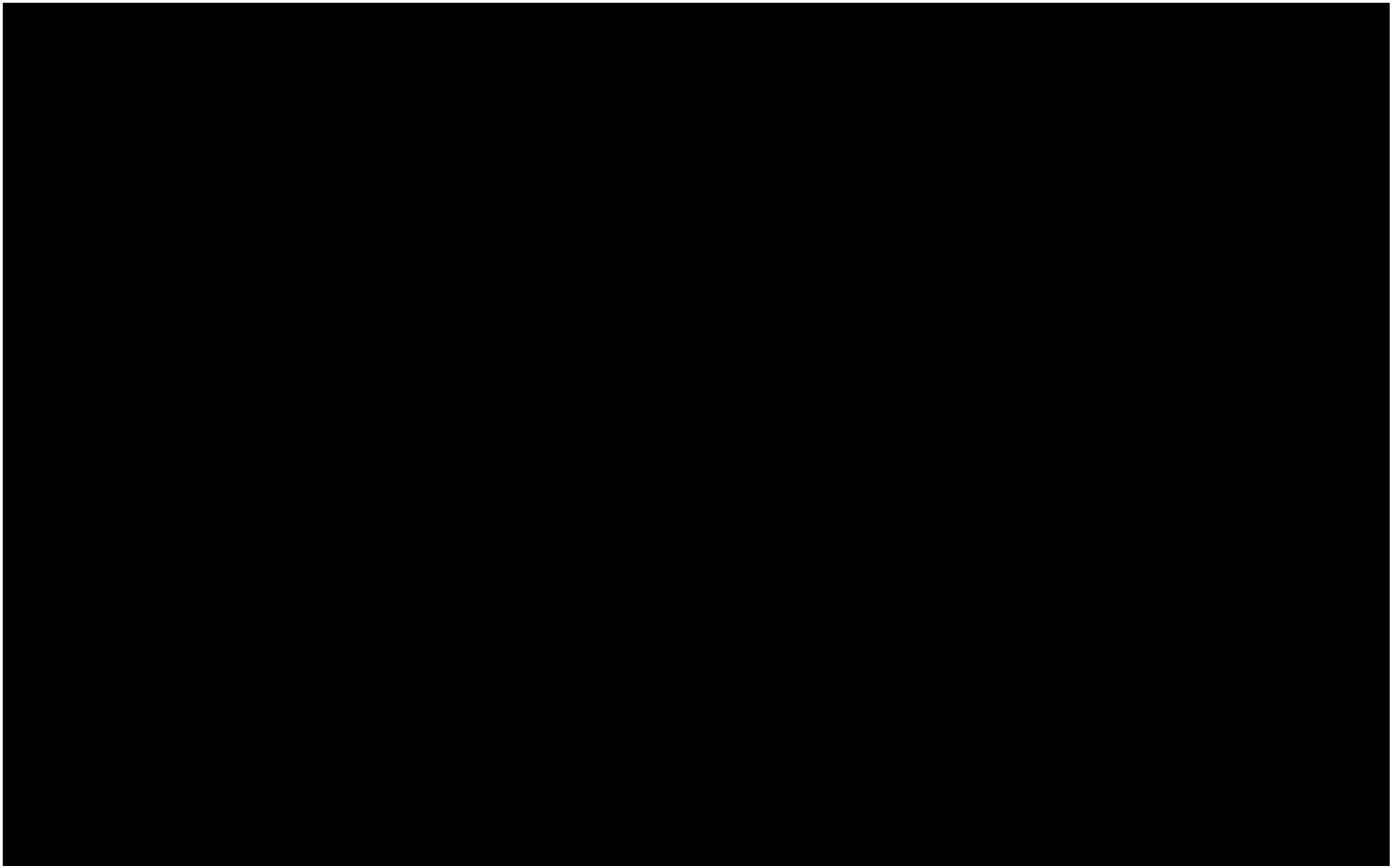


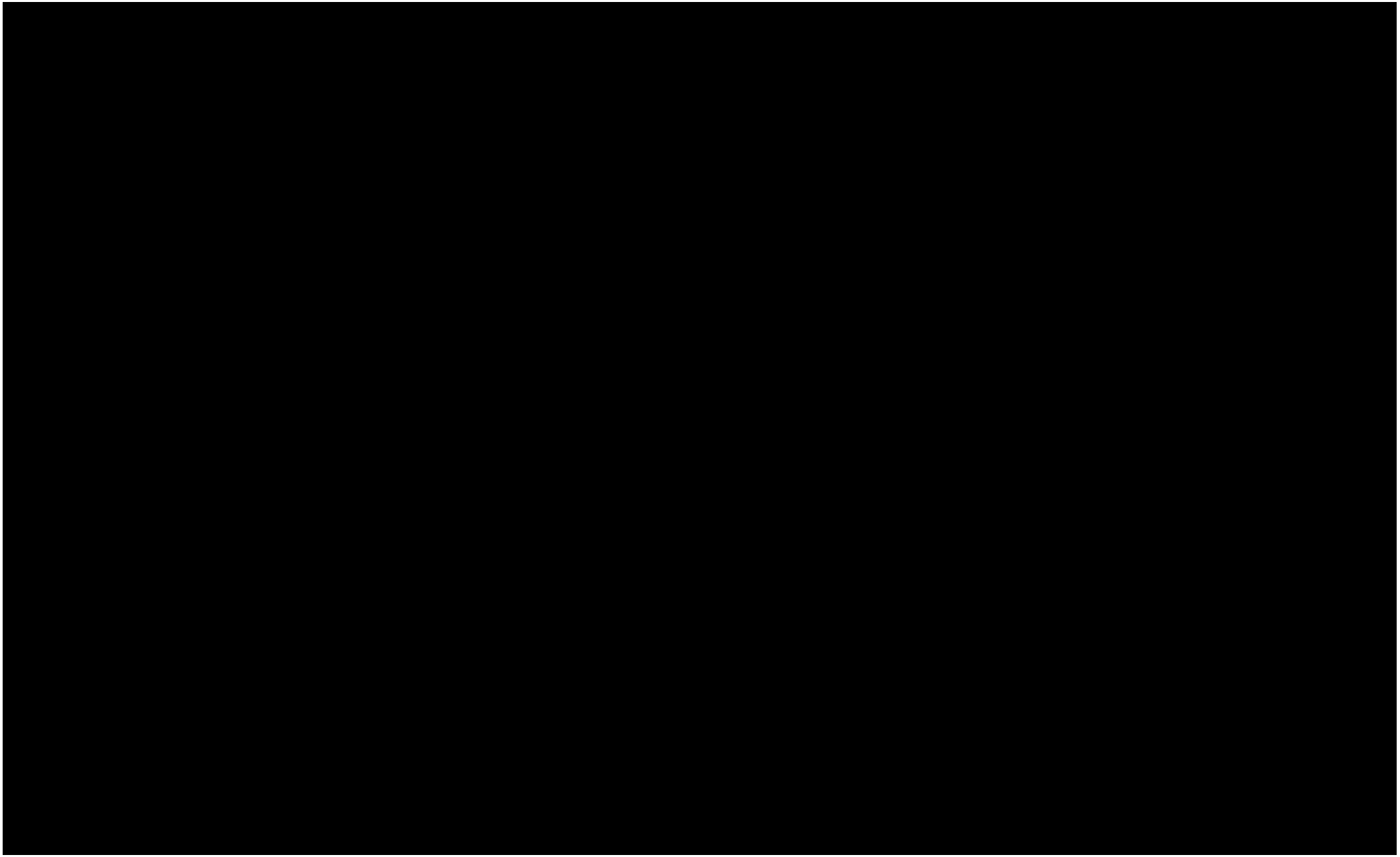


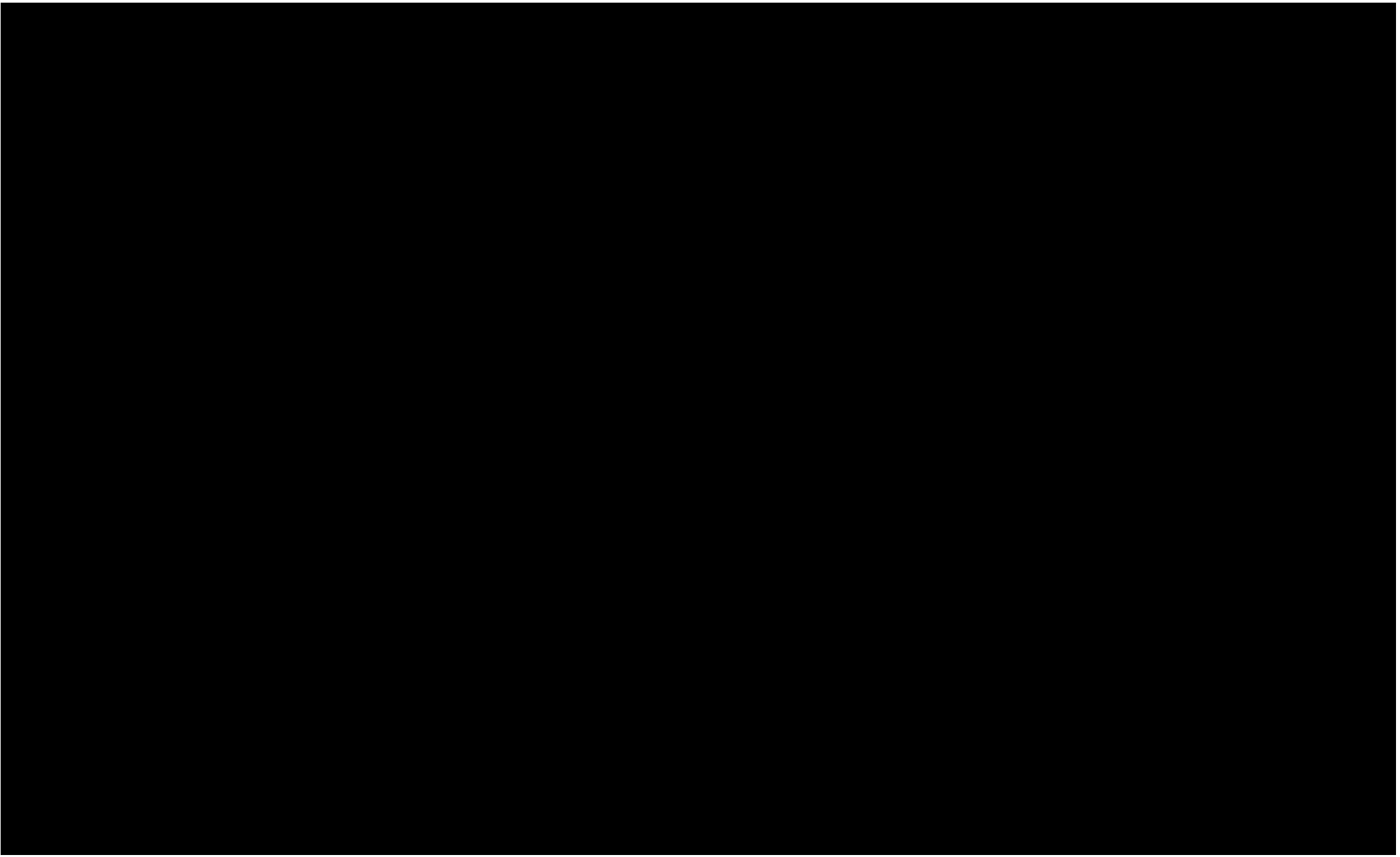


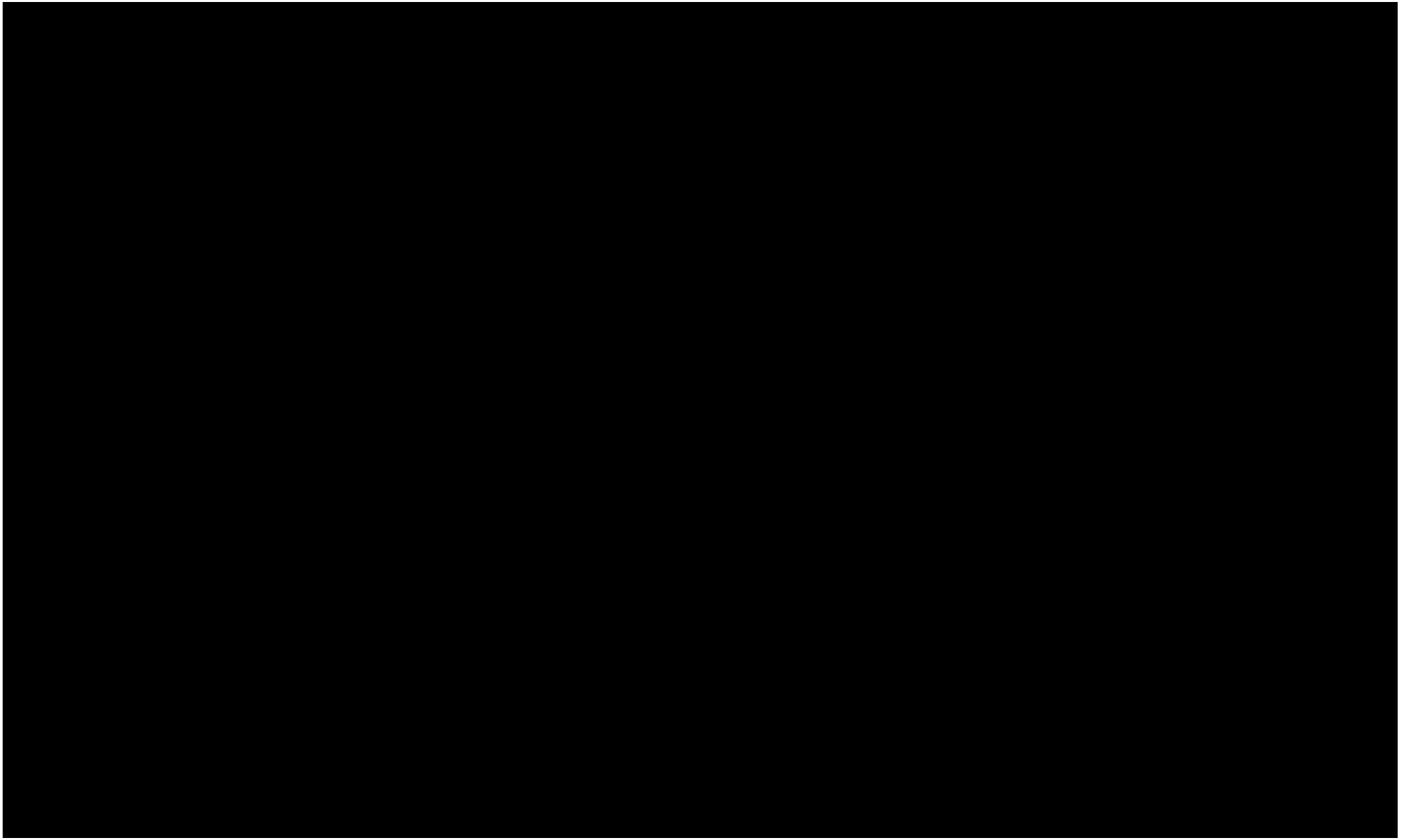


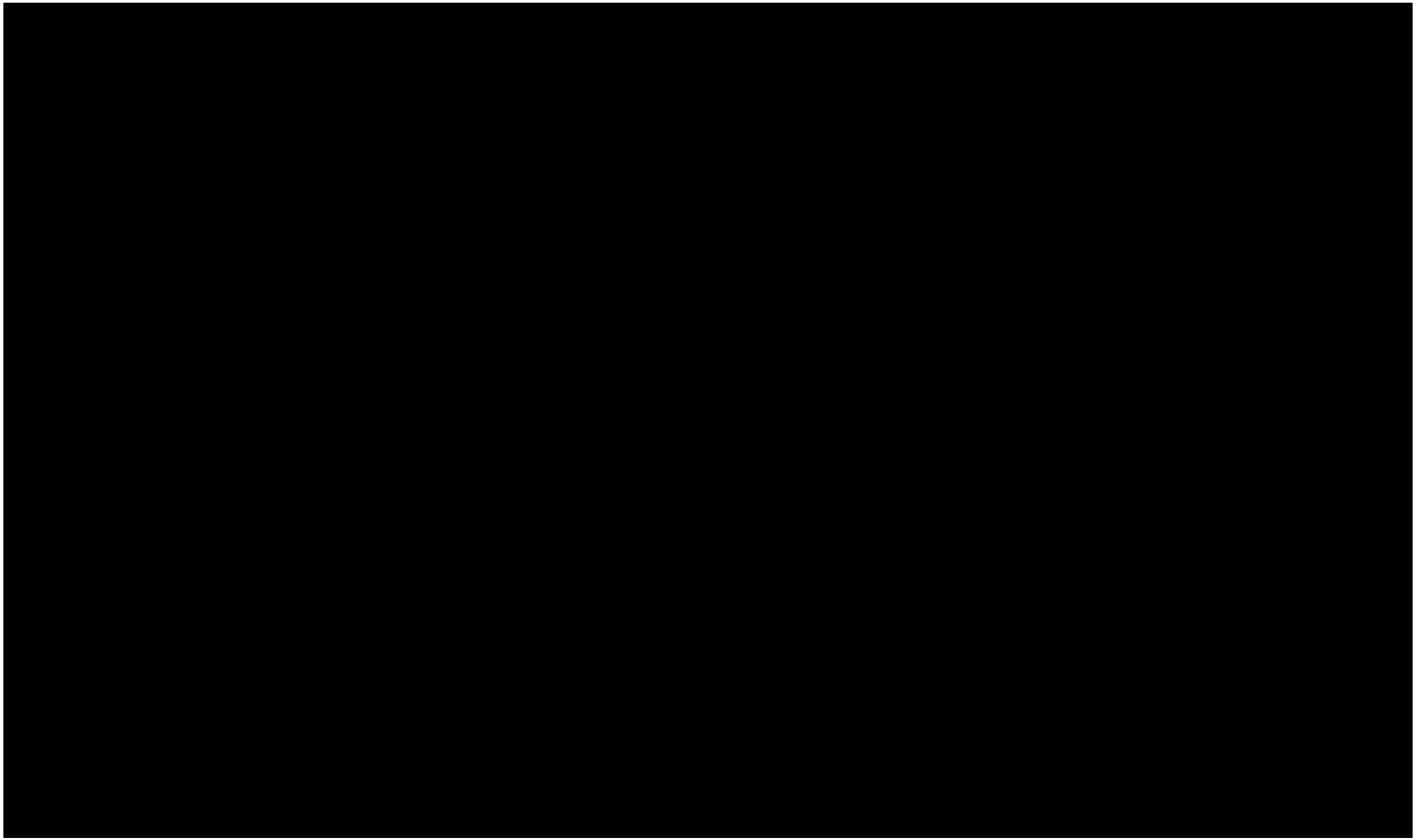


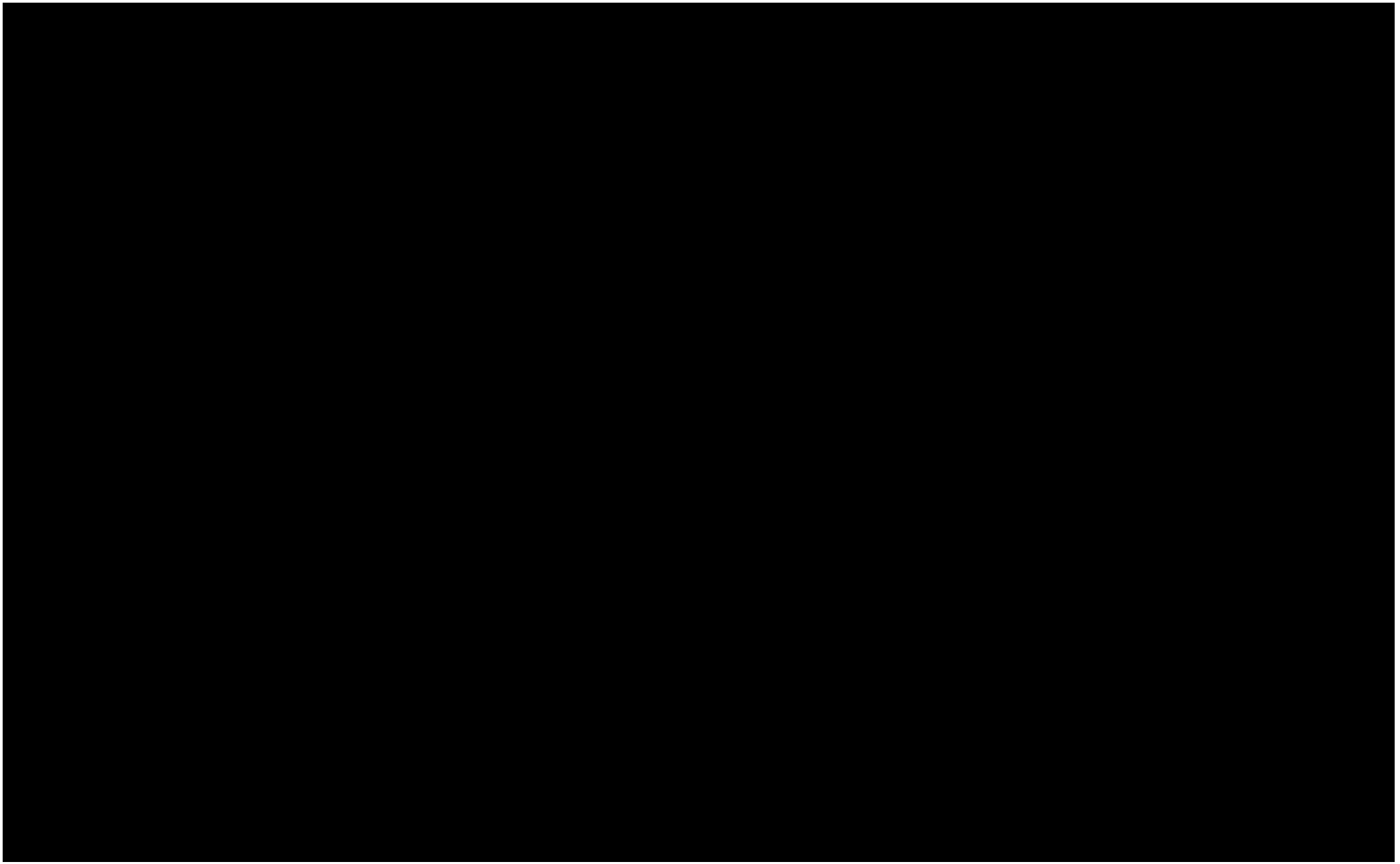


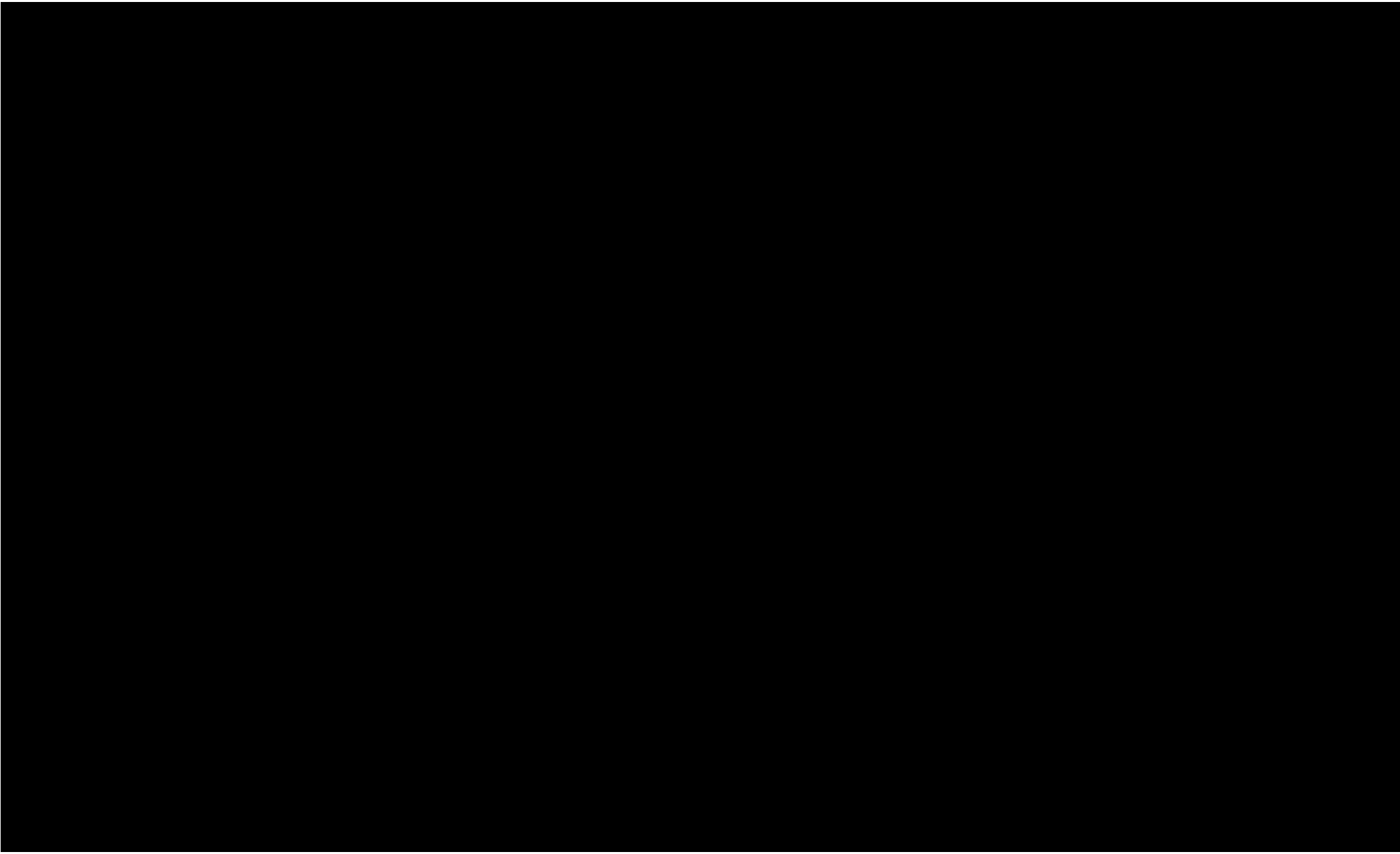


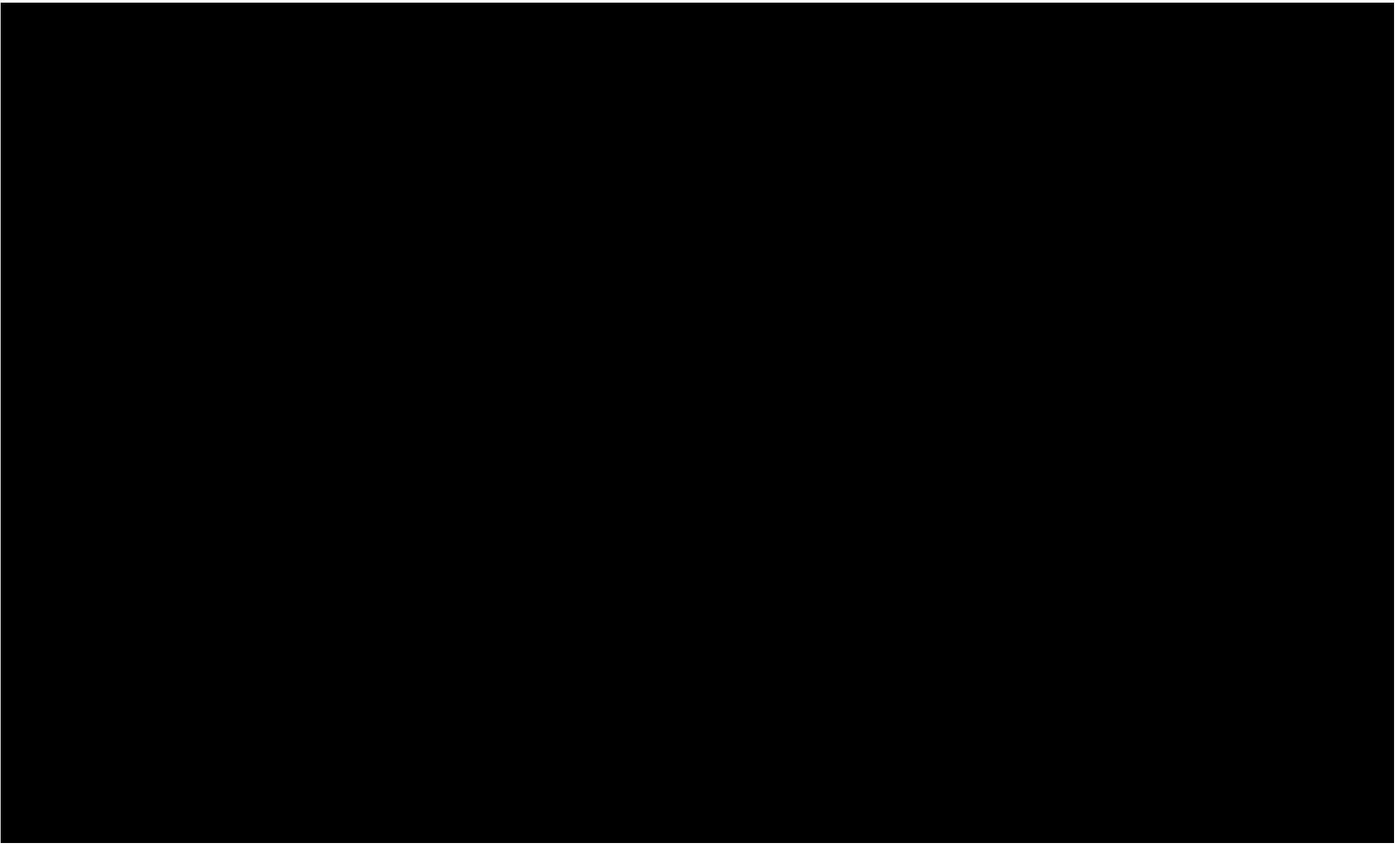


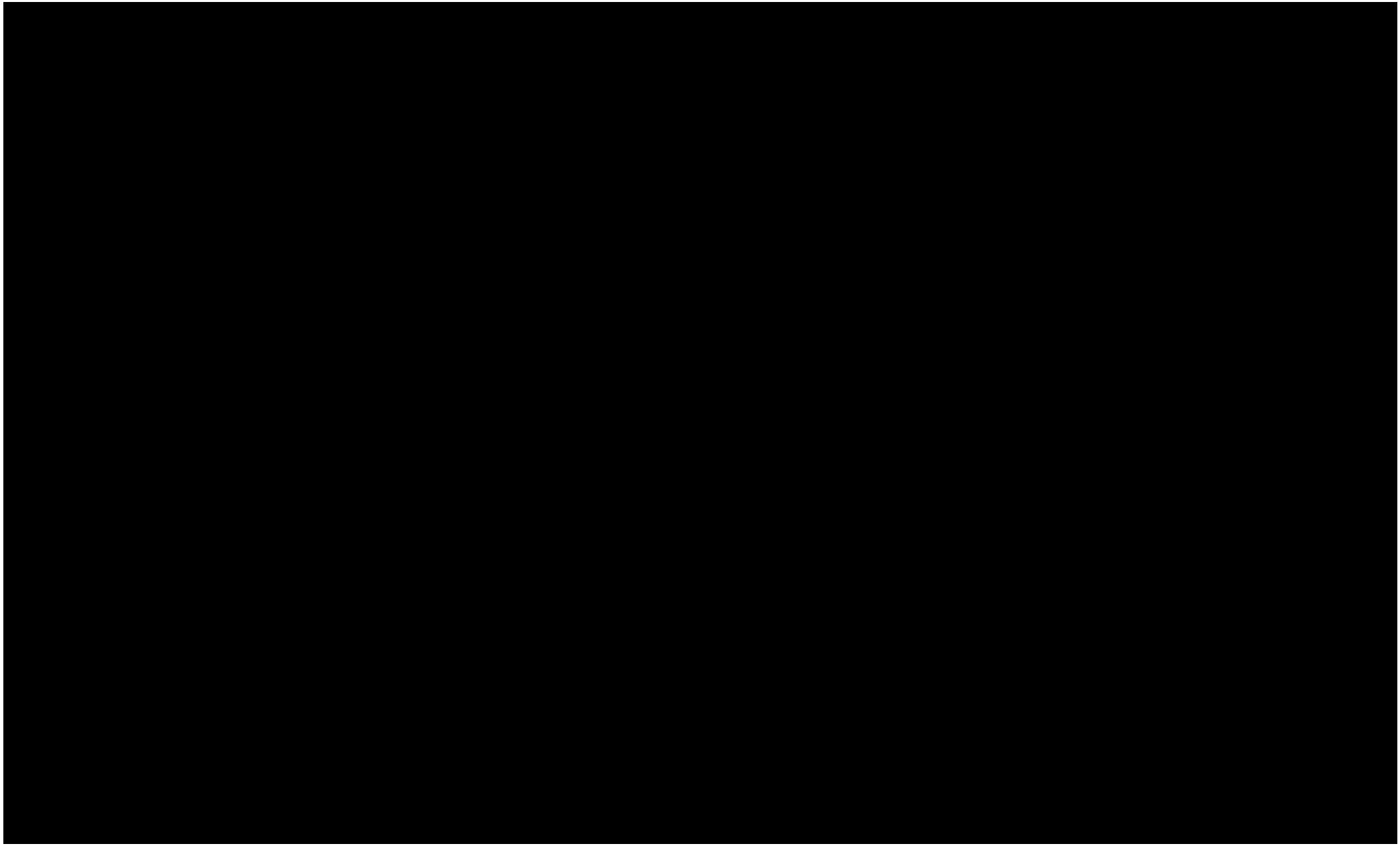


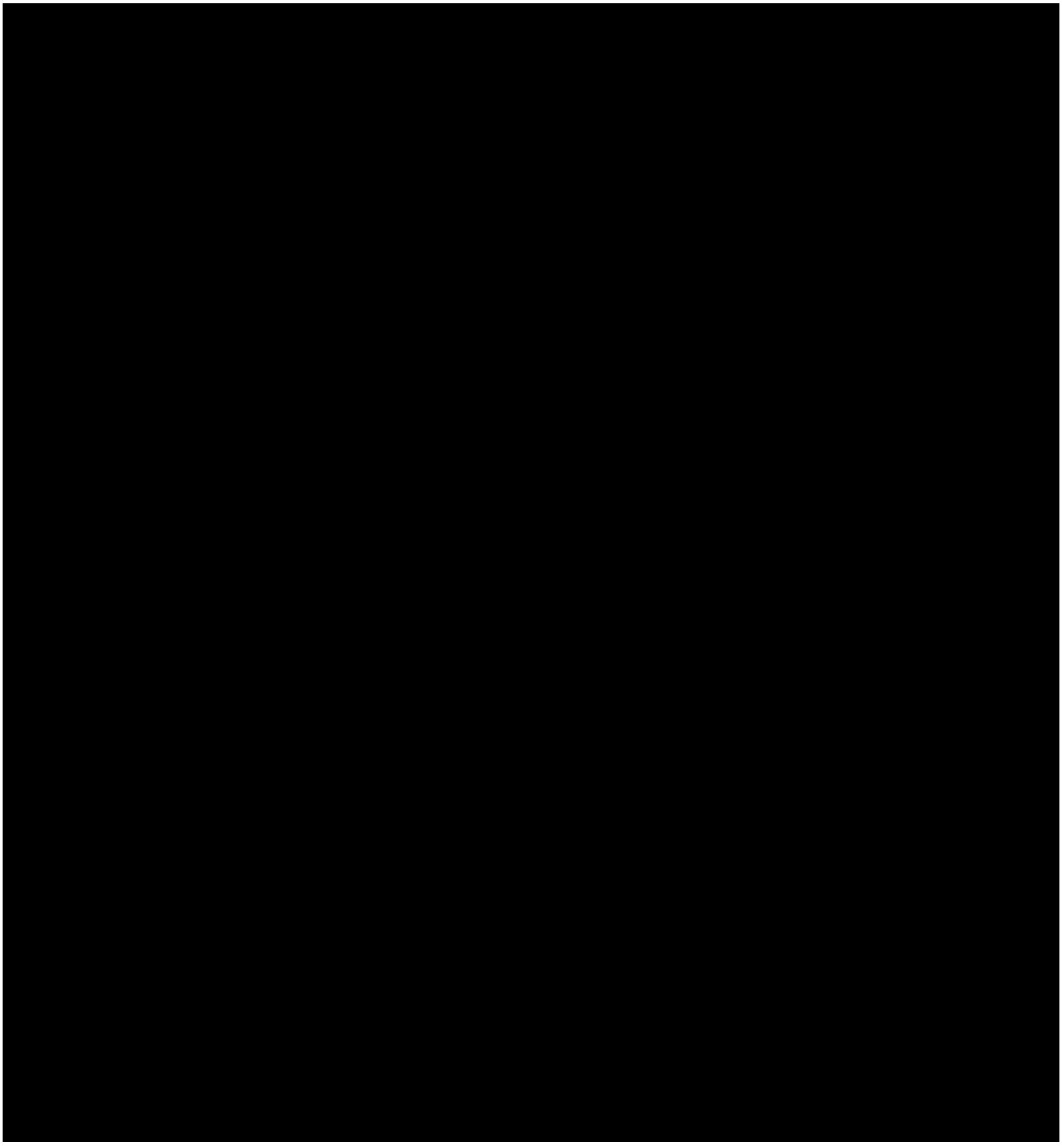












50.2.5.6 Risk and Issue Management Plan

RFP Reference: 50.2.5.6 Risk and Issue Management Plan, Page 279; Risk and Issue Management Plan CDRL, Page 258

EDS' risk and issue management approach identifies high-impact or critical risks early and manages them proactively. We have an established method for risk escalation that promotes appropriate and timely risk visibility. We will continue to help the State minimize risks that have the potential of impacting project quality, cost, or schedule.

State of North Carolina

The history of EDS reveals a company that does not fear taking risks to achieve great rewards. But EDS' attitude toward risk is not cavalier. Instead, EDS takes a carefully calculated approach that is woven into the very DNA of the corporate culture. EDS was the first company to look at risk as a multi-dimensional business challenge.

One month before the 2001 World Trade Center attack, EDS established a privacy and security consulting practice for our clients. EDS recruited industry leaders Rebecca Whitener, Al Decker, and Dave Morrow to drive the convergence of their expertise in risk management, security, and privacy. Casually known as the Security Dream Team, this structure was the first of its kind in the IT industry.

This team sharpened the EDS edge by successfully raising security, privacy, and risk management from a micro-level technical discussion to the strategic level required by executives today. EDS works with companies across industries and across the globe and, as a result, the kinds of issues that are important to our clients are also important to us.

Internally, the Security Dream Team leads and influences across organizational lines. They consult with executives to develop and implement visionary business continuity plans, understanding that unit executives maintain ownership of their individual risks.

Externally, the team is available for client visits, whether consulting or accompanying a sales team. They expertly explain how EDS manages its security and privacy risks. And just as they consult internally with executives, they are willing to advise clients about risks they need to address.

According to Whitener, "It's about credibility. There's no issue or concern our clients have that we ultimately don't have for ourselves, for EDS, so we address them cohesively. We care about their risk issues as much as we care about our own."

EDS not only brings proven risk management processes in the development and operation of the Replacement MMIS, but also innovative thought leaders in risk,

security, and privacy. Whitener, Morrow, and Decker are industry leaders in the development of risk management techniques for EDS and ultimately for clients across the country and around the world, including North Carolina.

Rebecca Whitener is vice president, EDS Enterprise Risk Management, chief risk officer, and an EDS Fellow. Whitener is a recognized authority in security and privacy solutions with more than 25 years of experience in a wide range of industries.

Dave Morrow is the EDS chief security and privacy officer. With 30 years of experience in the security industry, Morrow is a recognized leader in the security discipline. Throughout Morrow's career, he has had direct involvement in various security matters, computer forensics, and technology-related criminal investigations.

Al Decker is director of enterprise risk management for EDS. He is recognized as an authority on information security, privacy, and risk, with more than 25 years of experience in computer security and IT auditing, both in private industry and public accounting. He has delivered and managed services for companies worldwide in areas such as risk management, internal controls, security implementation, security audits, and training.

EDS Risk Management in Action

Effective risk management plays a vital role in the successful completion of projects for the North Carolina healthcare program. The multi-payer aspect of the Replacement MMIS DDI and operations would present an unprecedented risk for any vendor without multi-payer experience and without North Carolina Medicaid experience. This risk is increased four-fold by the requirement for the Replacement MMIS to serve four divisions within the North Carolina Department of Health and Human Services (the State). EDS reduces this risk by bringing the right combination of multi-payer experience, North Carolina Medicaid and Mental Health program knowledge, and experienced personnel in the DDI and Operations phases to mitigate risk to the State and its stakeholders.

Example 1

An example of EDS' established risk management experience occurred midway through the Kentucky DDI process, when the State received approval from CMS for a new cost-reduction strategy that resulted in expansion from five benefit plans to more than 35 benefit plans. This created a potential risk to the DDI schedule. EDS assembled a policy team to analyze the requirements for the plans and policies and determined that the plans could be accommodated through the configuration capability within the existing DDI schedule of the new interChange policy engine, thereby mitigating the potential risk.

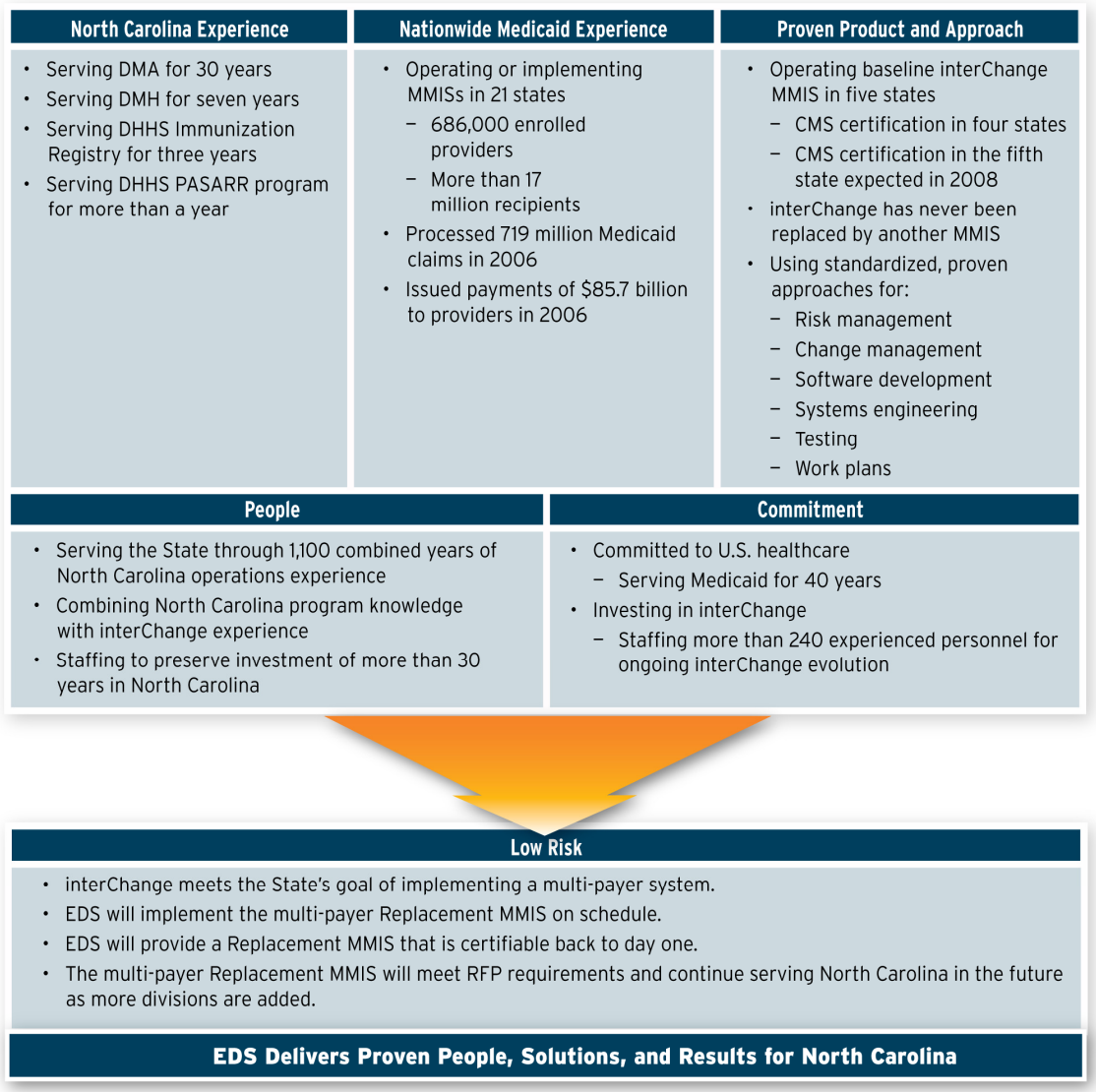
Example 2

Another example of EDS' experience with mitigating risks occurred during this same Kentucky DDI process. With the potential failure of another vendor to deliver a new provider enrollment application (separate state contract) by the interChange implementation go-live date, there was a risk that the application would not be ready for providers wishing to enroll. After discussing potential options, it was decided to implement a full provider-enrollment capability in interChange as a contingency, thereby mitigating the risk if the state's other vendor failed to deliver.

As always, EDS will work with the State to identify, evaluate, and mitigate risks and issues. This is true for both the DDI and Operations phases. This process has already started: The design team has focused on the special needs of the multi-payer system and has produced a design that satisfies these unique needs for all four divisions.

Please note that our entire offering—experience, proven product and approaches, people, and commitment—is our strongest indicator of successful risk management and mitigation, as illustrated in the following exhibit, Risk Managed Through EDS' Comprehensive Offering.

Risk Managed Through EDS' Comprehensive Offering



Our experience, proven product and approaches, people, and commitment are the strongest indicators of our success in risk management for the State.

Risk and Issue Management Plan

As indicated by the RFP's Risk and Issue Management Plan (RIMP) Contract Data Requirements List (CDRL), EDS is submitting the first draft of our RIMP with the proposal.

The RIMP contains the strategy and timing for addressing risk identification and creating the risk identification log, staff involved in the process, tools and techniques used for qualitative and quantitative analysis of risk likelihood and

impact, risk response planning, prioritization, and risk monitoring and control. These activities occur with other project planning and controlling activities.

Our risk and issue management approach facilitates a shared understanding where high-impact or critical risks are identified early and managed proactively. A basis for risk escalation is established to promote appropriate and timely risk visibility. Risks that could impact project quality, cost, and schedule are minimized with our proven approach. This has been a critical factor in our history of implementing successful projects, not only for MMIS applications, but also for thousands of commercial applications.

Our RIMP involves identifying and controlling risks by having the right people involved in the process. It also involves using appropriate tools and techniques to identify and analyze risks, monitoring and developing plans to take action for reducing or eliminating risks, and reporting the risk status, changes in the risk, or a trigger of risk events.

In the following sections, we discuss our plan for risk and issue management and the processes and procedures used to support the RIMP:

- General Process for Risk and Issue Management
- Application of the General Process
- Roles and Responsibilities
- Corrective Action Plan

General Process for Risk and Issue Management

EDS will follow an RIMP approved by the State. Our plan will address the following topics:

- Risk monitoring and control
- Risk identification process and timing
- Risk management process team members
- Risk identification and analysis tools and techniques
- Risk quantification and qualifications
- Risk response planning

To effectively manage project risks for medium and large projects, a proactive risk management approach using these processes and steps will be applied that identifies project risks and the appropriate management actions to mitigate or eliminate the risk.

The main purpose of risk management is to focus the project staff's effort on eliminating or reducing risks and resolving problems as early as possible. A DDI team member dedicated to risk management will report to the EDS NC Project Management Office (PMO) director and serve as the overall risk management

specialist for the project. This team member is skilled in managing risks and will work with the delivery teams and the State to eliminate or mitigate risks.

As implied in the RFP requirement, effective risk management requires a thorough analysis of work before each activity begins. Early in the initiation of medium and large projects, the EDS NC PMO director and his or her staff, with support from the delivery teams, will use the RIMP to produce a list of identified and potential risks. A complete understanding of inherent risks will enable preventive action against schedule delays and overruns.

Our risk management approach is a continuous process that reduces risk to a manageable level or eliminates it entirely. It also necessitates that appropriate risk control actions be planned, implemented, and monitored.

Our plan for risk management includes the following steps:

- Dedicating a DDI PMO member with responsibility for overall risk management and setting the environment for a proactive approach to risk identification, assessment, and control activities and continuation of these efforts in operations under the leadership of the EDS NC PMO director
- Adhering to the RIMP to identify, analyze, respond to, resolve, and monitor risk
- Identifying and controlling project risks from the time the project starts through project completion
- Reviewing the status of active risks in routine status meetings and holding dedicated risk management meetings to provide direction and additional follow-up to risk identification and control activities
- Enlisting the full commitment of team members, both inside and outside of EDS
- Enlisting the EDS North Carolina account manager to participate in the various risk management activities, reflecting an understanding that the team cannot lose focus on the active and potential risks that may impact the project
- Preparing risk response plans to plan and document what actions are to be taken to address risks
- Maintaining the risk identification log that is part of iTRACE, making it easily accessible by the project's participants
- Producing risk management reports to assist in the logging of risks and monitoring of risk until closure

The risk management specialist is the driving force behind the risk management process. The risk management specialist role sets the tone for a proactive

approach to risk identification, assessment, and control activities through the following actions:

- Verifying that members are aware of the risk management process and are instructed in the use of the risk management techniques
- Receiving risk information, updating the risk identification log, and running reports that will be available in iTRACE
- Logging and tracking identified risks to closure and communicating the status to the risk identifier and project stakeholders
- Including risk management actions in the project work plan
- Supporting the risk management work group activities

The PMO routinely will address the identification, analysis, and management of risks in project status meetings.

Risk management will be a standing agenda item that involves team members in the process of identifying risks. The PMO will coordinate and hold risk management meetings, known as risk management work group meetings. These meetings will be scheduled to analyze and address newly identified risks or risks that have been elevated in significance.

The project's risk management work group will review and provide input on the priority and resolution of identified risks and monitor the status of prioritized risks. The risk management specialist will chair the risk management work group. Risks addressed in the status meeting and work groups will be communicated to EDS' leadership and the State in a time frame to be determined with the State.

The risk management work group will perform the following functions:

- Identify and review impact of project risks
- Provide overall guidance on risk management matters
- Establish and implement the provisions of the RIMP
- Review any risk reports and determine the most realistic courses of action to control and mitigate risk
- Determine an appropriate contingency action to address risk

The risk management process will require the full commitment of the project team members. This commitment will be secured through the following steps:

- We will facilitate team member understanding of the risk management processes and procedures. Complete risk management documentation will be available through iTRACE and will be fully supported by EDS.

- The PMO will maintain ongoing contact with team members to make sure they are considering risks that may affect the ability to deliver the work detailed in the team objectives and plans.
- The PMO or assignee will be responsible for processing risk information received to demonstrate the importance of this information.
- The PMO will provide feedback of risk assessments and activities to team members, EDS leadership, and the State.

Application of the General Process

The risk management function is part of overall project management and is closely correlated with other knowledge areas such as scope and time management. Risks can affect scope, time, and cost management—and often the reverse is true, as well. Accordingly, activities that encompass the management of risk are integrated into the existing processes of initiation, planning, execution, controlling and monitoring, and closing.

Our risk management processes are based on Project Management Institute (PMI) Project Management Body of Knowledge (PMBOK) principles and involve identifying and managing risks through risk management planning, risk identification, qualitative risk analysis, quantitative risk analysis, risk response planning, and risk monitoring and control.

The following exhibit, Risk Management Process, summarizes this process.

Risk Management Process

Our risk management process is a closed loop, where risks are documented, evaluated, appropriately handled, and reported through closure.

The RIMP will document how risks are identified, prioritized, analyzed, planned for, monitored, and controlled. The prioritized risks will be carried forward in a systematic procedure from risk assessment to risk control to facilitate the

effective management of risks. The procedure will be ongoing and monitored by the PMO and project leadership.

Ongoing mechanisms will communicate risks to stakeholders. Risks will be documented, tracked, and reported in iTRACE. Among the enhanced capabilities of iTRACE is the increased ability for the State and EDS to see documented risks, mitigation plans, and other information. These plans will help us minimize risk before service delivery begins.

The following is a detailed discussion of the underlying procedures for implementing the processes of risk and issue management planning, risk identification, qualitative risk analysis, quantitative risk analysis, risk response planning, and risk monitoring and control.

Risk and Issue Management Planning

The purpose of the RIMP for medium and large projects is to describe the approach used for risk management that supports the identification of any areas of known risks or potentially significant risks and to make sure those risks are continually identified, evaluated, controlled, and reported. Additionally, risk solutions are developed and implemented to minimize any adverse effect on the project's objectives.

Minimizing the effect of unscheduled and unanticipated risk to the project is the fundamental objective of risk management. To effectively perform this, EDS will have a dedicated risk management specialist who will make sure risks are identified at an early stage and throughout the life of the project. The risk can then be eliminated or managed and controlled on an ongoing basis for the duration of the project.

The RIMP will become a component to be referenced in the project plan. As a result of analysis of identified risks, a risk response plan will be created for the project. This plan will document mitigation and contingency actions that could affect other project plan components, such as the staffing plan, schedule, budget, or milestones.

The scope of the RIMP will cover the approach for identifying, evaluating, controlling, and reporting risks associated with project work. It also will contain the details of the identification, staff involved in the process, tools and techniques used for qualitative and quantitative analysis of risk, risk response planning, and risk monitoring and control. The RIMP will be an input to the other processes used in risk management.

Risk Identification

EDS project members will perform risk identification and assist in producing the list of the project-specific risks. Risks will be identified as early as possible to effectively reduce problems that may limit the success of the project.

A high-level risk assessment will provide a general, qualitative evaluation of the broad degree of risk that the project faces, based on the overall project characteristics. The high-level risk assessment will examine the following topics:

- The areas of risk based on project attributes or characteristics, such as size, structure, technology, and impact
- The degree of risk or project concern for each of the project's attributes (for example, low, medium, and high)
- Notes about factors within each risk area that contribute to a high degree of risk

At the beginning of the project, and ongoing thereafter, we will use checklists to identify and evaluate risks by category. The team members will identify and document perceived risks either in brainstorming sessions or individually. After a risk is identified, it will be documented in the risk identification log. The risk management specialist will review risks regularly with project teams so progress is made in risk reduction and elimination.

At any time during the life of the project, any team member can identify a risk based on regularly assigned project activities. The project manager (PM) or risk management specialist will assign a risk owner to be responsible for documenting the risk.

The following information is updated in the risk identification log:

- **Risk ID—**Unique number assigned to each risk
- **Date Identified—**Date that the risk was raised for documentation and analysis
- **Risk Title—**Summary description of the risk that clarifies the content or intent
- **Assigned To—**Individual responsible for addressing the risk
- **Status—**Values describing the risk status, including the following:
  - Active: A risk assessment is in process or the risk plan is approved and risk triggers are being monitored
  - Escalated: Assigned to a higher organization for assessment and action
  - Cancelled: No longer applicable because of other, outside factors
  - Postponed: No action being taken
  - Closed: No further action or monitoring required
- **Probability—**Based on the analysis of the percentage that reflects the chance of the risk occurring

- **Impact—**Based on risk analysis, rating of the impact the risk will have if it occurs, with 1 being the lowest and 5 the most severe impact
- **Exposure—**Based on risk analysis, a calculated field that is the product of probability and impact
- **Category—**Values describing the risk category, including the following:
  - Internal: Risk based on factors internal to EDS and partner organizations
  - External: Risk based on external factors
- **Risk Response Plan—**Values describing the following:
  - Y: Risk has a risk response plan
  - N: Risk does not have a risk response plan
- **Due Date—**Date action plan will be in place to address the risk

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Part I: Using the Risk Identification Log

An example of a risk that might be identified and documented in the risk identification log is the possibility that the State legislature may reduce the State's budget for the upcoming fiscal period. This event would have implications for the healthcare program because the State may have to reduce program expenditures. The State and EDS may request that this item be documented in the risk identification log.

When the risk is entered, log fields that can be completed are filled out. The fields that are initially completed are Risk ID, Date Identified, Risk Title, and Status. The remaining fields are populated at subsequent risk management stages.

As risks are identified and documented in the risk identification log, the information will be made available through iTRACE.

Qualitative Risk Analysis

An important component of risk analysis is prioritizing risks. Risk prioritization is the ordering of identified risks from the greatest to the least level of risk exposure to the project. Using a risk analysis tool, risks can be assessed to determine the level of risk associated with one or more project risk attributes, such as size of change, level of effort, cost associated with the risk, impact to schedule, or other project attributes. Based on ranges of impact for each attribute, a risk assessment level of low, medium, or high will be assigned. This initial qualitative approach to risk analysis will allow project management staff to order risks from highest to lowest, based on either a high-level risk analysis or the risk exposure determined through quantitative risk analysis.

Qualitative risk analysis prioritizes risks initially. This prioritization and initial analysis provides a decision point where risks can be closed, canceled, or postponed if applicable. The risk can be escalated or can remain in an active status for further analysis.

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Part II: Performing Qualitative Risk Analysis

Using the qualitative risk analysis process, the impact of the reduction to the administration of the healthcare program is documented. The risk is assessed based on its specific characteristics. These risk attributes receive a risk rating that is used to set the initial risk priority and status based on the information gained from the qualitative assessment.

EDS will use qualitative risk analysis in its ongoing effort to monitor, assess, and reprioritize risks as the project progresses. This type of analysis is useful in the overall risk planning process so we can focus on the risks most likely to have the most severe consequences and those that produce the greatest benefit in risk reduction.

Quantitative Risk Analysis

Risk analysis, which begins with the separation of risk by exposure level, is performed by the assigned risk owner and reviewed routinely in status meetings. Risks that have a significant level of risk exposure will have a risk response plan created. Identified risks will remain in the risk identification log. Risks with low exposure ratings are monitored in the log but will not need a risk response plan. Risk response plans will be created following the quantitative risk analysis.

Risk analysis will produce an assessment of the loss probability and loss magnitude associated with each identified risk. Risks will be analyzed in terms of the probability of the risk occurring with an unsatisfactory outcome and the impact of the loss to the stakeholders.

Probability and impact will be assigned numeric values. Each risk will be assigned a probability value between 1 and 5, with 1 being the lowest probability of occurring and 5 being a certainty that the risk will occur.

An impact rating also will be assigned. In assessing the impact, the same scoring method will be used, and full consideration will be given to the risk's costs, schedule, and performance impacts. A 1 will be the lowest impact rating, and 5 will be the highest severity impact rating.

The following tables, Probability Assessment Scale and Impact Assessment Scale, are examples of assessment scales used for probability and potential impact.

Probability Assessment Scale

Description of Probability Assessment	Score
Very high probability of occurring in the current project development phase (about 90 percent probability)	5
High probability of occurring in the current project development phase (about 75 percent probability)	4
Medium probability of occurring in the current project development phase (about 50 percent probability)	3
Low probability of occurring in the current project development phase (about 25 percent probability)	2
Very low probability of occurring in the current project development phase (about 10 percent probability)	1

Impact Assessment Scale

Description of Potential Impact	Score
The project's ability to support the required operational capabilities (functions and availability) is at risk of a **very serious** impact due to a major project component not being available.	5
The project's ability to support the required operational capabilities (functions and availability) is at risk of a **serious** impact due to part of a major project component not being available.	4
The project's ability to support the required operational capabilities (functions and availability) is at risk of a **moderate** impact due to a small part (one-tenth) of a major project component not being available.	3
The project's ability to support the required operational capabilities (functions and availability) is at risk of a **minor** impact due to a very small part (one-twentieth) of a major project component not being available.	2
The risk has a **very low or negligible** impact on the project or any functional area. Acceptance of the risk is valid.	1

After probability and impact are entered into the risk identification log, the exposure rating will be generated from the two values based on the calculation of risk exposure (RE) = probability x impact. The risk exposure rating has a range of 1 to 15 (or higher). Depending on the calculated risk exposure level, we will classify a risk as a low-, medium-, or high-exposure risk. The following table, Risk Exposure Scale, provides a sample of this exposure rating.

Risk Exposure Scale

Risk Scale Category	Value Range	Priority
Low Exposure	1-6	Low
Medium Exposure	8-12	Medium
High Exposure	15 or higher	High

As a part of the RIMP, EDS' risk management specialist will work with the State to confirm the description of the probability and impact rating scales. Additionally, we will work with the State to determine and document the ranges of risk exposure that fall into the low, medium, and high ranges. The risk level for each risk will assist in the determination of its expected project impact and the prioritization of risk-reducing responses developed in subsequent stages of the risk mitigation process.

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Part III: Performing Quantitative Risk Analysis

The risk undergoes assessment for probability that the risk would occur during the project and the impact that the risk would have if it did occur. A value in the range of 1 to 5 is assigned to the probability and impact based on the descriptive assessment of the probability and impact of the risk to the project. After probability and impact are given values, the risk exposure is calculated to determine if the risk has low, medium, or high exposure. Based on the guidelines set with the State for risk exposure values, a change in program funding may require risk response planning.

Risk Response Planning

For controllable risks, risk response planning will focus first on monitoring and contingent actions. The project manager, risk management specialist, or risk owner will be assigned responsibility for completing the risk response plan to address risks of significance and to verify plan implementation.

First, the assigned person will update the risk identification log with the name of the person assigned responsibility for completing the risk response plan in the Assigned To field. Additionally, the Risk Response Plan field value will be set to Y.

Second, the approach for dealing with the risk will be determined and added to the risk response plan. The approach will be defined as follows:

- **Mitigated—**Actions will be planned and carried out to reduce the probability or impact of the risk to the greatest degree feasible before the risk is realized. A mitigation (action) plan will outline how the project team will act to this end. Mitigating actions will be carried out as planned.

A mitigation-based response will be integrated into the work plan. The risk then will be monitored as part of the regular performance and project progress.

- **Transferred—**The objective will be to shift the adverse impact of a risk, if realized, by transferring the risk to another entity. The transfer approach will be a special case of the mitigation approach, whereby the degree of adverse impact of a risk to the project will be eliminated (reduced to zero). Transferring a risk to the party best equipped to handle it, such as a specialist or subcontractor, is a risk transfer response. An investigation will be launched when a specific risk mitigation technique cannot be identified.
- **Avoided—**Avoidance of a risk will be addressed in one of three ways to avoid risk impact. The project management plan can be changed to eliminate the risk threat, the project's objectives can be isolated from the risk, or the project objective in danger can be changed. An example of the last strategy is to change a project due date to allow the risk to be addressed so the project remains on track.
- **Accepted—**Acceptance of a risk will occur when the risk is low or outside the project control and there is no method to mitigate the risk.

Third, for risks requiring a risk response plan, the project manager or risk owner will document the approach and actions to be taken to address the risk. The following topics will be used to develop the risk response plan:

- **Actions to be taken—**Approach to eliminate or reduce the likelihood of the negative impact from occurring; schedule information and individuals or groups responsible included as appropriate
- **Measurement—**Measurement criteria (trigger) used to track mitigation actions
- **Planning—**Activities that will be added to plans to mitigate risks
- **Tracking—**Frequency and actions to be taken to track planned activities to mitigate risks

Finally, a contingency plan will be prepared to document what actions are to be taken if the risk is realized. The risk response plan will be updated with the contingency plan and triggers that describe what will be done if steps to eliminate or mitigate the risk are not effective and a contingency is triggered.

In our risk example where the state legislature reduces the State's budget and the State must reduce program funding, several things would happen in this phase of risk management. A risk response plan would be created for this risk. A responsible party would be assigned ownership of the risk, and the responsible party would determine the approach to address the risk. Additionally, the State's funding issues would potentially affect the four divisions that will be using the

Replacement MMIS. For example, if the legislature modifies the budgets for two of the four divisions using the Replacement MMIS, the risk plan would address risks associated with the two divisions affected by the modified budget and validate that the remaining two divisions are not affected by the change.

The risk identification log would be updated to reflect the risk owner and the risk approach (mitigation, transfer, avoidance, or acceptance), and the risk response plan field would be updated to a Y because the risk has been determined to need a response plan. Next, the risk response plan for the risk would be completed. This plan would describe the risk, its symptoms, actions to be taken, when it will occur, risk impact, risk priority, actions to be taken, and contingency plans. After this documentation is complete, the specific actions or monitoring that are associated with the risk of reduced program budgets would be performed.

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Part IV: Performing Risk Response Planning

A risk response plan is created for this risk based on the State's funding issues potentially affecting the four divisions using the Replacement MMIS. If the legislature modifies the budgets for two of the four divisions, the risk plan would address risks associated with the two divisions affected by the modified budget and validate that the remaining two divisions are not affected by the change.

Risk Monitoring and Control

If a risk is triggered, the risk management PM will work with the appropriate team members to mitigate the risk. The PM or appropriate team member will verify that the actions identified in the risk response plan are integrated into the project's work plan and implemented. The risk will be monitored and tracked as a part of regular performance and project progress until it is closed.

Execution of planned risk management actions will require effort and resources. Execution of these risk-related actions will be incorporated into the project's budget, schedule, and other project plan components.

Risk monitoring will involve tracking the risk and taking corrective action when appropriate. It also will involve monitoring risk items for increasing or decreasing significance to the project and adjusting the risk response plan accordingly. When a risk no longer has a significant impact on the project, the PM will retire the risk.

As part of the agenda during project status meetings, risks will be monitored. The group will review the status of risks, perform follow-up activities as appropriate, and revise risk assessments and contingency plans. The group also will review the status of mitigation actions, initiate planned contingency actions as necessary, and close risk items that no longer need to be tracked. Additionally,

the group will identify any new risks and review previously identified risks that had low probability and impact.

A risk identification log in iTRACE and regularly produced risk management reports will be important tools in the ongoing monitoring of risks and the risk management process. The following risk documentation and reporting mechanisms will be employed to assist in verifying that risks are appropriately identified, logged, and monitored until closure:

- **RIMP—**Describes the approach used for risk management so that any identified areas of known or potentially significant risks are continually being identified, evaluated, controlled, and reported
- **Risk identification log—**Contains the risk number, date opened, tracking code, risk item description, person responsible, and status, with filters that can be applied to structure the types of information available
- **Risk response plan—**Contains information available about each open or closed risk required to have a risk response plan, distributed to EDS leadership, the State, and team members for comments and decision-making activities and used by the PM, risk management specialist, and other members when information is required regarding a specific project risk
- **Risk identification summary report—**Provides another view of the information contained in the risk identification log, with additional information such as the priority of the risk

Risk status will be included in status reporting. The project risks will be reported to the account manager and PMO as part of the monthly status report. Risks defined as high will be further reported in monthly senior leadership and State status reports. If there are changes in risks or a trigger in risk events, the State will be promptly notified. Risk measurements will be collected, analyzed, and reported for ongoing monitoring of risk activity, as follows:

- Number of risks with high rating that are open
- Number of risks with medium rating that are open
- Number of risks with high rating that are closed
- Number of risks with medium rating that are closed

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Part V: Monitoring and Controlling Risk

This risk is monitored and tracked using the risk identification log and the risk response plan. The risk is addressed as part of the project status meetings, and changes in the data for the risk are updated in the appropriate document in iTRACE as soon as the information is identified. If this risk is triggered and meets the criteria set by the State and EDS for escalation, the change in status of the risk would be immediately communicated to the State.

The risk management approach of our overall project management methodology helps teams systematically assess, monitor, and manage the risk factors of a project. High-exposure risks are identified, monitored, and managed. Potential project losses related to quality, cost, schedule, and technical issues are minimized. Our risk management approach and processes documented in the RIMP will provide the State and EDS with a shared understanding of the approach to risk management for the Replacement MMIS implementation.

Roles and Responsibilities

EDS is committed to proactively managing risks for this implementation. While team members at every level are responsible for risk management, the risk management specialist will coordinate with the State, EDS NC PMO director and his or her staff, and assigned DDI project managers so that risks are managed and, when identified, mitigated promptly. We will organize our team so that risks are promptly identified and mitigated. Other stakeholders also will be included in risk management as necessary.

The following table, Roles and Responsibilities for Risk Management, identifies the key players in risk and issue management and their responsibilities regarding identifying and mitigating risks and issues. We will work with the State to further refine these roles and responsibilities and will include an updated version of it in the RIMP after contract award.

Roles and Responsibilities for Risk Management

Group	Phase	Responsibility
Risk Management — DDI PM with support from the EDS NC PMO director and staff	Risk Identification	• Facilitates brainstorming sessions and identifies risks • Logs risks in the risk identification log • Immediately notifies the implementation planning manager of high-impact risks • Works with the State and EDS implementation manager, systems programming manager, and technical director to identify risks throughout the implementation
	Risk Analysis	• Works with the implementation planning manager, systems development manager, and project manager for design and development to categorize risks across the implementation • Prioritizes risks through qualitative analysis • Performs risk assessment to quantify risks • Presents recommendations to implementation planning manager

Group	Phase	Responsibility
	Risk Response Planning	• Assigns owners to the risks • Works with risk owner to develop risk strategy • Documents significant risks in a risk response plan • Communicates with risk owners to determine resolutions
	Risk Monitoring and Control	• Regularly communicates with risk owners • Recommends changes to risk strategies and risk resolutions • Leads risk monitoring discussions • Immediately notifies implementation planning manager of risk trigger events • Participates in risk mitigation and corrective action efforts • Develops and presents monthly risk analysis report • Works closely with the State and EDS to monitor and control risks across the implementation • Closes risks in the risk tracking spreadsheet
EDS Implementation Manager	Risk Identification	• Actively identifies risk throughout the project • Works with State and EDS project management professionals for design and development and implementation planning to identify risks across the implementation
	Risk Analysis	• Works with the project management specialists and project management professionals for implementation to categorize risks across the implementation • Reviews and validates proposed risk analysis • Assigns risk owners
	Risk Response Planning	• Participates in development of risk response plans • Reviews risk response plans
	Risk Monitoring and Control	• Participates in risk monitoring discussions • Approves and modifies changes to risk strategies • Reviews and decides on risk resolution recommendation • Participates in risk mitigation and corrective action efforts • Reviews and comments on monthly risk analysis report • Works closely with the State and EDS to monitor and control risks across the implementation • Communicates critical risks to the State and the stakeholders, with support from the PMO

Group	Phase	Responsibility
State PMO, Office of MMIS Services (OMMISS)	Risk Identification	• Participates in brainstorming sessions • Actively identifies risk throughout the project • Receives and logs new risks throughout the project • Immediately notifies EDS PMO risk manager of high-impact risks
	Risk Analysis	• Reviews and discusses risk analysis
	Risk Response Planning	• Provides input into risk response planning • Notifies the State risk owner of assignment for joint risks
	Risk Monitoring	• Monitors risks and implements risk strategies • Participates in risk monitoring discussions • Recommends risk resolution, when appropriate • Shares status and mitigation efforts • Communicates strategy changes to risk owners • Communicates resolution to risk owners • Immediately notifies EDS of risk trigger events • Reviews and comments on monthly risk analysis report
EDS Account Manager	Risk Identification	• Actively identifies risk throughout the project • Works with the State, the risk management specialist, and the design and development and implementation managers to help determine ways to mitigate risks
	Risk Analysis	• Reviews and validates proposed risk analysis • Assigns risk owners • Works with the State, the risk management specialist, and the design and development and implementation managers to help determine ways to mitigate risks
	Risk Response Planning	• Participates in development of risk response plans • Reviews risk response plans
	Risk Monitoring and Control	• Participates in risk monitoring discussions • Reviews and approves risk resolution recommendation • Reviews the monthly risk analysis report • Participates in risk mitigation and corrective action efforts, as appropriate • Serves as the escalation point for critical risks

Group	Phase	Responsibility
Stakeholder	Risk Identification	• Participates in brainstorming sessions • Actively identifies risk throughout the project • Immediately notifies EDS account manager of high-impact risks
	Risk Analysis	• Reviews and discusses risk analysis
	Risk Response Planning	• Provides input into risk response planning • Notifies risk owner of assignment for shared risks
	Risk Monitoring and Control	• Monitors risks and implements risk strategies • Recommends risk resolution, when appropriate • Participates in risk monitoring discussions • Reviews and comments on monthly risk analysis report • Provides input into risk response planning • Notifies risk owner of assignment for shared risks

Corrective Action Plan

Using current information regarding the implementation and information from the risk response planning as inputs, EDS will create a corrective action plan. If the Replacement MMIS does not perform according to specifications and a risk event is triggered, we will execute the corrective action plan.

The corrective action plan will include options for responding to various processing, schedule, or implementation-related events. The corrective action plan will perform the following functions:

- Define tasks to be performed if it is determined that the implementation will be highly affected
- Address situations that have varying levels of impact to the implementation, ranging from minimal to severe, such as the following:
  - Falling behind schedule
  - Hardware failure
  - Application error that prevents the system from running
- Define associated triggers for those events to execute contingency actions

The detailed elements of the corrective action plan are as follows:

- **Task**—Identifies the task associated with a specific contingency action
- **Description**—Provides a detailed description of the task

- **Risk**—Provides a detailed description of an event with adverse consequences for the project
- **Trigger**—Identifies the event or circumstance that activates the corrective action plan
- **Resources**—Specifies the resources required to perform the task associated with the contingency
- **Effort**—Specifies how much effort is required to do the task
- **Authority**—Specifies the person who has the authority to activate the task
- **Stakeholders**—Specifies the stakeholders who will be affected
- **Start and end dates**—Specifies the timing for the task

EDS is confident in our ability to provide the State with on-time delivery of the Replacement MMIS and assume fiscal agent responsibilities without disruption in services or payments. The purpose of corrective action planning is to prepare for unexpected events, so we are ready to address them quickly and mitigate the impact of the risk.

Identifying and Mitigating Risks

Risk is inherent in all projects, especially large and significantly complex projects like the implementation of an MMIS. Our risk management capabilities, proven over time with many successful implementations, are a combination of industry and project management best practices and real-world experience. Using our processes and tools, such as risk identification lists, we identify risks that may adversely affect implementation planning goals. As we eliminate risk, we are continually watching for new risks.

The risks are assessed, analyzed, addressed, and reported according to established procedures for the following:

- Risk analysis
- Risk response planning
- Risk monitoring and control

These iterative steps successfully identify and respond to risks, minimizing the impact to the State. The outputs, or documents, from these established procedures will be available to the State in iTRACE. In addition, risks can be tracked as they are identified through the risk identification log available in iTRACE for the State to view at any time.

EDS is familiar with the factors, at the detail level, that may adversely affect the project. Our experience gives us the expertise to work through the problems and issues that may adversely affect delivery of services. Please refer to proposal section 50.2.5.7 Initial Risk Assessment (Risk Profile) for a description of

potential project risks in the Replacement, Operations, and Turnover phases and our plans for mitigating those risks.

Benefits of EDS' Risk Management Process

The following discussion presents the benefits of our risk management and mitigation process:

- **Improvement to current processes—**The dedicated work provided by EDS' identified risk management team members and the PMO director and staff will focus our efforts to recognize, handle, and report DDI and operational risks. iTRACE, risk management work groups, and risk management quantitative and qualitative processes will enhance the EDS risk management staff's ability to effectively manage the Replacement MMIS' DDI Phase. These tools also will provide the State with open access into our risk management efforts, as articulated in the discussion points below.
- **Proven ability to manage risk—**Using the tools and processes described in this section, EDS has effectively managed and resolved risks in the implementation and subsequent operation of the baseline interChange MMIS for Kentucky, Kansas, Oklahoma, Tennessee, and Pennsylvania. These processes and tools also are supporting current interChange implementations in an additional seven states.
- **Systems view of risk management—**Our risk management approach takes the big picture into account. We examine risks at both the detail level and across the implementation. We know from our extensive experience in the Medicaid arena what integrated elements are affected by risks. By taking an integrated approach to risk management, these elements will be taken into account and risks will be successfully eliminated for affected areas.
- **Involvement in risk management decision-making—**The most effective risk management strategy promotes full cooperation between the State and EDS. Our account manager, implementation planning manager, and risk management PM will work openly to involve State personnel in our risk management and mitigation activities.
- **Definitive process underlying the corrective action plan—**EDS will work closely with the State to effectively manage risks. We will work diligently to engage State personnel in risk management and mitigation planning to produce the corrective action plan if it is needed.
- **Clear accountability for risk management—**Our process carefully identifies the people responsible for addressing and mitigating risks,

which gives the State clear contact information and increases accountability for risk management performance.

- **Easy access to risk information—**Besides discussing risks at weekly status meetings with the State, EDS will make risk information available at any time for State personnel through our innovative Web-based iTRACE tool, where they can review identified risks, the status of actions taken to mitigate those risks, and other risk-related information.

Our proactive approach to project risk management will help us keep the Replacement MMIS project on track for timely delivery of services. We will carefully monitor the project for risks. When risks are identified, we will quickly determine how to best respond to them. We will focus our efforts on eliminating or reducing risks and resolving problems as early as possible. Our depth of experience and availability of resources will empower us to navigate through the myriad obstacles that may arise during implementation planning. Our risk management process will fully support our primary objective of providing on-time implementation of fiscal agent services for the State and its stakeholders.

50.2.5.7 Initial Risk Assessment (Risk Profile)

RFP Reference: 50.2.5.7 Initial Risk Assessment (Risk Profile), Page 279

Our proven risk assessment processes will allow us to identify and mitigate risks and communicate them to the State quickly, accurately, and openly. We will work with the State to determine the impacts and approaches required to resolve the risks and keep the project on time, on budget, and at a high level of quality.

State of North Carolina

Our risk and issue management processes have been highly successful in allowing us not only to identify and mitigate risks, but also to communicate them to our clients quickly and accurately. We openly share these risks and their mitigation plans so that we can jointly determine the impacts and approaches required to resolve the risks and keep the project on time, on budget, and at a high level of quality. We discuss these risk and issue management processes in detail in the preceding proposal section 50.2.5.6 Risk and Issue Management Plan.

The section identifies common risks associated with MMIS implementations, with brief descriptions of anticipated actions for mitigation of the risks. These risks apply to the four DHHS divisions represented in the RFP: DMA, DMH, DPH, and ORHCC. Using the risk analysis methods described in the Quantitative Risk Analysis subsection of proposal section 50.2.5.6 Risk and Issue Management Plan, we have placed these risks in the order of their highest potential probability and impact on the project.

This is EDS' list of risks and their likelihood. Other bidders will have additional risks and a different order of risks. For example, our DDI Risk #11, Understanding Complex Business Rules and Processing Requirements, is considerably farther down our list because of our extensive knowledge of two of the four State divisions. Other vendors would have to invest a considerable amount of time learning the basics of the business in addition to managing a system implementation. Other vendors will have to mitigate the fundamental risk of having an MMIS application that is not currently running in any state, a risk that does not apply to EDS' proven interChange solution.

The initial risk assessment that follows marks the beginning of our risk and issue management processes. Once we begin the project, we will document and manage these risks in a more complete format. However, in compliance with the RFP requirement for this proposal section, we limited each of our identified risks to one page.

Potential DDI Phase Risks

DDI Risk #1: Expansion of Project Scope Due to Alteration of Requirements	
Risk Description	Additional features, change orders, federal or North Carolina legislation, or CMS or State directives expand project scope to go beyond the available implementation schedule. This is especially prevalent in a project that has a long duration (more than a year) and with so many stakeholders, and in an industry that is continuing to change.
Risk Owner	Implementation Manager Dean Taunton
Status	Active
Risk Probability	5: Very high probability of occurring in the current project development phase (about 90 percent probability)
Impact if Risk Occurs	5: The project's ability to support the required operational capabilities (functions and availability) is at risk of a very serious impact due to a major project component not being available.
Exposure	25: High exposure
Risk Mitigation	During the proposal development process, EDS documented how each requirement will be met by the Replacement MMIS. These included identification of whether interChange met the requirement, required configuration, required custom code for North Carolina, or surpassed the requirement. During the requirements validation process, EDS will review with the State each system requirement and proposed feature to gain concurrence to the requirements mapping that was done as part of the proposal process. We also will review change orders. If new change orders are required, they will be documented and will go through our change control board (CCB) process, as defined in proposal section 50.2.5.8 Change Management Approach. The CCB will review proposed changes against the RFP, proposal, and the requirements specification document and weigh change criticality against the risk of implementing a change. If a desired or required change is determined to be outside the project scope, the CCB will mutually agree on the cost to the State for the change, prioritize and schedule change implementation, and assign personnel to accomplish this change in the required time frame. As with any change, the business need of the change must be considered against the overall impact to the project time line and budget. We will propose a recommended number of change control hours during the DDI Phase to address scope changes that cannot be postponed until after the go-live date. These estimated hours will be based on other successful implementations of interChange and will represent our best estimate. However, we acknowledge that each state's needs are unique, from a program perspective as well as timing of state or federal regulations, and that this estimate may need changes based on the specific needs of North Carolina.

DDI Risk #2: Limited Access to and Participation from State Stakeholders and SMEs	
Risk Description	The project requires active participation from stakeholders to share knowledge and reveal information so that business functions can be understood. It is critical that the appropriate staff members are available at the appropriate time to stay on schedule. Also, all deliverables must be completed by all parties according to the schedule, including such things as sign-off. Limited availability of full-time dedicated State staff members with the necessary decision-making authority to provide thorough and timely review of project deliverables and make decisions regarding project scope and requirements could affect the implementation schedule or create cost overruns.
Risk Owner	Implementation Manager Dean Taunton
Status	Active
Risk Probability	4: High probability of occurring in current project development phase (about 75 percent probability)
Impact if Risk Occurs	5: The project's ability to support the required operational capabilities (functions and availability) is at risk of a very serious impact due to a major project component not being available.
Exposure	20: High exposure
Risk Mitigation	The State and EDS will identify the State participants from the four divisions and other stakeholders as part of the start-up process and determine who has authority to make binding decisions on business processes, requirements, and designs. EDS will work with the State to identify what personnel are needed and the knowledge required for particular evolutions of the solution. EDS will use iTRACE to provide project information to State and EDS team members' desktops for real-time information and updates regarding project deliverables. We will use status meetings to review and identify potential threats to the work plan before they affect the dates, cost, and resources. Agendas will be circulated for key meetings and followed up with minutes sent to each participant to document discussions on key aspects of the project.

DDI Risk #3: No System Freeze	
Risk Description	System modifications required by federal or legislative mandate—or otherwise deemed critical by the State—that must be implemented shortly before or during the DDI Phase may require making the same changes to the Legacy MMIS+, DPH, and ORHCC applications, increasing costs and complicating DDI efforts.
Risk Owner	Implementation Manager Dean Taunton
Status	Active
Risk Probability	4: High probability of occurring in current project development phase (about 75 percent probability)
Impact if Risk Occurs	4: The project's ability to support the required operational capabilities (functions and availability) is at risk of a serious impact due to part of a major project component not being available.
Exposure	16: High exposure
Risk Mitigation	Changes will go through the agreed-to change control process, and they will be evaluated for impacts to scope, schedule, budget, and system quality. At the State's direction, EDS will defer the development of nonessential changes to the system to facilitate completion of DDI scope. The current EDS team will continue to support the Legacy MMIS+. EDS will work with the State to keep a log of system modifications. Change orders that are deferred until after the Replacement MMIS goes live will be entered into and tracked in iTRACE. We will propose a recommended number of change control hours during the DDI Phase to address scope changes that cannot be postponed until after the go-live date. These estimated hours will be based on other successful implementations of interChange and will represent our best estimate. However, we acknowledge that each state's needs are unique, from a program perspective as well as timing of state or federal regulations, and that this estimate may need changes based on the specific needs of North Carolina.

DDI Risk #4: Dependencies on Other Entity Interfaces	
Risk Description	Other State agencies that will work with the Replacement MMIS may not agree to participate in inter-system testing or be prepared to go live in accordance with our implementation time line. This will require the coordination between the four divisions and 258 interfaces with external systems.
Risk Owner	Implementation Manager Dean Taunton
Status	Active
Risk Probability	3: Medium probability of occurring in current project development phase (about 50 percent probability)
Impact if Risk Occurs	5: The project's ability to support the required operational capabilities (functions and availability) is at risk of a very serious impact due to a major project component not being available.
Exposure	15: High exposure
Risk Mitigation	The EDS Legacy MMIS+ team already manages interfaces with two of the in-scope divisions and has established relationships with these organizations. Therefore, coordination for these interfaces will have continuity of personnel. The State and EDS will identify the stakeholders early in the project and plan for their participation. This will include agencies, offices, individuals, and people to serve as points of contact. EDS will develop an interoperability plan that catalogs and defines external interfaces with the Replacement MMIS. This document will define the pertinent information about each interface. Early in the project, the EDS test director and test manager will work with the State to identify the entities required to participate in inter-system testing. An inter-system test plan will be created and buy-in will be achieved from those organizations' testing teams. The plan will include environment, data, and high-level test plan scenarios. System testing will test the interface files using simulated interfaces. Inter-system testing execution will use test interfaces and will identify any issues with the integration between the Replacement MMIS and any external systems. An interface manager will be assigned to act as a single point of contact for the external interfaces and to communicate with each interface stakeholder.

DDI Risk #5: Deliverable Development and Review Cycle Delays	
Risk Description	The deliverable requirements for submitting, reviewing, and revising documents may prove more time-consuming than anticipated. Delays in receiving comments and approvals could cause project delays.
Risk Owner	Implementation Manager Dean Taunton
Status	Active
Risk Probability	3: Medium probability of occurring in current project development phase (about 50 percent probability)
Impact if Risk Occurs	4: The project's ability to support the required operational capabilities (functions and availability) is at risk of a serious impact due to part of a major project component not being available.
Exposure	12: Medium exposure
Risk Mitigation	We have provided deliverable examples within our proposal. We will publish a review schedule two weeks before the reviews. We also will provide the review materials at least two days in advance. To facilitate a more streamlined documentation process, documentation will be provided electronically through iTRACE. State-authorized stakeholders and approvers will have access to iTRACE. To promote timely completion of the deliverables and project goals within required time frames, we will use a proven 10-3-5-day review process for the documentation reviews, as follows: • **10—**EDS will deliver documentation according to the master plan and CDRL. After delivery, the State will have 10 working days to review the document and enter comments in a comment log. • **3—**After the log is returned to EDS, we will review the comments, enter proposed responses in the log, and schedule a comment review. The review session will occur within three working days of receipt of the log from the State and will be focused solely on the comments. • **5—**After the review of the comments, we will update and redeliver the documentation to the State for a final five-day review and approval period. If a written response is not provided within the final five-day time frame, EDS will assume the State has approved the deliverable. This process provides two opportunities for State review of documentation before final approval, which has been proven to work well on other implementations.

DDI Risk #6: Milestone Date Slippage	
Risk Description	Milestones in the Replacement Phase work plan may be missed, possibly affecting the implementation deadline agreed to by the State and EDS.
Risk Owner	Implementation Manager Dean Taunton
Status	Active
Risk Probability	3: Medium probability of occurring in current project development phase (about 50 percent probability)
Impact if Risk Occurs	4: The project's ability to support the required operational capabilities (functions and availability) is at risk of a serious impact due to part of a major project component not being available.
Exposure	12: Medium exposure
Risk Mitigation	EDS' project plan incorporates methods and tasks to identify issues, risks, assumptions, and project constraints early and throughout the project, allowing us to be proactive and work with the State to resolve and avoid problems that affect the schedule. EDS uses metrics to track on-time creation and review of project deliverables and milestones. We monitor progress and take corrective action if needed to get the schedule on track. Our communication systems support the quick identification and resolution of issues before they can undermine adherence to the project schedule. We will hold status meetings to review progress and provide early detection of schedule slippage and a plan for resolution.

DDI Risk #7: Data Conversion Issues	
Risk Description	Data conversions are typically complex when converting from an aging legacy application to a new application. This complexity is amplified by the inclusion of data from the four divisions: DMA, DMH, DPH, and ORHCC. If there are significant issues with the originating data, such as bad data, inconsistent data, or incomplete data, these tasks may be much more complex and time-consuming than planned.
Risk Owner	Implementation Manager Dean Taunton
Status	Active
Risk Probability	2: Low probability of occurring in current project development phase (about 25 percent probability)
Impact if Risk Occurs	4: The project's ability to support the required operational capabilities (functions and availability) is at risk of a serious impact due to part of a major project component not being available.
Exposure	8: Medium exposure
Risk Mitigation	EDS already manages the data for DMA and DMH. We have identified SMEs for these programs who will assist in the data mapping to the Replacement MMIS. Therefore, we already know two of the four divisions' data that requires conversion. To further mitigate this risk, we will take the following actions: • Conduct extensive analysis at the data element level to normalize the data model, confirm valid values, check data element integrity, validate business and technical rules, and determine field-level distinct values • Analyze data content within key fields across records within the same file and records across different files • Perform a gap analysis between the source data and the Replacement MMIS to determine data compatibility • Identify and resolve differences in field-level data contents, valid values, field lengths, and field formats • Match critical and key data elements from the source data to the Replacement MMIS and document elements for which a clear match is not identified • Identify and resolve with the State key elements not accounted for in the source data • Conduct parallel testing of claims processing, comparing claims payment results in the existing system to payment and disposition results in the new system

DDI Risk #8: Severe Defects	
Risk Description	Severe defects may prevent operation of the new platform, which could create implementation delays.
Risk Owner	Implementation Manager Dean Taunton
Status	Active
Risk Probability	2: Low probability of occurring in current project development phase (about 25 percent probability)
Impact if Risk Occurs	3: The project's ability to support the required operational capabilities (functions and availability) is at risk of a moderate impact due to a small part (one-tenth) of a major project component not being available.
Exposure	6: Low exposure
Risk Mitigation	interChange is a proven product that is being customized for a portion of the State's requirements. The base product will have been thoroughly tested before customization begins. If defects are found within the base product, the system corrections will be incorporated into the State's version of the code. Iterative reviews and approval throughout the project's requirements validation, design, development, and testing phases will be performed to make sure we remain on track. By using the Right From the Start methodology, in conjunction with the EDS processes, we will be able to identify gaps in requirements and design early in the process, and we will build testing scenarios as we go through these early phases of the project. Our thorough approach to system testing significantly minimizes the risk of undetected severe defects. Our data conversion plans include phased testing iterations of conversion programs, including detailed walkthroughs of conversion results. Our testing scope and implementation plans include regression testing, parallel testing, and a comprehensive countdown before going live. Defects are tracked in iTRACE and monitored or managed using iTRACE's features. Because the State's stakeholders will have access to iTRACE, they will have visibility into any defects and the progress made in resolving them.

DDI Risk #9: Resistance to Critical Business Process Reengineering Changes	
Risk Description	State and program stakeholders may undermine project success by resisting critical business process reengineering changes designed to maximize State investment in new technology.
Risk Owner	Account Manager Melissa Robinson
Status	Active
Risk Probability	2: Low probability of occurring in current project development phase (about 25 percent probability)
Impact if Risk Occurs	3: The project's ability to support the required operational capabilities (functions and availability) is at risk of a moderate impact due to a small part (one-tenth) of a major project component not being available.
Exposure	6: Low exposure
Risk Mitigation	The State and EDS will mitigate this risk by using cultural business change management practices. The plan will support the cultural business change organization by achieving the following: • Involving leaders from stakeholder organizations in the project to help stakeholders share a common vision of the future and promote active, visible sponsorship • Creating training programs that highlight the benefits of the changes that come with using the Replacement MMIS • Leading by example, with our EDS Operations team being open to changes that will make them more efficient and effective at serving the needs of the State's stakeholders, providers, and recipients • Employing a strong team to perform a gap analysis between the current cultural environment and the future environment, with team members responsible for particular program areas using their knowledge of existing business processes and interChange features to document new procedures and develop customized training materials • Addressing ongoing organizational and cultural issues and concerns with frequent two-way communication to set appropriate expectations • Establishing clear objectives and metrics for project success to enable us to objectively measure and communicate project success to the stakeholders

DDI Risk #10: Hardware Downtime/Software Reliability	
Risk Description	The system cannot process claims and encounters through the Replacement MMIS because of unanticipated hardware downtime or lack of hardware reliability.
Risk Owner	Implementation Manager Dean Taunton
Status	Active
Risk Probability	1: Very low probability of occurring in current project development phase (about 10 percent probability)
Impact if Risk Occurs	5: The project's ability to support the required operational capabilities (functions and availability) is at risk of a very serious impact due to a major project component not being available.
Exposure	5: Low exposure
Risk Mitigation	We have 14 years of experience with the hardware platforms and software integration with interChange. We have a superior relationship with EDS partners, EDS preferred software and hardware partners, and Agility Alliance partners to expedite or escalate assistance. We monitor systems to initiate immediate problem resolution during development, testing, and production. Risks are mitigated by thorough testing of patches and upgrades and maintaining current operating system patches and firmware. Platform configuration can be modified to enable critical task processing in a different server domain. Desktop procedures for infrastructure management will be established with a global business continuity and disaster recovery plan to mitigate potential impact from service outages. We incorporate solid design of the development and testing environments based on prior large MMIS implementation experience. We will perform daily incremental backups of the development and model office environments. Full backups of the development and model office environments will be performed weekly, and we will store these backup files off-site. EDS also offers years of experience using the processing platform, regular backups, solid and proven procedures, and extensive security supporting the platform. For example, our Pennsylvania interChange application is running at 99.5 percent uptime.

DDI Risk #11: Understanding Complex Business Rules and Processing Requirements	
Risk Description	The time required for a Replacement MMIS vendor to get up to speed understanding North Carolina's complex healthcare processing needs may put the entire project schedule in jeopardy.
Risk Owner	Implementation Manager Dean Taunton
Status	Active
Risk Probability	1: Very low probability of occurring in current project development phase (about 10 percent probability)
Impact if Risk Occurs	5: The project's ability to support the required operational capabilities (functions and availability) is at risk of a very serious impact due to a major project component not being available.
Exposure	5: Low exposure
Risk Mitigation	EDS has been supporting DMA since 1977 and DMH since 2001. We already have experienced staff members in place who understand the business needs of these divisions and continue to provide service excellence to them every day. No other bidder can make such a claim. Additionally, our extensive experience with these two divisions allows us to quickly identify requirements and any needed system modifications for DPH and ORHCC. We have identified leaders—Melissa Robinson, Tim Sullivan, Jamie Herubin, Dean Taunton, and Scott Lowry—who understand the State's business. Dean and Scott recently led and completed a successful interChange implementation in Kentucky. We also have a significant pool of business analysts, developers, database administrators, and testers available to work on the Replacement MMIS DDI who will have completed interChange implementations for other states.

DDI Risk #12: Delay in Equipment Delivery	
Risk Description	Delays in installation and operation of equipment may be caused by a delay in equipment delivery.
Risk Owner	Implementation Manager Dean Taunton
Status	Active
Risk Probability	1: Very low probability of occurring in current project development phase (about 10 percent probability)
Impact if Risk Occurs	3: The project's ability to support the required operational capabilities (functions and availability) is at risk of a moderate impact due to a small part (one-tenth) of a major project component not being available.
Exposure	3: Low exposure
Risk Mitigation	EDS has global equipment agreements in place with major vendors to provide rapid response to acquisitions for the Replacement MMIS contract. We have included appropriate lead time in the master plan for acquisition and logistics to support the initial tasks. EDS will solidify the hardware and software requirements before contract signing. After contract signature, orders will be placed for hardware and software on a predefined schedule that was considered when creating the proposal time line and estimates. If necessary, we will use equipment from elsewhere in EDS to support the new contract until the ordered equipment arrives and is functional.

DDI Risk #13: Adapting a System From Another State	
Risk Description	A Replacement MMIS that is being adapted from another state may not have the flexibility needed to incorporate North Carolina's specifications without a major rewrite, undermining the State's desire for a proven, existing MMIS and incurring excessive cost, time, and risk.
Risk Owner	Implementation Manager Dean Taunton
Status	Active
Risk Probability	1: Very low probability of occurring in current project development phase (about 10 percent probability)
Impact if Risk Occurs	1: The risk has a very low or negligible impact on the project or any functional area. Acceptance of the risk is valid.
Exposure	1: Low exposure
Risk Mitigation	EDS' interChange MMIS product is not a system designed for the needs of a single state, but rather an innovative, proven multi-payer MMIS designed with the flexibility necessary to support successful implementation and use in numerous states. We have taken the product approach with interChange, building a baseline application that meets the consistent needs across our clients' environments. We also have incorporated common requirements from other implementations into our core product, so the features and functions that are common in the industry are part of our core product. The architecture, including COTS products, allows for customization for features unique or specific to an individual state and support the evolving MITA direction.

Potential Operation Phase Risks

Operational Risk #1: Providers' Ability to Transition to Using a New MMIS	
Risk Description	Transitioning to a new MMIS is sometimes met with resistance and lack of cooperation and participation.
Risk Owner	Account Manager Melissa Robinson
Status	Active
Risk Probability	3: Medium probability of occurring in current project development phase (about 50 percent probability)
Impact if Risk Occurs	4: The project's ability to support the required operational capabilities (functions and availability) is at risk of a serious impact due to part of a major project component not being available.
Exposure	12: Medium exposure
Risk Mitigation	EDS will conduct training workshops, jointly develop and post provider bulletins, and, in some cases, recertify electronic submitters to assist in educating providers on the new system. This will be done with the oversight of Provider/Recipient Services Manager Chris Ferrell. Chris has filled this role for the past eight years. As the current fiscal agent, we are experienced in determining the appropriate media and content for providers to ease the transition to a new system. We are familiar with the provider community and have established relationships with facilities and workshop sites to maximize attendance. Working with the State, EDS will identify entities such as provider associations, groups, and large billers to develop provider advocates for the new system and focus communication and training on high-impact groups. This includes e-mail messages and alerts. New and advanced technology and features in interChange allow providers to receive immediate feedback regarding their interactions with the Replacement MMIS, such as true real-time claims and encounters processing. The Web portal has been designed as a browser-based application based on current Web design standards. It is user-friendly and intuitive. Many members of the provider community are well-versed in using Web applications and navigating through the browser in today's Internet world. This will contribute to an easy transition to the new features of the Replacement MMIS, such as online, real-time claim submission and adjudication. Additionally, provider workshops will be conducted on the portal features to make sure providers are ready on the first day of operation.

Operational Risk #2: Hardware Downtime/Software Reliability	
Risk Description	The system cannot process claims and encounters through the Replacement MMIS because of unanticipated hardware downtime or lack of hardware reliability.
Risk Owner	Account Manager Melissa Robinson
Status	Active
Risk Probability	1: Very low probability of occurring in current project development phase (about 10 percent probability)
Impact if Risk Occurs	5: The project's ability to support the required operational capabilities (functions and availability) is at risk of a very serious impact due to a major project component not being available.
Exposure	5: Low exposure
Risk Mitigation	We have 14 years of experience with the hardware platforms and software integration with interChange. We have a superior relationship with EDS partners, EDS preferred software and hardware partners, and Agility Alliance partners to expedite or escalate assistance. EDS has global equipment agreements in place with major vendors to provide rapid response to acquisitions for the new contract. We have included appropriate lead time in the master plan for acquisition and logistics to support the initial tasks. We monitor systems to initiate immediate problem resolution during development, testing, and production. Risks are mitigated by thorough testing of patches and upgrades and maintaining current operating system patches and firmware. Platform configuration can be modified to enable critical task processing in a different server domain. Desktop procedures for infrastructure management will be established with a global business continuity and disaster recovery plan to mitigate potential impact from service outages. We incorporate solid design of the development and testing environments based on prior large MMIS implementation experience. We will perform daily incremental backups of the development and model office environments. Full backups of the development and model office environments will be performed weekly, and we will store these backup files off-site. EDS also offers years of experience using the processing platform, regular backups, solid and proven procedures, and extensive security supporting the platform. For example, our Pennsylvania interChange application is running at 99.5 percent uptime.

Operational Risk #3: Disaster Strikes EDS' Raleigh Data Center or Office	
Risk Description	EDS' production MMIS data center or operational facility may be taken out of service because of a natural or manmade disaster, extended power failure, or other calamity.
Risk Owner	Account Manager Melissa Robinson
Status	Active
Risk Probability	1: Very low probability of occurring in current project development phase (about 10 percent probability)
Impact if Risk Occurs	3: The project's ability to support the required operational capabilities (functions and availability) is at risk of a moderate impact due to a small part (one-tenth) of a major project component not being available.
Exposure	3: Low exposure
Risk Mitigation	EDS will develop a comprehensive disaster recovery plan to address each aspect of preparation for and recovery from a data center disaster. EDS and the State will conduct annual disaster recovery drills to proactively identify shortcomings in the disaster recovery plan. We will incorporate our data center—to—data center data replication process to mirror production data from the Raleigh data center at the Herndon disaster recovery site, providing the shortest possible recovery time if a disaster occurs. EDS will develop a comprehensive business continuity plan to address each aspect of preparation for and recovery from a disaster or other business interruption at our Raleigh facility. We will identify an alternate operations site to be used if a physical disaster occurs at our Raleigh facility.

Operational Risk #4: Automated or Manual Workflow Backlogs	
Risk Description	Backlogs may develop in automated processing because of technical problems, unanticipated volumes, or other causes.
Risk Owner	Account Manager Melissa Robinson
Status	Active
Risk Probability	1: Very low probability of occurring in current project development phase (about 10 percent probability)
Impact if Risk Occurs	2: The project's ability to support the required operational capabilities (functions and availability) is at risk of a minor impact due to a very small part (one-twentieth) of a major project component not being available.
Exposure	2: Low exposure
Risk Mitigation	In the electronic world of claims, adjustment, and refund submission, this potential influx of claims would be processed daily and paid according to the State schedule. Today, 98 percent of our claims processed are electronic claims. Our Performance Reporting System Dashboard provides information on the operation of the system and the volume of various data being processed by the system, thus allowing for root-cause determination and correction before the backlog becomes critical. Based on the nature of the backlog, we will develop and invoke an appropriate contingency plan to maximize the reduction of the backlog. For example, with State approval, we could hold claim types that take the longest to process until other claim types are caught up and introduce the longer-running claims in a staggered manner to maintain efficient throughput. Our Performance Reporting System Dashboard includes processing metrics for many operational functions and displays metric data across time, thus allowing additional staffing needs to be anticipated and obtained—or other corrective measures to be taken—before the backlog becomes critical. Our account leaders and operational unit managers and supervisors will closely monitor the throughput of the respective units and address or escalate any concerns about backlogs developing. The Project Management Office (PMO) director will have oversight responsibilities for the operational units. Possible mitigations include but are not limited to authorizing overtime, hiring temporary staff, leveraging available employees from other EDS accounts, and hiring additional permanent staff members.

Potential Turnover Phase Risks

Turnover Risk #1: Attrition of EDS Experienced Staff	
Risk Description	After the award of a contract to a successor vendor, EDS operational staff members may be motivated by anticipated job loss to pursue other employment before the end of the contract, resulting in operational backlogs and loss of institutional knowledge of business processes or system features needed for operations and turnover activities.
Risk Owner	Account Manager Melissa Robinson
Status	Postponed
Risk Probability	5: Very high probability of occurring in current project development phase (about 90 percent probability)
Impact if Risk Occurs	3: The project's ability to support the required operational capabilities (functions and availability) is at risk of a moderate impact due to a small part (one-tenth) of a major project component not being available.
Exposure	15: High exposure
Risk Mitigation	EDS will identify key staff members and encourage continuity of employment to maintain staffing levels through the end of the contract. Mitigation strategies to address operational backlogs also are applicable, such as authorizing overtime, hiring temporary staff members, leveraging available employees from other EDS accounts, and hiring additional permanent staff members to meet operational requirements.

Turnover Risk #2: Loss of EDS Institutional Knowledge	
Risk Description	After the contract ends, EDS staff members may be unavailable to the State or the new vendor to answer questions or provide institutional knowledge.
Risk Owner	Turnover Manager
Status	Postponed
Risk Probability	5: Very high probability of occurring in current project development phase (about 90 percent probability)
Impact if Risk Occurs	3: The project's ability to support the required operational capabilities (functions and availability) is at risk of a moderate impact due to a small part (one-tenth) of a major project component not being available.
Exposure	15: High exposure
Risk Mitigation	A turnover manager and a turnover technical director or systems programming manager will be available to address turnover-related issues. EDS will provide a support warranty period for the turnover of our systems operation and verify that our expert staff members are on call for three months to respond to questions or address issues.

Turnover Risk #3: No System Freeze	
Risk Description	System modifications required by federal or legislative mandates—or otherwise deemed critical by the State—that must be implemented shortly before or during the Turnover Phase may require making the same changes to the Replacement MMIS and the successor MMIS, increasing costs and complicating turnover efforts.
Risk Owner	Turnover Manager
Status	Postponed
Risk Probability	2: Low probability of occurring in the current project development phase (about 25 percent probability)
Impact if Risk Occurs	4: The project's ability to support the required operational capabilities (functions and availability) is at risk of a serious impact due to part of a major project component not being available.
Exposure	8: Medium exposure
Risk Mitigation	At the State's direction, EDS will defer the development of nonessential changes to the system to facilitate transition to the successor vendor. EDS will work with the State to keep a log of system modifications. Design documents for system modifications will be shared with the State so that they may be provided to the successor vendor. Change orders that are deferred until after the new system goes live will be entered into and tracked in iTRACE.

Turnover Risk #4: State Staff Unavailable	
Risk Description	State staff members may not be available to address operational needs during the Turnover Phase.
Risk Owner	Turnover Manager
Status	Postponed
Risk Probability	2: Low probability of occurring in current project development phase (about 25 percent probability)
Impact if Risk Occurs	4: The project's ability to support the required operational capabilities (functions and availability) is at risk of a serious impact due to part of a major project component not being available.
Exposure	8: Medium exposure
Risk Mitigation	As EDS will maintain continuity of the system through turnover, the State will mirror this effort to verify that providers and recipients are not adversely affected by the turnover. The new vendor will create a turnover plan that includes the expectations of EDS and State support. The State can expect the same level of commitment on turnover that they did for the Replacement MMIS project.

Turnover Risk #5: New Vendor Failing to Meet Contractual Obligations	
Risk Description	The new vendor may not assume its contractual obligations as fiscal agent or MMIS integrator on schedule.
Risk Owner	Account Manager Melissa Robinson
Status	Postponed
Risk Probability	3: Medium probability of occurring in current project development phase (about 50 percent probability)
Impact if Risk Occurs	2: The project's ability to support the required operational capabilities (functions and availability) is at risk of a minor impact due to a very small part (one-twentieth) of a major project component not being available.
Exposure	6: Low exposure
Risk Mitigation	EDS will negotiate in good faith with the State to extend our contract as necessary and to support operations at the same level of service excellence we have delivered for the past 30 years. EDS will work closely with the State and the new vendor through the turnover process to maintain continuity for the State's recipient and provider communities.

Turnover Risk #6: Lack of Communication Among the New Vendor, the State, and EDS	
Risk Description	Lack of communication or understanding may occur between the new vendor, the State, and EDS, affecting time lines, deliverables, or expectations.
Risk Owner	Account Manager Melissa Robinson
Status	Postponed
Risk Probability	3: Medium probability of occurring in current project development phase (about 50 percent probability)
Impact if Risk Occurs	2: The project's ability to support the required operational capabilities (functions and availability) is at risk of a minor impact due to a very small part (one-twentieth) of a major project component not being available.
Exposure	6: Low exposure
Risk Mitigation	The turnover schedule, planning, and meetings will be held with the State and the successor vendor to mitigate this concern while balancing and providing continued operations support. EDS will work with closely with the State and the new vendor through the transition process to maintain continuity for the State's recipient and provider communities.

Turnover Risk #7: Delay of Closure of Fiscal Agent Financial Accounts	
Risk Description	Closure of the required fiscal agent financial accounts may fail to occur in accordance with the turnover schedule.
Risk Owner	Turnover Manager
Status	Postponed
Risk Probability	2: Low probability of occurring in current project development phase (about 25 percent probability)
Impact if Risk Occurs	2: The project's ability to support the required operational capabilities (functions and availability) is at risk of a minor impact due to a very small part (one-twentieth) of a major project component not being available.
Exposure	4: Low exposure
Risk Mitigation	EDS will work with a banking institution and the State to close the required fiscal agent bank accounts, report stale-dated items to the State, and issue final bank and fiscal agent financial statements as necessary. Any issues will be raised immediately with the State and the financial institution for quick resolution. We also will work with the new vendor to enable a smooth turnover of financials.

Turnover Risk #8: Claim, Adjustment, and Refund Volume Spikes	
Risk Description	Providers may become nervous about not getting paid by the successor MMIS and submit as many claims and other transactions as possible in the closing days of the contract, resulting in operational backlogs and abnormally large suspense files.
Risk Owner	Turnover Manager
Status	Postponed
Risk Probability	1: Very low probability of occurring in current project development phase (about 10 percent probability)
Impact if Risk Occurs	2: The project's ability to support the required operational capabilities (functions and availability) is at risk of a minor impact due to a very small part (one-twentieth) of a major project component not being available.
Exposure	2: Low exposure
Risk Mitigation	In the electronic world of claim, adjustment, and refund submission, this potential influx of claims would be processed daily and paid according to the State schedule. Paper claims, adjustments, or refunds would be inventoried according to an established cutoff date to provide clear turnover of these documents for adjudication by the new vendor.

50.2.5.8 Change Management Approach

RFP Reference: 50.2.5.8 Change Management Approach, Page 279; Change Management Plan (CMP) CDRL, Page 259

The ability to effectively predict, analyze, and control changes will contribute to the success of the Replacement MMIS project. Our experience has led us to appreciate the benefit of a formal change management process, a shared responsibility between EDS and the State that will foster timely and reliable changes.

Given this project's size, scope, and the dynamic nature of the State's requirements, the need to address changes is inevitable. The ability to effectively predict, analyze, and control those changes will enable the project's success. Our experience has led us to appreciate the benefit of a formal change management process that is a shared responsibility between EDS and the State. To be successful, management of changes must be timely and continuous, thus creating a routine that team members can rely on.

Identified changes must be addressed in a thoughtful and detailed manner to realize the full impact of each decision going forward. Though taking this approach does not necessarily equal a change in project scope or cost, it can prevent misunderstandings about which changes are to be implemented, how, and when and the potential time, resource, and cost impacts on the project.

Multiple factors play into decisions about implementing changes during a project and whether the change will affect the project budget. Those factors include the timing of the change request and the degree to which it affects the project schedule and requirements for resources. The change management plan provides a method for accommodating a new or revised requirement, regardless of whether it requires an amendment to the contract. The methodologies, tools, and procedures described in this section are designed to achieve these objectives.

The change management approach described in our response to RFP section 50.2.5.8 is flexible and supports the change management needs of the DDI Phase and the Operations Phase. We wrote this section using the RFP's Change Management Plan (CMP) Contract Data Requirements List (CDRL) as a guide. As indicated in the CDRL, we recognize that configuration management is closely related to the change management plan. For this reason, our response to 50.2.5.8 combines our discussion of change management and configuration management.

Change Management

Change management involves identifying and tracking normal modifications and enhancements to the Replacement MMIS, as well as changes to the scope of requirements agreed to by the State and EDS for any project. Scope is defined as the total of project activities, resources, deliverables, quality standards, and performance. Change requests that affect the cost, schedule, or contract are classified as scope changes and require additional analysis and review. The change management resolution process documents the procedures and standards used to track, control, and consistently manage requested changes to project scope during the Replacement MMIS implementation.

To facilitate the change management process, EDS will work with the State to establish a change control board (CCB) to monitor, approve, and prioritize changes to the system that are effective, efficient, and beneficial to the State and EDS. This recommendation is based on our experience developing change management processes for similar projects. We will work with the State to review and tailor this process to meet the specific needs of the North Carolina state healthcare program service delivery and overall administration.

EDS understands that business needs do not stop as the State makes the transition to the Replacement MMIS. Federal or state rule changes or other business initiatives may necessitate changes to the existing MMIS even while the Replacement MMIS implementation is under way. These changes may need to be considered for inclusion in the Replacement MMIS, and the impact to the project plan, contract, and implementation schedule must be understood and agreed to by both the State and EDS.

Changes approved for inclusion in the project will be entered into our browser-based project information repository, information Tracking Repository And Collaboration Exchange (iTRACE), as change orders (COs), and the project plan will be updated to reflect the added effort.

Using our proven change management processes, we will work with the State to determine when changes in the current MMIS will cease and be carried as change requests in the ongoing support of the Replacement MMIS.

Change Control Board

A CCB will be established in the Start-Up Phase of the project. The State and EDS will be responsible for identifying respective organizational resources to participate as CCB members. Throughout the DDI planning phases of the project and through the life of the contract, the CCB will serve as a clearinghouse for recommended and required changes affecting the contract. The CCB will review proposed changes against the RFP, proposal, and the requirements specification document and weigh change criticality against the risk of implementing a change.

The CCB can take any of the following steps:

- The CCB can deny the change based on lack of need, high risk, out-of-scope request, or cost to implement.
- The CCB can approve the change as within the scope to be implemented as part of the new Replacement MMIS and to be operational on the operations start date.
- The CCB can approve the change as outside the project scope but to be implemented as part of the Replacement MMIS and to be operational on the operations start date. The CCB will mutually agree on the cost to the State for the change, prioritize and schedule change implementation, and assign resources to accomplish this change in the required time frame.
- The CCB can approve the change as within the project scope and to be implemented as part of ongoing system operations after the operations start date. The CCB will prioritize, schedule change implementation, and assign resources to accomplish the change by the scheduled release date.
- The CCB can approve the change as outside the project scope but to be implemented as part of the ongoing system operations after the operations start date. The board will mutually agree on the cost of the change to the State and then prioritize, schedule the change implementation, and assign resources to accomplish this change in the required time frame.
- The CCB can request additional information on which to make an informed decision. The additional information may include the number of recipients affected, number of claims affected, number of providers affected, additional description of the change or the process, or the cost to make the change. The CCB may set a date for the information to be furnished.
- The CCB can reprioritize a CO based on other COs. EDS, like the State, has a finite amount of resources assigned to the Replacement MMIS implementation. Situations may occur where there are more COs than resources (either for EDS to implement or the State to test and approve) available to implement the changes. In these cases, the CCB will be responsible for reprioritizing a change in relation to other changes that may have higher or lower importance, risk, cost, or resource requirements.

CCB membership encompasses the following roles:

- **CCB lead roles—**CCB lead roles include the following:
  - **State business leads—**State business leads consist of individuals from each of the program areas that may be affected by a change in requirements. There will be representatives from the Division of Medical Assistance (DMA), the Division of Mental Health (DMH), the

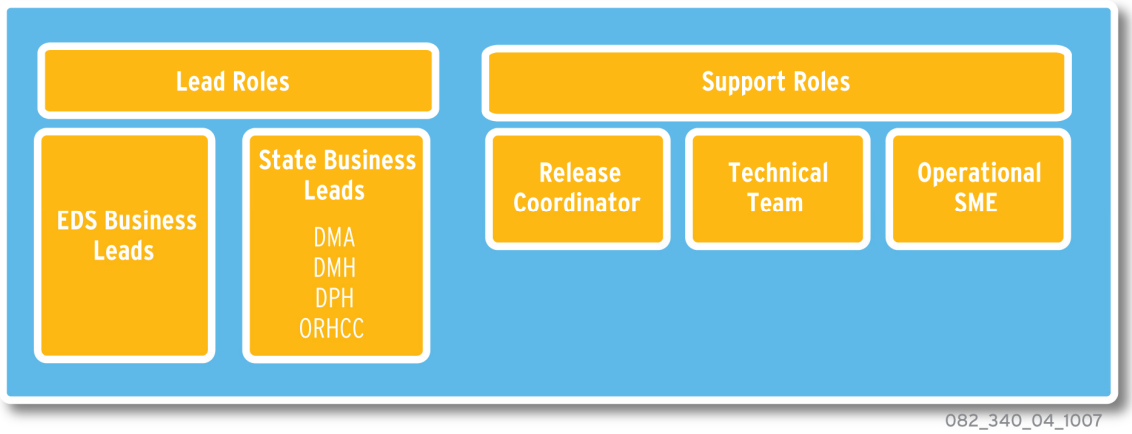
Division of Public Health (DPH), and the Migrant Health Program, Office of Rural Health and Community Care (ORHCC). This group plays an active role in prioritizing the COs during the change request process.

- **EDS business lead—**The EDS business lead is the chair of the CCB. This person administers and manages the change control process to enable the solution teams to respond quickly and effectively to change. During DDI, the implementation manager would serve as EDS' business lead. During operations, the systems manager would serve as EDS business lead.

- **CCB support roles—**CCB support roles include the following:
  - **Release coordinator—**The release coordinator works with the CCB and other leaders to prioritize and group releases of requested changes, maintenance, and other approved modifications.
  - **Technical team—**The Technical team comprises technical architects, functional architects, database architects, and information analysts. This group provides insight into the scope, complexity, and technical impact of the change requested. This information feeds the cost and effort estimate for the requested change and contributes to the overall prioritization of the CO.
  - **Operational subject-matter experts (SMEs)—**The operational SMEs are the team members most experienced in the functional area affected by the change. They will work closely with the CCB, providing in-depth knowledge and insights that only experience provides, making certain that every aspect of the change is considered.

The structure of the CCB is summarized in the following exhibit, Change Control Board Membership.

Change Control Board Membership



The CCB will serve as a clearinghouse for recommended and required changes affecting the contract.

These recommendations are based on our experience in developing change management processes for similar projects. For the Operations Phase, EDS will use the same project management standards, approach, and tools that we use in the DDI Phase and apply equal rigor to system changes. As part of the Operations Phase start-up, we will work with the State to review and modify these recommendations to meet the specific needs of the State.

Smoothly implementing system changes and enhancements is critical to improving the quality and cost-effectiveness of Medicaid services, resulting in better support of providers and recipients. The State will benefit from EDS' use of industry-standard processes along with proven tools to accommodate effective and secure change control. These benefits include the following:

- **Reduced project risk—**A comprehensive change management process supports the State and EDS in validating that changes in scope are prudent and support project goals rather than introducing unnecessary project risk or distracting personnel from achieving critical project objectives.
- **Flexibility to implement critical changes—**An effective process and toolset streamlines the effort required to incorporate necessary changes during every phase of the project.
- **Clear project focus—**A strong and well-established change management process promotes discipline and confirms for the State that the project resources are accountable for making sure their project activities tie to mutually agreed-to project requirements.
- **Streamlined decision-making—**Easy-to-access reports of change requests ready for the State's review, hyperlinks to change request documentation, and full online access to relevant background information streamline the review and decision-making process.
- **Common knowledge and understanding for project team members—**Because changes are tracked in iTRACE, as well as historical information and the State's decisions, team members share a common understanding of expectations, which increases the efficiency of project work.

During DDI, changes to scope, process, or deliverables not included in the EDS proposal must be addressed through the CCB. This will help make sure we balance requests against time, budget, and quality.

Change Management Process

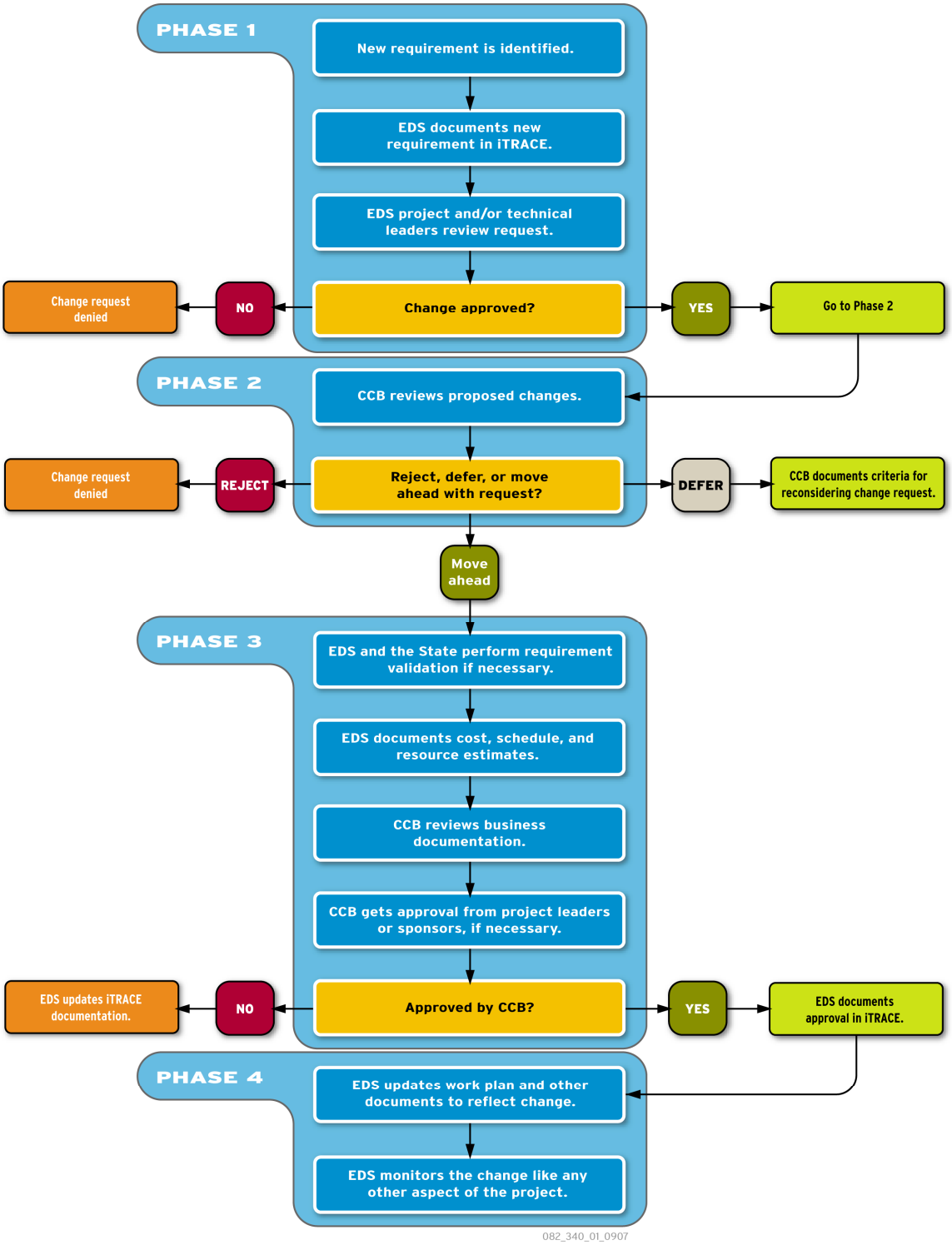
EDS recommends a four-phased change management process that will enable us to effectively manage changes as they move through initiation, evaluation, development, and implementation, as shown in the following table, Change Management Process.

Change Management Process

Phase	Description
Phase 1: Initiation	The State and EDS will identify a requirement that falls outside the project scope for one of several reasons: • The team uncovered a new requirement not identified in the RFP or project CO. • We misinterpreted a requirement in preparing for requirements validation sessions. • A new requirement has been added because of a federal mandate, a new waiver authority or operational option, or North Carolina legislative or administrative policy initiatives. In these scenarios, the requested system modification will be documented in iTRACE, where the status of the change is tracked until completion. These requests will be reviewed by the State and EDS project and technical leaders for impact to determine if they should be escalated to the CCB and included in the implementation under way.
Phase 2: Evaluation	The CCB will review each request and make an initial determination to reject, defer, or move ahead with the request. Our team members then will hold requirements validation sessions to provide additional information or perform more research on the request.
Phase 3: Development	After requirements validation sessions are complete, EDS will develop estimates of the cost, schedule, and resources needed to implement the change. The CCB will review the request and determine whether to proceed, defer, or reject the change request.
Phase 4: Implementation	After the CCB approves the change, the Project Management Office (PMO) will designate it as an update to an existing project's work plan or a new project based on the decision from Phase 1. As part of an existing project's work plan, the requested change then will be monitored for completion within the overall schedule. The new project then will be managed according to the project management requirements for its size.

This process is summarized in the following exhibit, Change Management Process Flow.

Change Management Process Flow



EDS recommends a four-phased change management process that will enable us to effectively manage changes as they move through initiation, evaluation, development, and implementation.

When an upgrade is necessary, we will use the change management process to do the following:

- Evaluate the impact to system availability, downtime, and processing
- Develop a plan that includes prerequisites, actions, review, and contingencies
- Strive to schedule the upgrade activity so that it minimizes the impact on the system
- Review the plan, schedule, and possible impacts with the State and obtain approval before proceeding with the upgrade

Upgraded or replacement equipment will be subject to the same acceptance criteria as the other products and services of the contract.

iTRACE

The processes described are supported by a Web-based tool, iTRACE, that will help both EDS and the State track changes through every step of the process. Starting with the original request and following through each step to successful implementation, iTRACE will provide online status and documentation for each change request.

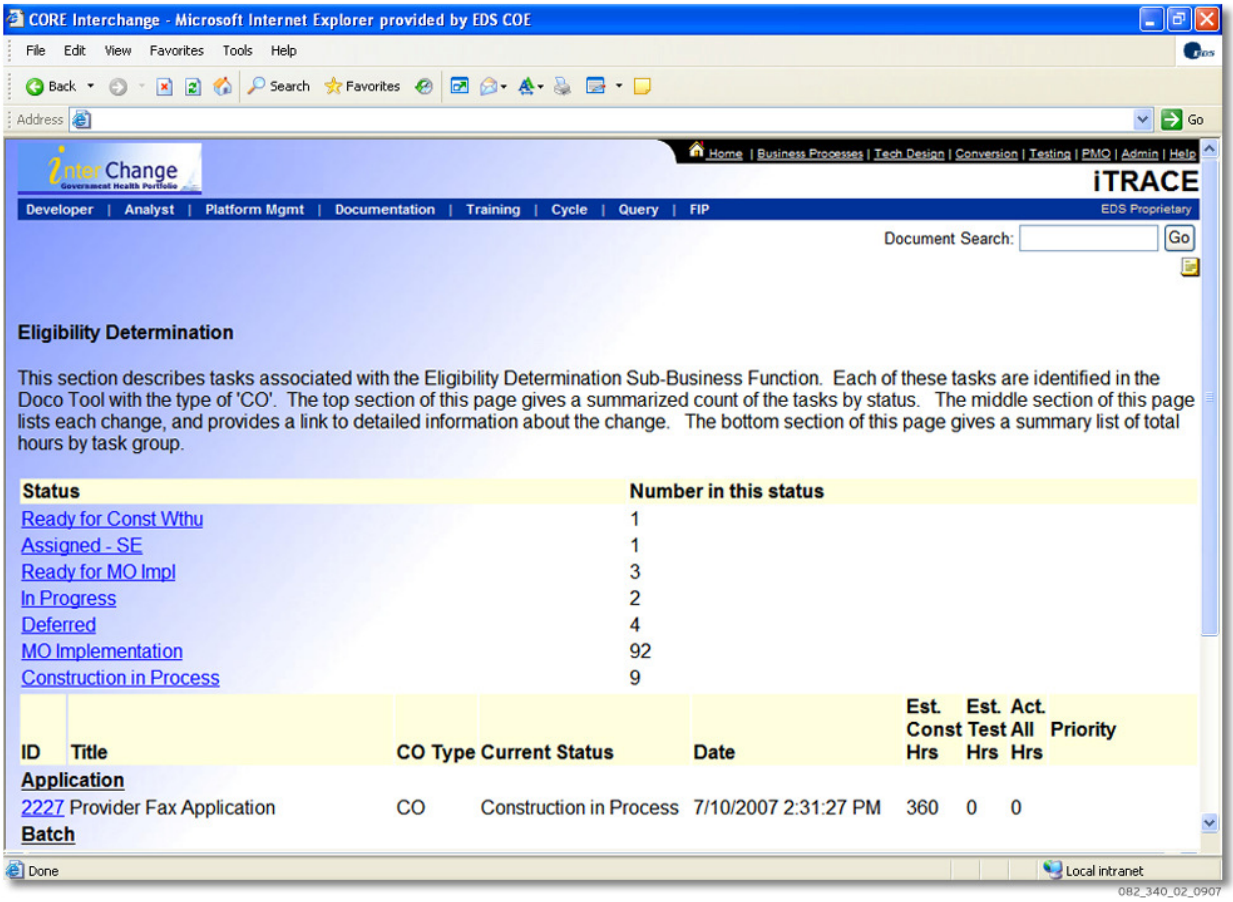
iTRACE is an information and document management system that allows the State and EDS to maintain easily accessible information on the Replacement MMIS, including project status and deliverables.

iTRACE has been instrumental in the implementation of many of our interChange MMISs and has proven to be a valuable and flexible tool for the needs of both DDI and Operations Phases. So valuable, in fact, that the Centers for Medicare & Medicaid Services (CMS) has recognized and acknowledged its valuable contribution to the implementation and successful certification of the interChange MMISs.

A complete description of iTRACE and its many features can be found in proposal section 50.2.4.1.2 Software Development and Systems Engineering Methodology. However, in addition to major system implementations, iTRACE supports change management, as described below.

Users can click on the COs link on the Subsystem Introduction Web page, which will present them with the Change Request Overview Web page, as shown in the following exhibit, Sample Change Request Overview Page. This page will provide the status of each CO submitted for the subsystem. Additionally, the top of the page will provide a summary of the total number of COs, COs that have been documented, or the issues identified.

Sample Change Request Overview Page

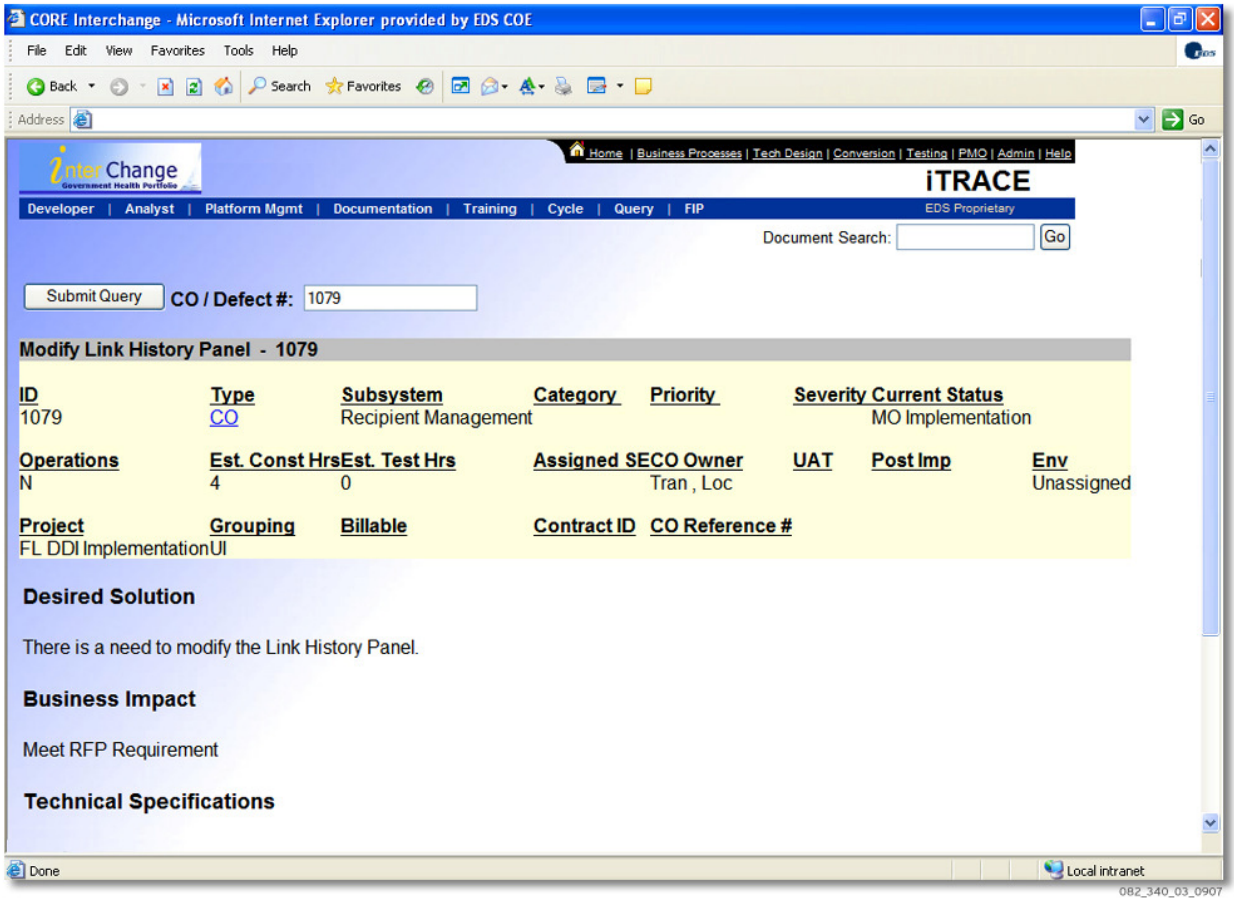


The Change Request Overview page will provide the status of each CO submitted for the subsystem.

In the preceding exhibit, a summary of COs affecting a particular subsystem is presented for quick review. Users can readily determine the status of all the changes that affect that particular subsystem. More detailed information can be gathered on particular COs by selecting the desired CO.

Each CO number is a link to further detail for that change request. When users click on the CO number link, they are presented with the Change Order Web page, as shown in the following exhibit, Sample Change Order Page. This page presents status information combined with significant related information such as a description of the desired solution, a business impact justification narrative, links to related system requirements, links to the actual RFP citation and EDS proposal citation, CO status, and a narrative of any additional documentation relevant to the CO.

Sample Change Order Page

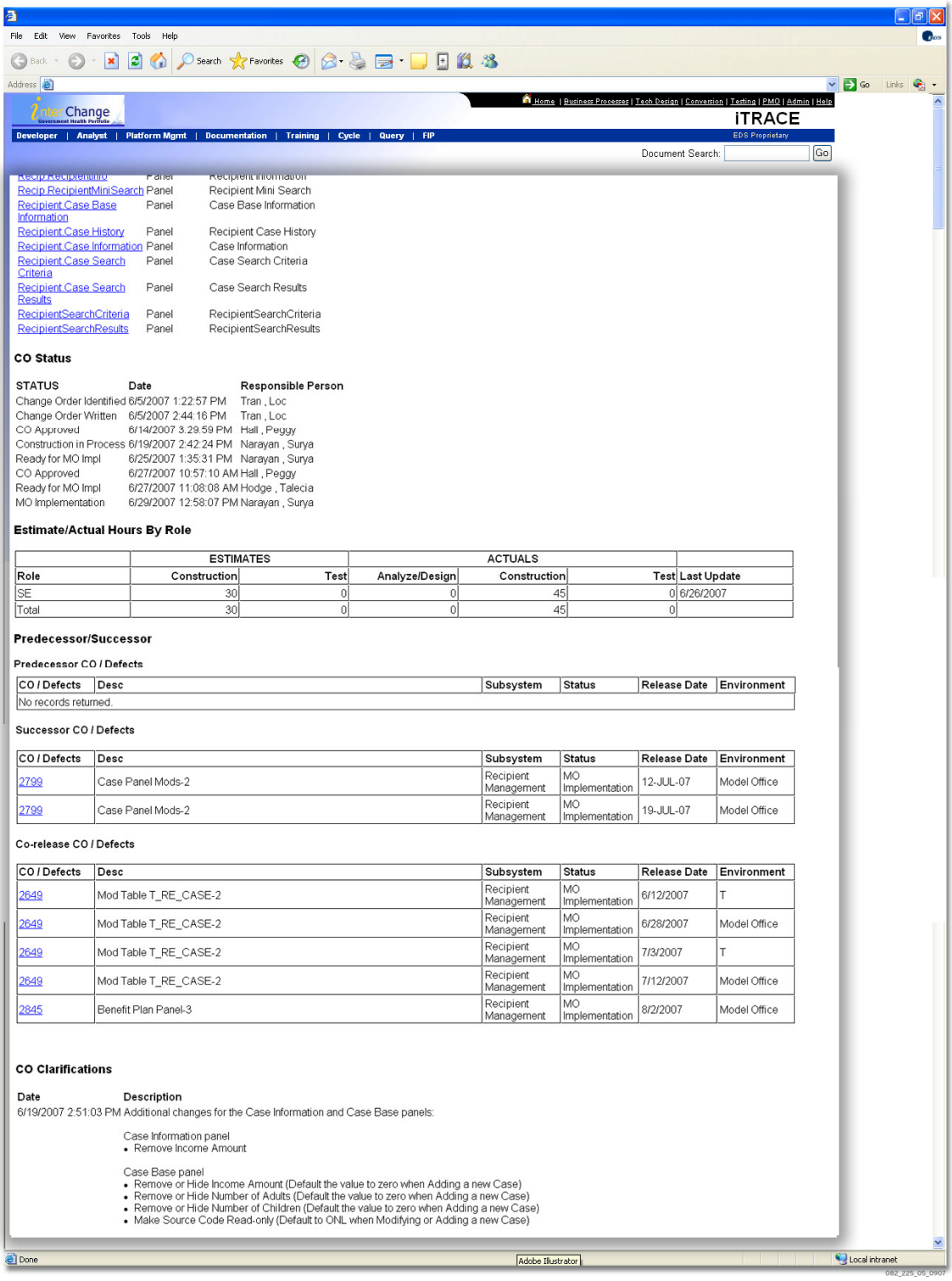


The Change Order page presents the status of the CO and other related information.

In the preceding example, many aspects of the CO are conveniently displayed on one page. The Desired Solution section clearly states what the expected outcome will be. The Business Impact section can provide useful information on the extent to which the change will affect the overall system. Taken together, the iTRACE tool provides a concise means of tracking change.

In the following exhibit, Sample Change Order Management Page, the Change Order Status listing makes the change management effort a matter of inventory control. The State and EDS will work to close the inventories successfully and implement the Replacement MMIS. By having the detailed status of each stage of each CO available online, accurate evaluations of each CO and overall DDI development progress can be made.

Sample Change Order Management Page



Recip RecipientMiniSearch	Panel	Recipient Mini Search
Recipient Case Base Information	Panel	Case Base Information
Recipient Case History	Panel	Recipient Case History
Recipient Case Information	Panel	Case Information
Recipient Case Search Criteria	Panel	Case Search Criteria
Recipient Case Search Results	Panel	Case Search Results
RecipientSearchCriteria	Panel	RecipientSearchCriteria
RecipientSearchResults	Panel	RecipientSearchResults

CO Status

STATUS	Date	Responsible Person
Change Order Identified	6/5/2007 1:22:57 PM	Tran , Loc
Change Order Written	6/5/2007 2:44:16 PM	Tran , Loc
CO Approved	6/14/2007 3:29:59 PM	Hall , Peggy
Construction in Process	6/19/2007 2:42:24 PM	Narayan , Surya
Ready for MO Impl	6/25/2007 1:35:31 PM	Narayan , Surya
CO Approved	6/27/2007 10:57:10 AM	Hall , Peggy
Ready for MO Impl	6/27/2007 11:08:08 AM	Hodge , Talecia
MO Implementation	6/29/2007 12:58:07 PM	Narayan , Surya

Estimate/Actual Hours By Role

	ESTIMATES		ACTUALS			
Role	Construction	Test	Analyze/Design	Construction	Test	Last Update
SE	30	0	0	45	0	6/26/2007
Total	30	0	0	45	0	

Predecessor/Successor

Predecessor CO / Defects

CO / Defects	Desc	Subsystem	Status	Release Date	Environment
No records returned.					

Successor CO / Defects

CO / Defects	Desc	Subsystem	Status	Release Date	Environment
2799	Case Panel Mods-2	Recipient Management	MO Implementation	12-JUL-07	Model Office
2799	Case Panel Mods-2	Recipient Management	MO Implementation	19-JUL-07	Model Office

Co-release CO / Defects

CO / Defects	Desc	Subsystem	Status	Release Date	Environment
2649	Mod Table T_RE_CASE-2	Recipient Management	MO Implementation	6/12/2007	T
2649	Mod Table T_RE_CASE-2	Recipient Management	MO Implementation	6/28/2007	Model Office
2649	Mod Table T_RE_CASE-2	Recipient Management	MO Implementation	7/3/2007	T
2649	Mod Table T_RE_CASE-2	Recipient Management	MO Implementation	7/12/2007	Model Office
2845	Benefit Plan Panel-3	Recipient Management	MO Implementation	8/2/2007	Model Office

CO Clarifications

Date	Description
6/19/2007 2:51:03 PM	Additional changes for the Case Information and Case Base panels: Case Information panel • Remove Income Amount Case Base panel • Remove or Hide Income Amount (Default the value to zero when Adding a new Case) • Remove or Hide Number of Adults (Default the value to zero when Adding a new Case) • Remove or Hide Number of Children (Default the value to zero when Adding a new Case) • Make Source Code Read-only (Default to ONL when Modifying or Adding a new Case)

iTRACE is valuable in managing the COs, which are grouped by system area.

In the preceding exhibit, the Change Order Release section provides the broader picture of the system development release that this specific CO will be a part of. A large application development effort such as an MMIS needs this level of overall system impacts to provide context to each individual CO development and release for testing to be successful.

The Change Order Clarification section is where notes between EDS and State stakeholders are entered and maintained. This feature of the tool and development work pattern solves the problem of meeting decisions being lost in handwritten notes or status reports, and directly enables long-term tracking of important information for each requirement and CO.

iTRACE will become the cornerstone of EDS' change management system that guides business improvement initiatives. The EDS solution will couple iTRACE with industry-standard methodologies, such as SLC 3 and extensive Medicaid experience. The State will receive a proven, standards-based, Web-enabled change management solution that supports system modifications and change management activities. Along with reporting and tracking software, iTRACE will provide meaningful project metrics, giving the State insight into the project's status at each project phase.

In addition to system changes, EDS also will use structured processes to maintain version control of documentation and user manuals.

iTRACE also will allow authorized State and EDS personnel to easily review requested system changes, the status of these change requests, and any notes relating to the implementation of these changes.

Additionally, the State can easily create reports for review using the information retained in iTRACE. For example, using reports provided by iTRACE, the State and EDS can easily identify the number of new change requests to bring to the CCB before the meeting.

SLC 3 Methodology

EDS' Systems Life Cycle, Version 3 (SLC 3) methodology is a critical element of our change management approach. SLC 3 is a systems engineering methodology that evolved from EDS' collective systems engineering experience, industry insight, and development approaches recommended by the Software Engineering Institute (SEI). SLC 3 integrates with SEI's Capability Maturity Model Integration (CMMI) framework by supporting the CMMI key process areas at the detail level.

The SLC 3 methodology supports the State's unique needs and deliverables. SLC 3 applies technology to develop solutions that will meet North Carolina's changing business needs. We will deliver value by providing a strong combination of engineering discipline and flexibility. The methodology also supports maintenance, minor enhancement, development, systems integration,

and other work. It offers the flexibility to support systems engineering on various platforms and tools.

SLC 3 consists of the following six-phase spiral approach that blends planned iteration with management control:

- **Define—**Identify the business need and determine high-level requirements
- **Analyze—**Refine high-level requirements into detailed business requirements
- **Design—**Build design specifications
- **Produce—**Translate designs into executable components to satisfy the business need
- **Optimize—**Verify that the produced system is ready to implement
- **Implement—**Install the produced system

The first four phases will be repeated as a group to produce intermediate results for the State's verification, approval, and validation. This phased repetition, or iteration, helps focus on different areas and requirement levels as the system evolves.

This standardized approach will be a primary methodology for change management, as it will be with the Replacement MMIS implementation and ongoing operations. For more detail on SLC 3, please refer to proposal section 50.2.4.1.2 Software Development and Systems Engineering Methodology.

Configuration Management

Configuration management focuses on the rigorous control of the managerial and technical aspects of work products including the system, documentation, processes, and software. We will plan for configuration management in the early stages of the project by defining standards and requirements to be applied to projects and by involving the State to gain your concurrence.

Configuration Management Process

Our configuration management process incorporates the following activities:

- Identifying the configuration of selected work products that compose the baselines at given points in time
- Controlling changes to configuration items
- Building or providing specifications to build work products from the configuration management system
- Maintaining the integrity of baselines

- Providing accurate status and current configuration data to developers, users, and the State

Our configuration management procedures are standardized to verify that management of Replacement MMIS software and other work products are addressed in a common, comprehensive, and verifiable manner. We will implement configuration management procedures so that products developed are consistent, complete, and compliant with RFP contractual requirements, HIPAA security standards, and the State's security policies. Our planning efforts will define configuration management responsibilities, tools, and procedures that will be used during the life cycle of projects in support of the Replacement MMIS.

As described above, we propose establishing a CCB jointly with the State. The CCB will provide objective review and concurrence across stakeholder populations. The CCB will be responsible for making sure that changes to the Replacement MMIS occur only after they have been reviewed, estimated, and approved.

Configuration Management Tools

EDS' approach to configuration management focuses on effectively using tools and processes to control and facilitate change, verifying that we meet version control and change control requirements as follows:

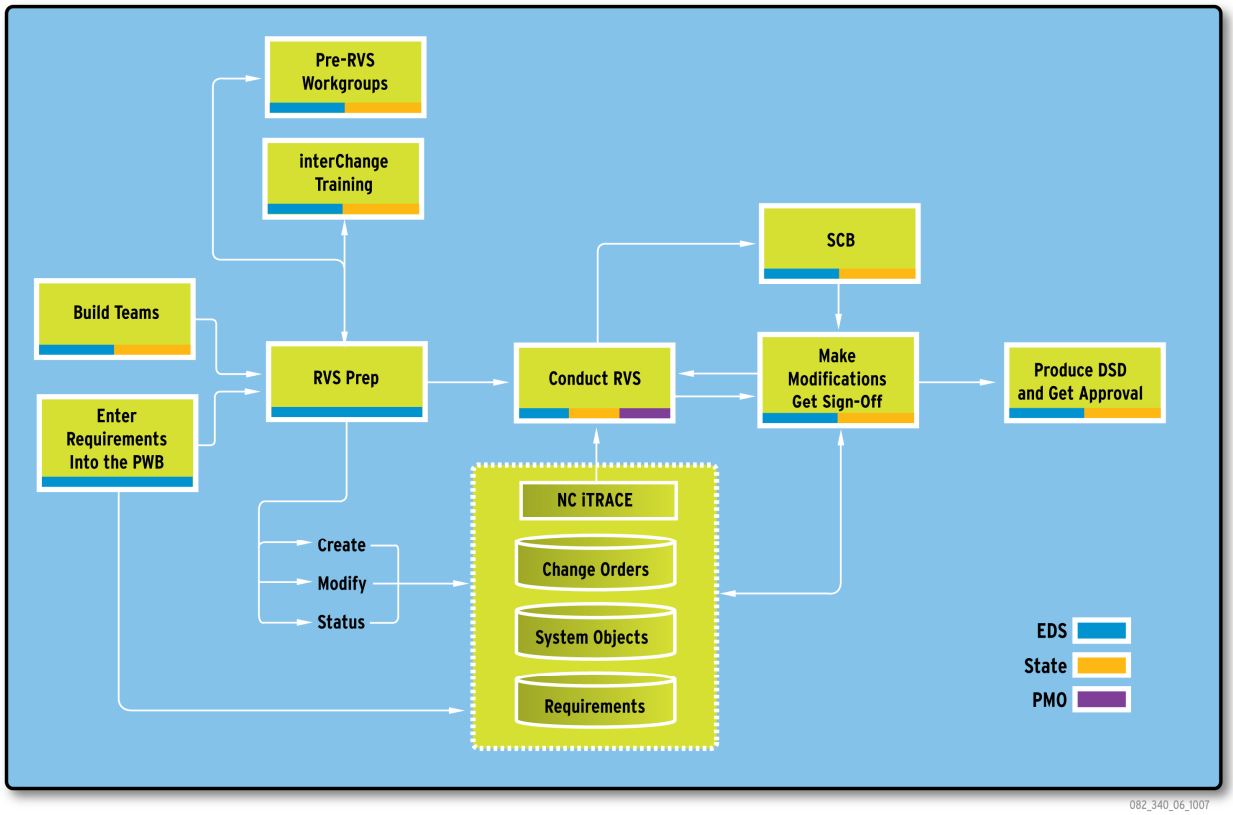
- Software version control
- Hardware and off-the-shelf software version control
- Document and user manual version control
- Change management processes

Change management processes govern the following aspects of potential change:

- In-scope COs generated as part of the system development and maintenance processes
- Potential out-of-scope COs that constitute additional work effort above and beyond the original requirements

In-scope and out-of-scope COs can be generated as part of the requirements validation and verification process. If a change is deemed necessary to accommodate a requirement, the CO will be initiated. The following exhibit, Requirements Verification Process, depicts the decision and change management process during requirements verification sessions.

Requirements Verification Process



If a change is deemed necessary to accommodate a requirement, a CO will be initiated.

After these changes are identified, they are entered into the iTRACE tool to begin their software life cycle. These changes can be identified as either in-scope or potentially out-of-scope. If the change is in scope, it will follow a traditional development and testing process with multiple checkpoints, including the following:

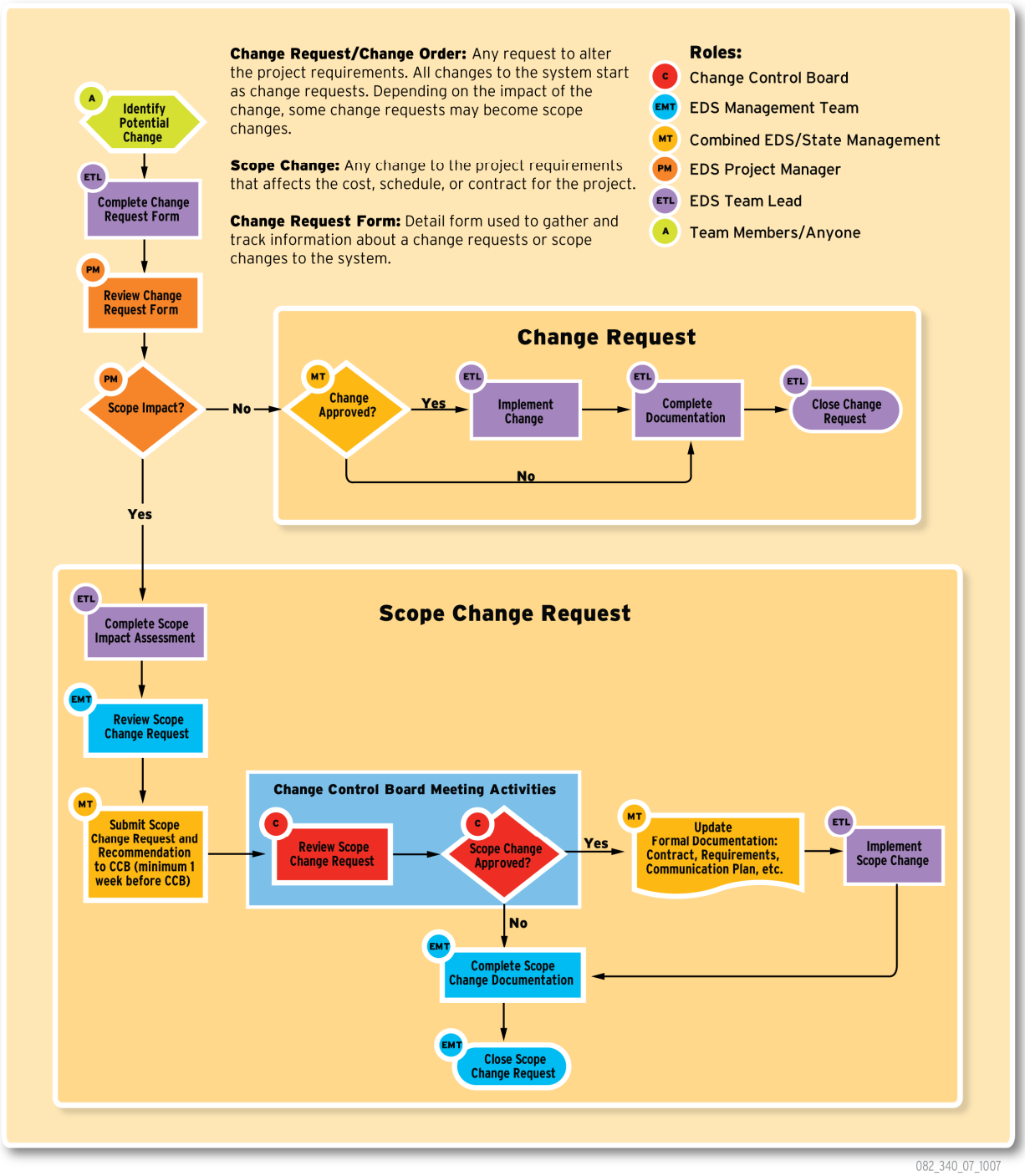
- Initial development and collaboration with the user
- Unit testing by the developer
- Code walkthroughs
- Promotion to model office
- User testing in the model office environment
- Approval of the system test results
- Promotion to user acceptance testing (UAT)
- Testing and approval by the client
- Promotion to production

These change management steps constitute some of the control mechanisms in place for in-scope changes to the system.

As shown in the following exhibit, Scope-Control Process, if a change is identified as a potential increase in scope or a change in requirements, the CO is

processed through the CCB to reach consensus on the in-scope or out-of-scope decision and whether it will be approved if out of scope.

Scope-Control Process



Scope-control processes serve to manage change in a methodical, proven approach to keep the implementation on target with regard to time and resources.

The ability to easily track and control change is embedded in the interChange design. The flexible table-driven, modular architecture of the system allows us to implement change faster and more easily than is possible with a conventional mainframe system. We will rely on a variety of tools and processes to record, define, and analyze Replacement MMIS changes.

After a change is approved for development and implementation, it will be subjected to the same stringent implementation and configuration management process as the components of the original implementation. Besides using tools that control system changes, EDS will record changes using a variety of processes to maintain version control of documentation and user manuals.

EDS will provide the State's MMIS configuration manager with online access to our browser-based iTRACE. This will provide the State the benefit of being able to independently monitor EDS' progress toward implementing changes.

We will use a combination of the EDS-developed Version Control (vctl) system, Visual SourceSafe for the .NET version control, Project InVision Version 4 (PIV-4) for tracking hours, ERwin/ModelMart, and our SLC 3 methodology to control software development.

The vctl is a versioning, issue management, and configuration-build tool that EDS uses to manage software versions and manage access to code to prevent code overwrites and lost changes. EDS will use this tool to manage software development, including check-in and check-out processes.

Visual SourceSafe is the version control tool for the interChange .NET software. Visual SourceSafe will provide an extensive feature set designed for reliable source code control. It will enable development teams to automatically protect and track the .NET source code as it changes throughout the software life cycle.

ERwin is a database design tool for client/server development used by EDS to create and maintain relational databases on a physical and logical level. Combining ERwin with ModelMart (an add-on repository tool) produces a sophisticated model management system that provides multi-user access. This combination will provide an environment for versioning and archiving of model changes as well as a method for users to lock the model while changes are made, effectively creating a check-in and check-out environment. Additionally, an audit trail will be generated within the archiving process.

ERwin uses a Windows-based graphical user interface (GUI) combined with powerful entity-relationship diagramming tools and custom editors to define database objects such as tables, indexes, triggers, and views. The features within ERwin will provide the capability to easily create and maintain relational databases on a physical level and a logical level. ERwin and ModelMart will combine to provide a change management system for data modeling, allowing for versioning and archiving of model changes.

We will use our SLC 3 methodology as the structured business process around which these tools will be used. The SLC 3 framework can be customized according to the project, environment, or tool set. We will document and follow repeatable processes so the project is effectively planned, managed, and monitored.

The processes will be documented, monitored, and reported through iTRACE. Through this collaboration tool, the system life cycle will come to life and provide control of every phase of the design, coding, testing, and implementation of changes. As a quality assurance approach for code migration, authority to promote code will be restricted, providing a gatekeeper for code validation and promotion to each level.

Organizational structure will assist in controlling system development and maintenance. For example, developers must review their changes with a set of their peers. As they identify issues, such as a standard that was not followed, a syntax error, or a more efficient solution, the issues will be documented. The developer must resolve those issues before progressing to the next phase. If the process is circumvented, system security or software configuration management permission will prohibit the software from progressing from one environment to another.

EDS will deploy the following testing of changes as they flow through the development process:

- **Unit test—**The unit test will allow for single components to be tested on a stand-alone entity. Unit testing will verify that a single component is resilient and will function correctly. The unit test environment will be configured similarly to the production environment so that the systems engineer can verify that modifications will function according to specifications and that the system can query, modify, edit data, calculate, and handle errors appropriately and without failure. Promotion from unit test to model office test will occur after a thorough unit test is confirmed successful and the technical leadership grants approval to promote the change to model office testing.
- **Model office test/system test—**The model office/system test will allow different but interconnected systems and functional areas to be tested together in an integrated fashion. The Analysis and Test team will comprised of business analysts and professional testers who use proven work patterns and processes to identify and develop test cases, set up test data, execute test cases, and thoroughly document test results. The team is highly skilled at using the tool suite available in iTRACE and Mercury's Quality Center and EDS Global Testing Organization (GTO)testing practices and methodologies. Only after the tester has signed off and the technical staff has granted approval can the change be promoted to the next level, Integration System Test.

- **System integration testing (SIT)—**SIT will allow the Testing team to validate that all interfaces, both into and out of the application, are functioning properly. This testing must be coordinated early in the project, since it requires alignment of data and application test availability with all interfacing systems and organizations.
- **UAT—**UAT will give State personnel the opportunity to create and run their own test cases to jointly verify with EDS that the system changes are functioning as expected and that they meet the design requirements.
- **Parallel test—**Parallel testing involves performing claim regression testing.

Our software development management process will combine the business processes, procedures, tools, and organizational structure described previously into a single integrated process.

Improved Current Operations

Our proposed change and configuration management solution will address the needs of the RFP and bring extra value to the Replacement MMIS. The following are some of the additional benefits the State will realize:

- **Time and cost savings—**Because iTRACE offers a repository of current, easily accessible documentation, many EDS clients have eliminated the need to produce paper copies of documentation, which is a time-saving and cost-effective approach that the State can benefit from.
- **Proven success—**In a recent review of MMIS implementations, Gartner singled out the use of iTRACE as a key differentiator in requirements capture, analysis, validation, and tracking. Currently, the Oklahoma, Kansas, Pennsylvania, Tennessee, and Kentucky interChange MMIS teams use iTRACE, and EDS is implementing it in Oregon, Massachusetts, Wisconsin, Florida, Connecticut, and Alabama. iTRACE quickly gained strong acceptance from the users in the implemented states because of its prompt delivery, ease of use, iterative development process, and availability of information to project participants. This central repository provides consistency in documents because we derive documentation procedures maintained within the repository. iTRACE will bring these same advantages to the State from the beginning of implementation and throughout the years of the contract. In fact, the requirements that were listed in the RFP have already been entered into iTRACE and were used to document the gap analysis work done.
- **Increased clarity—**iTRACE will allow for requirements traceability. The information involving system changes can be tied back to the original requirements and policies in iTRACE, as well as to the test cases used to

verify the accuracy of the change. Having easy access to this data will increase efficiency in testing and reporting testing results.

- **Greater user control**—interChange allows the State to make many changes through convenient Web portals, eliminating the need to involve programmers, drastically decreasing time to market and at a substantial cost savings over existing technologies and methodologies.
- **Manageability—**The interChange system allows the State to manage change across a larger enterprise. A coordinated change to one, unified system will now benefit not only DMA and DMH, but also DPH and ORHCC. The State will gain efficiencies and will realize costs savings in reduced person-hours.

The features of the Replacement MMIS and the open and collaborative nature of iTRACE will translate to real benefits for the State in terms of cost, timeliness, and quality of delivery.

Reduced Risk Through Managed Change

The change management processes and tools described in this section have been developed to support the special needs of large-scale Medicaid implementations and operations. They are proven to work and are currently supporting interChange implementations in seven states and interChange operations in five states. This proven approach to managing change is one of the many methods we bring to the State for reducing risk and enabling the success of the Replacement MMIS.

50.2.6 Section F—Operations Management Approach

RFP Reference: 50.2.6 Section F—Operations Management Approach, Pages 279-280; 10.12.1 Operations Management, Pages 13-15

To provide the North Carolina Department of Health and Human Services (the State) with responsive, high-quality services, the EDS team is taking an approach to operations management that will transform the organizational workflow and the way work is performed in every branch of the operations. Our approach to operations management is based on the following essentials:

- Efficiently operating, maintaining, modifying, and enhancing the Replacement MMIS to support and manage the programs of the State's Division of Medical Assistance (DMA), Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (DMH), Division of Public Health (DPH), and the Migrant Health Program in the Office of Rural Health and Community Care (ORHCC); the provider and recipient communities; other stakeholders; and future State divisions
- Meeting the State's operational performance standards with our experienced staff
- Delivering a true multi-payer system to the State
- Continually collaborating with the State, using EDS' local subject-matter experts (SMEs) who bring the expertise to assist with the State's healthcare initiatives

- Expanding our presence in the current Raleigh facility on Wycliff Road with the additional staff required to support DPH and ORHCC
- Moving toward a paperless environment using the interChange provider and recipient Web portals, Automated Voice Response System (AVRS) for provider and recipient inquiries, Electronic Document Management System (EDMS) and EMC | Documentum repository, iTRACE (our interChange documentation repository), online computer-based training (CBT), Web-based training (WBT), and much more

For delivery service excellence, EDS will provide account leadership and technical and operational support staff members who are fully trained in interChange and who bring many years of experience with the North Carolina Medicaid Program. This interChange knowledge and our North Carolina experience make us uniquely qualified to carry forward the fiscal agent role with the Replacement MMIS and support two additional divisions (DPH and ORHCC) beyond today's current scope of work supporting DMA and DMH. Our team is excited about expanding the current knowledge to include two more programs and to provide the support necessary for DPH and ORHCC as well as DMA and DMH.

DMA, DMH, DPH, and ORHCC will have direct access to an online performance-based report card and dashboard, which will allow the State to evaluate how EDS is performing against established performance metrics. Additionally, the iTRACE tool will allow the State to review progress on customer service requests (CSRs) and projects and also provide online access to operational tools such as reference manuals. Direct access to this information allows State personnel to monitor and respond rapidly, without having to rely on others for data.

The EDS operations management approach brings the following benefits to the State:

- Reliable service to State stakeholders, providers, and recipients as a result of the proven, strong operations capabilities of the nation's leading Medicaid claims processor, EDS
- Effective coordination and communication with DMA, DMH, DPH, and ORHCC
- Improved operational efficiency in service delivery as a result of the implementation of interChange and proven processes, procedures, and people
- Enhanced ability to analyze the impact of potential and actual programmatic changes

These benefits support our overall objective: to provide the State, providers, recipients, and other stakeholders with outstanding service.

This section describes the key elements of our approach to managing the fiscal agent operations and demonstrates that our strategy will enable the fulfillment of the operations management requirements. It also reflects the operations management plan. As shown in technical proposal section 50.2.7 Section G—Contract Data Requirements List, the proposed first submission date for the operations management plan is October 31, 2008.

Strategic Plan for Operations

The task of planning and managing the new operation has already begun. Account Manager Melissa Robinson and her team in Raleigh met throughout the proposal development process to discuss the new operation and how it will be affected by the enhanced capabilities of the Replacement MMIS and by the expanded scope of DPH and ORHCC.

Melissa and her team have identified business locations, named staff members to support the State's operations, determined the organizational structure, and begun planning and developing the new processes required to support the Replacement MMIS and meet operational performance metrics. This is not a strategy to maintain status quo, but a strategy to transform the operation by taking advantage of the our proven technology, interChange, and, with our experienced staff, deliver each day on the performance metrics necessary to meet the needs of the State. Simultaneously, this proven technology will provide the State and provider and recipient communities new methods of accessing critical program information, submitting claims, and obtaining pertinent claim results and other medical processing data.

Other aspects of our operations management approach can be found in the following additional sections of our proposal:

- **50.2.4.2.1 Proposed Solution for Operations—**This section provides individual responses to all Section 40 Operations requirements: General Operations Requirements, Operational Requirements for all 13 business areas/subsystems, and Operational Performance Standards for all 13 business areas/subsystems. We also have provided in this section performance metrics for each branch of the operations.
- **50.2.5 Section E—Project Management Plan—**This section describes EDS' best practices in managing large-scale projects of the size and complexity of the Replacement MMIS fiscal agent operation.
- **50.2.5.4.2 Staffing Approach—Operations—**This section describes the project organization that will perform the work and provide excellent service to the State every day of the contract.

Taken as a whole, these operations sections (including this Section F—Operations Management Approach) tell how EDS will fulfill the primary operational requirements described in Section 40 of the RFP. **Additionally, the**

experienced personnel and proven technology described throughout these sections are strong indicators of reduced risk. Our offering—people, technology, and processes—is proven to work for similar large-scale Medicaid programs and within the North Carolina Medicaid environment.

New Location

We are consolidating our operations in an established EDS site, which is just a few blocks away from the current Waters Edge Drive address. The site is located less than 10 miles from the State's facilities, well within the RFP requirement of 15 miles. This will allow for more efficient use of time for meetings and training activities conducted at either site. The new location is equipped with multiple meeting rooms and a training facility, as well as office space for State personnel. For the new contract, the primary site for EDS' fiscal agent business operations and staff will be centrally located at the following secure facility:

2610 Wycliff Road, Suite 401
Raleigh, NC 27607

The Wycliff Road building is conveniently located one block west off the Lake Boone Trail Exit of Interstate 440. All Replacement MMIS data center and operations support for the new contract will be supported from this new office.

Program Operations: A Tour of Your New Fiscal Agent Operations

The Operations Phase will begin following the final delivery of the Replacement MMIS and continue throughout the life of the contract. The Replacement MMIS will bring improvements and efficiencies to every branch of the operation and stakeholders: DMA, DMH, DPH, ORHCC, State vendors and interfaces, providers, and recipients. The EDS team, supported by the Replacement MMIS, will meet the operational performance standards and metrics in each branch of the organization. Collectively, the EDS team and our solution will position the State for the future. The State's evolving healthcare program needs (such as State waiver programs and additional payers such as State Employees Health Care Plan) can be supported through augmentation and expansion of the interChange solution and EDS' Operations team.

To provide a stronger picture of the new Operations Phase, we discuss the charter, processes, and improvements to legacy system operations within each branch of the operation:

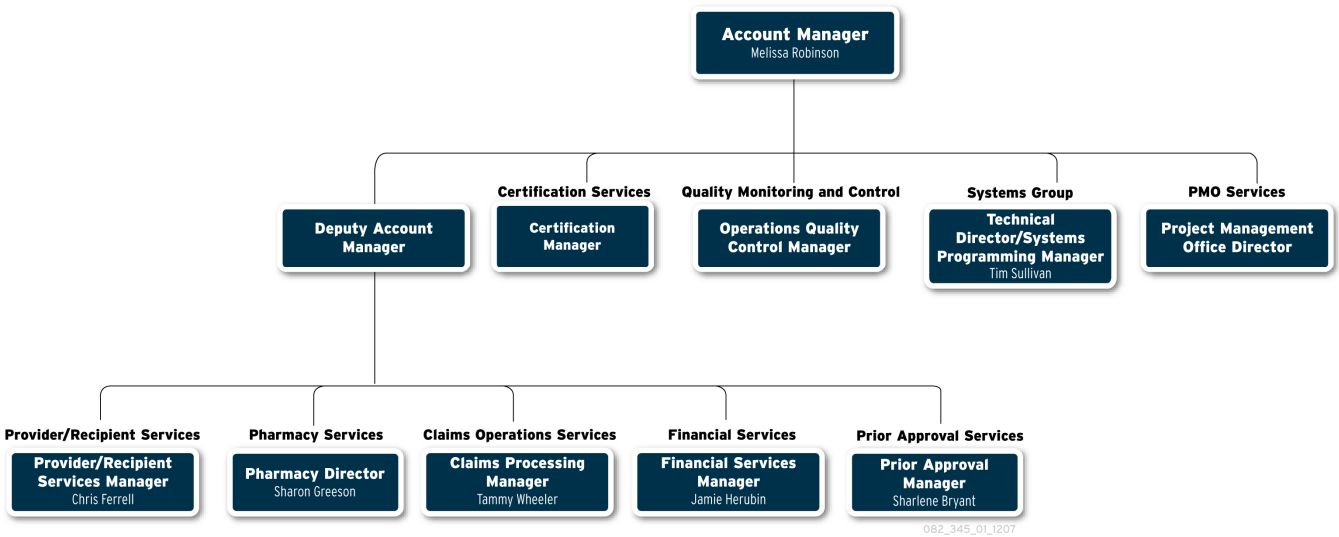
- Operations Management Function
- Provider/Recipient Services
- Claims Management Services
- Prior Approval Services

- Pharmacy Services
- Financial Services
- Systems Group

The project organization's leadership team is responsible for operations management. This leadership team is summarized in the following exhibit, Operations Management Team.

For more details on the Operations Phase, please refer to our response to RFP sections 50.2.4.2.1 Proposed Solution for Operations and 50.2.5.4.2 Staffing Approach—Operations.

Operations Management Team



Melissa Robinson and her leadership team, including the Project Management Office, will be responsible for ongoing operations management, providing the guidance needed to consistently meet operational performance metrics.

Operations Management Function

Charter

Operations management will guide the daily work performed by the fiscal agent staff in the Operations Phase. Operations management will be performed primarily by Account Manager Melissa Robinson, the deputy account manager, the department managers, and the Project Management Office (PMO) director.

This leadership team will work with the fiscal agent staff to make sure the fiscal agent activities are being performed accurately and promptly. Operations management will verify that each task performed within each of the departments of the operations organization is accurate and on time while also meeting operational performance standards and metrics, enhancement and modification projects are on schedule and meet the State's objectives, and the Replacement MMIS is performing accurately and meeting requirements for timely processing and uptime.

Melissa Robinson Qualifications:

- 14 years of North Carolina leadership experience
- Deputy account manager, overseeing all operational units
- Key player in the development of the multi-payer Legacy MMIS+
- Project manager on recent critical enhancements

Processes

Operations management and quality assurance (QA) work together to validate accurate, dependable service. Communication throughout the organization and training are key elements of operations management. The primary processes performed by operations management are described in the following subsections.

CMS Certification

The critical process in the first year of operations will be the Replacement MMIS' certification by CMS. EDS is familiar with the certification process and the services provided by the fiscal agent in support of this critical event. Four of the five current interChange installations have been through CMS certification (and passed the test easily), and all other MMISs being operated by EDS are CMS-certified. Account Manager Melissa Robinson will appoint a certification manager, who will report directly to Melissa. The certification manager will work with account personnel to provide any data or reports required to support certification.

Leaders Who Enforce Operations Requirements

Department managers (such as Provider/Recipient Relations Manager Chris Ferrell or Claims Operations Manager Tammy Wheeler) will know and understand the contractual requirements for performance of the functions for which they are responsible, the associated operations performance standards, and the interChange functions and other relevant aspects of the EDS solution their teams will use to perform the work.

Leaders Who Embrace Training and Mentoring

Through training, supervision, and follow-up, the department managers will make sure their respective teams understand the requirements and are using this training to correctly perform their tasks.

Weekly Leadership Meetings

Account Manager Melissa Robinson will meet with the leadership team (deputy account manager, department managers, and PMO director) each week to review performance in each of the departments, progress on enhancements and modifications, and any required corrective action plans.

Trained Project Managers for All Projects

Project managers will lead all enhancement and modification projects, not just the major projects.

Independent, Account-Wide QA

The PMO will be responsible for account-wide QA in daily operations and the progress of enhancements and modifications. The PMO director will report directly to Account Manager Melissa Robinson for support from EDS management for modifications to operating procedures that will provide continual operational improvement and maximize the Replacement MMIS operations service levels.

Annual SAS-70 Audit

Annually, EDS will contract with an independent qualified audit firm to perform a Statement on Auditing Standards (SAS) 70 audit of the Replacement MMIS. We will provide information and facilities that are needed for the external auditor to complete the audit and issue a SAS 70 Type 2 report, which will be provided to the State as needed.

Enhanced Service

The Operations Phase will provide new approaches to operations and project management that will provide stronger oversight, follow-up, and accountability than on the current fiscal agent account.

The PMO is one of the most notable improvements in operations management. It does not exist in the Legacy MMIS+ operations organization and is being implemented to serve the DDI Phase first, and then the many tasks and responsibilities of the Operations Phase. In the new organization, the PMO will centralize and manage the account's many QA functions, including the following:

- The PMO will monitor the work performed within each of the departments to verify conformance with operational performance

standards and, when needed, recommend retraining and other corrective actions.

- The enhancement/modification project managers will report to the PMO director, who will monitor the progress of the enhancement or modification.
- Coordination and communication among projects, made possible by this centralization within the PMO, will improve the quality of the work performed.
- The monitoring performed by the PMO director and reported to Account Manager Melissa Robinson will communicate concerns directly to the highest levels of the organization.

The addition of project managers for each project is another major improvement over Legacy MMIS+ operations, where only the major projects receive their own project managers and less visible or critical projects might be managed by a supervisor or team leader. In the new contract, however, all projects will be managed professionally trained project management specialists who can focus their specialized training on the scope of work defined for the enhancement or modification.

The assignment of experienced professional staff (Senior State Business Liaison Anthony Perkins, Senior Technical Analyst and SME for MMIS and Multi-Payer Mike Frost, and Senior. Technical Analyst and SME for HIPAA Stacey Barber) to required technical positions focuses their many years of experience on key aspects of the operation and design projects.

Provider/Recipient Relations Department

Charter

Provider/Recipient Relations Manager Chris Ferrell will have front-line responsibility for the successful operation of provider and recipient relations activities. His team will include many long-time, dedicated members of the Provider Relations team, including Kathy Rickard, Mario Vescio, Tonya Eaves, Brenda Boone, Marianna Diana, Kari Smith, and Suzie Pezzoni.

The EDS Provider/Recipient Relations organization manages call center functions, education, training, and communication with the programs' providers and recipients. EDS currently works with the more than 50,000 North Carolina Medicaid and Mental Health providers. To this established base of operations, we will add providers supporting DPH and ORHCC, as well as recipients and other stakeholders.

Chris Ferrell Qualifications:

- Has nine years' experience with the N.C. Provider Services team
- As travel representative and travel representative supervisor, has developed strong bonds with the State's provider community
- Developed training for call center staff and travel representatives
- Is a frequent presenter at conferences and at DMA

Processes

The Provider/Recipient Relations organization will complete its work through a combination of automated and hands-on processes. These processes will be executed in support of DMA, DMH, DPH, and ORHCC. The major processes include the following:

- Responding quickly and effectively to telephone, Web portal, and written inquiries from providers through our knowledgeable, well-trained Call Center team, led by Tomeka Evans, and using our state-of-the-art AVAYA telephone system in conjunction with documenting and tracking calls and inquiries through the Contact Tracking Management System (CTMS)
- Maintaining a provider relations field representative team, with field representatives located throughout the major regions of the State providing onsite visits and preparing and conducting provider workshops
- Performing the training functions and maintaining manuals and scripts for provider access with the Web portal and State access through iTRACE
- Establishing and maintaining a sound relationship with the provider community through visits, presentations at conferences, and interactive training
- Establishing and maintaining relationships with the critical provider associations (such as hospital and physician) and supporting them through visits, presentations at conferences, and interactive training

- Reaching out to a targeted provider segment for visits using denial reports, feedback from seminars, visits, and customer requests
- Providing call center support to the recipient and employer base regarding Certificate of Credible Coverage (COCC) inquiries
- Providing Web Portal support and AVRS access to the provider and recipient communities 24 hours a day, 7 days a week (except during minimal maintenance periods per State request)
- Continuing all tasks for provider enrollment and credentialing (required for early implementation) and transitioning from the Legacy MMIS+ processes and procedures to interChange's automated enrollment features and workflow processes for electronic submission, processing, and retention of enrollment and credentialing results

Enhanced Service

Our success with interChange implementations and operations in several other states has given us the confidence to propose this system for North Carolina. Our proven solution brings many features that will improve current operations in all aspects of provider and recipient relations. In the following subsections we describe the most prominent features of interChange and its integrated tools that will improve provider and recipient services.

Provider Web Portal

The interChange Web portal will allow providers to submit and have their claims processed in a real-time environment, as well as submit adjustments and prior approval (PA) requests in real time. In today's environment, providers (with the exception of the pharmacy community) must submit claims in batch mode or on paper and wait for the results of the checkwrite and receipt of their 835 or paper remittance status report to determine if payment or denial has occurred. The Web portal, however, will greatly increase the provider's ability to expedite adjudication of the claim or adjustment and receive payments as quickly as possible, which means improved cash flow. Providers will have access to Web-based tutorials, manuals, bulletins, alerts, and their own secure mail boxes for download of remittance advice (RA) data. This information will be immediate and at their fingertips 24 hours a day, 7 days a week.

AVRS

We provide this feature today; however, the Replacement MMIS' AVRS also will provide PA, claims, payment, drug coverage, and much more—not only to the provider community, but also to recipients through the interChange toll-free AVRS. This added recipient function will better serve recipients by providing quick access to much-needed information while alleviating some of the burden

felt by the State's recipient call centers. Specifically, the interChange AVRS provides the following:

- Toll-free access in three seconds or less to recipients and providers 24 hours a day, 7 days a week
- Online audit trails of inquiries and verification responses
- The option to switch from English to another language while accessing the AVRS through the AVRS or a touch-tone telephone keypad
- A new help option giving recipients and providers the choice of being transferred to our call center during established business hours or given secure access to a specific Web site for detailed instructions

CTMS

This tool will be available to call center staff, field staff, and the State and will provide an avenue for documentation and tracking of provider and COCC-related recipient requirements. CTMS will be invaluable for tracking provider issues and concerns and provide a detailed documentation trail readily available to Chris Ferrell and his team for reporting and communication with the State.

interChange Provider Enrollment Workflow and Other Supporting Tools

New entities seeking to become providers and active providers wishing to expand services will be able to submit enrollment applications online through the Web portal and send the necessary follow-up paperwork to the EDS Provider Enrollment team. EDS' team will use the online application tool, interChange's provider enrollment workflow processes, and the scanning solution (EDMS) to track, process, and report to completion each submitted enrollment application. Additionally, EDS and the State will use the Documentum reporting function to access this information in process as well as the final results of credentialing and enrollment. Documentum will provide electronic retention and reference to critical provider enrollment and credential documentation.

Operations/Claims Management Department

Charter

Operations/Claims Processing Manager Tammy Wheeler will have front-line responsibility for the successful operation of operations and claims management activities. Her team will include many long-time, dedicated members of the Claims Operations team, including Kathy Stewart, Joy Clark, Martha Harris, Shirley Stearns, Leann Bartolotti, Glenda Raynor, Alan Martin, and Dwight McLamb.

Tammy Wheeler Qualifications:

- 28 years of North Carolina healthcare experience
- Broad base of experience in claims, provider services, and systems
- Steady progression with more responsible leadership positions

The operations management – claims business process provides for the capture, control, editing and auditing of claims and encounter data from initial receipt to final disposition. EDS' professional staff includes medical and dental directors, nurses, analysts, and clerical staff. They will execute these processes according to the established State-approved procedures in conjunction with the automated interChange function supporting the receipt of claims, scanning of related documents, workflow for claims, encounter and adjustment adjudication, reference updates, modifications, and maintenance. The claims staff also will respond to calls from providers regarding electronic data interchange (EDI) questions and setup for providers using automated tools. Besides the EDS team and interChange technical solution, our subcontractor SunGard will receive the scanned documents and provide the optical character recognition (OCR), quality review of OCR data, and key-from-image services needed to capture the data and transmit it to interChange for processing. Their services and the EDS team will provide the most efficient and effective claims operations for DMA, DMH, DPH, and ORHCC.

Processes

The Operations/Claims Management team will complete its work through a combination of automated and manual processes. The major processes include the following:

- Receive physical documents through the mail room, such as paper claims, adjustments, PA requests, provider enrollment, and provider inquiries
- Scan and data-capture paper documents through SunGard's OCR technology to greatly reduce key-from-image requirements and decrease the time from receipt to entry of paper documents
- Review and resolve suspended claims using interChange panels that provide an inherent workflow process and support an efficient and effective process for final adjudication using the State's established claims resolution policy

- Review and process provider and mass adjustments to final adjudication using the State's established adjustment resolution policy
- Support the State's clinical policy departments with our experienced staff to assist in research requests and recommendations for claims processing modifications
- Update, maintain, and enhance reference file data and processes to adjudicate claims in the most efficient manner according to State clinical and pricing policy
- Manage the EDI function that allows providers to submit electronic transactions directly to the Replacement MMIS
- Assist providers with questions and concerns using the experienced EDI help desk supervised by Alan Martin
- Obtain provider trading partner agreements; for any new providers, billing entities, or value added networks (VANs), fully test and obtain State approval to move them to production for submission of EDI transactions

Enhanced Service

The critical area of claims processing encompasses EDI, mail room/data capture, medical policy, and reference responsibilities. The new technology and solutions we are proposing will bring improvements in these claims-related functions. In the following subsections, we list the technology and processes benefiting from interChange.

Claims Submission (EDI and Mail Room/Data Capture)

SunGard's document scanning software offers the most accurate and reliable OCR technology for the capture of paper claims data and conversion to an electronic format for transmission to the Replacement MMIS. The proposed OCR technology will increase quality and decrease the time required to get a paper claim into interChange for adjudication.

In today's environment, 97 percent of claims are submitted in some form of electronic transaction, but in batch mode. This means that providers have no opportunity to correct and resubmit problem claims until they read the error messages on their next RAs. The interChange MMIS, however, provides a real-time adjudication environment for claims submission and interactive responses, whether the claims are submitted through the Web portal or in batches. This interactive environment allows providers to correct and resubmit claims within seconds of their submission. This interactive feature will greatly assist the provider community in obtaining claim adjudication information and the time frames for payments. Better cash flow and a greater ability to support the recipient community are added benefits.

After transactions have been captured and adjudicated, the data can be accessed through online interChange Web panels. The Documentum solution will offer direct access to scanned images of claims and adjustments for reference in correspondence to interChange claims and adjustment adjudication data.

Medical Policy Workflow (Claims Suspension Processes)

A workflow process is inherent within interChange. The interChange panels will provide for efficient and effective routing of suspended claims. The workflow processes within interChange bring the following capabilities:

- The system can automatically assign claims to staff based on specialty, workload, category of service, claim type, and error code as defined by the State's business rules.
- Medical Policy and Adjustment staff members will apply data corrections directly through interChange panels, thereby decreasing manual effort and the time line to final adjudication.
- State-designated staff will have access to the workflow process and related claims data. Exceptional claims requiring State review can be routed through interChange to the appropriate staff by workflow process.
- interChange provides the ability to modify the workflow/routing criteria and suspended claim locations online by an authorized user, providing the operational management team the ability to effectively manage the resolution of suspended claims and adjustments.

Table Updates for Accurate Claims Processing

EDS users can quickly and easily change business rules and update tables that immediately affect the claims adjudication process. This critical area is a driving force behind accurate claims adjudication rules. Highlights of the enhanced services include the following:

- Reference file updates will include a reference file number that will be used to link to the State memo initiating the change.
- The reference updates or enhancements supporting the change, add, or delete will be documented, stored, and retained in the iTRACE document repository.
- iTRACE will provide the State and EDS this reference data in an online tool.
- From point of receipt to entry in the system, interChange can retain the required reference data elements and maintain a clear audit trail for use by EDS and the State when researching or monitoring a claim through the adjudication process.

Prior Approval Operations

Charter

Prior Approval Manager Sharlene Bryant will have front-line responsibility for the successful operation of PA activities. Her team will include many long-time, dedicated members of the Provider Relations team, including Ellen Mundt and Tammy Freeman.

Sharlene Bryant Qualifications:

- 23 years of technical support for EDS' federal and state healthcare clients
- 13 years with our Medicaid projects, mostly in North Carolina
- Currently the PA manager

The function of the PA Operations team is to verify that State recipients receive timely authorizations for medically necessary, appropriate, and cost-effective services. EDS currently processes, reviews, and determines the appropriate outcome for PA requests, and we will bring this expertise to the new contract. The Replacement MMIS offers the latest technologies in workflow management and systematic application of processing rules to enhance EDS' ability to apply program policy. This ability allows recipients to receive timely authorizations for services while allowing the State to control expenditures. To this established base of operations, EDS staff, including medical and dental directors, physical therapists, nurses, dental hygienists, and others, will support the providers and recipients of the DMA, DMH, DPH, and ORHCC healthcare programs.

Processes

The PA organization will complete its work through a combination of established, documented, and effective automated interChange processes, with the experienced supporting staff conducting the PA medical reviews. Major processes include the following:

- Receive and process PA transactions from multiple input sources, including the Web portal and batch transmissions using standard HIPAA-compliant transactions and telephone, fax, and paper
- Use automated workflow systems configured within interChange to route, review, update, adjudicate, and track PA requests, document denials, and process overrides and amendment requests
- Use interChange panels and the integrated letter generator software tool for free-form documentation of medical review notes and research to support PA decisions
- Generate provider and recipient notification letters with combinations of fixed, variable, and free-text formats that are automatically triggered or that users can initiate through point-and-click technology

- Respond to provider requests and recipient inquiries related to PA through the EDS PA call center staff and respond to their needs according to the inquiry and State-approved criteria and protocol
- Support the State's administrative appeals process by providing supporting documentation and testimony, if needed, in support of the medical review process and PA decision

The EDS PA Operations team will continue to provide clinical expertise and a strong understanding of North Carolina healthcare policy to apply sound healthcare principles and make crucial medical necessity decisions.

Enhanced Service

interChange will bring the following service improvements to the PA process:

- Flexibility to meet the State's program changes due to healthcare and legislative reform
- Flexibility to meet the changing needs of providers and recipients and provide the following types of information through the AVRS, provider and recipient Web portals, and EDS PA call center staff:
  - Providers can obtain the available dollars and units remaining on their PA requests, which facilitates accurate claims processing.
  - Specification of beginning and end dates, provided at the detail level, will give providers the additional information they require and decrease research time.
  - Capability for online inquiry, online submission, and update access through the AVRS and the Web portal will offer providers and recipients direct access to critical data 24 hours a day, 7 days a week.
  - Providers will have access to experienced, well-trained, knowledgeable call center staff, who will respond to PA inquiries.
- Reduced administrative time through the following features:
  - interChange enables the definition, routing, and monitoring of workflow processes and work queues based on defined business criteria and limits.
  - PA, override, and referral request forms will be imaged through the EDMS and accessible 24 hours a day, 7 days a week through Documentum, which will be in sync with the PA data on the interChange Web panels.
  - Inquiries (telephone, fax, or paper) will be responded to and documented in CTMS for easy reference to history of inquiries and for resolution of new or updated inquiries.

Pharmacy Department

Charter

Pharmacy Director Sharon Greeson will have front-line responsibility for the successful operation of all pharmacy activities. Her team will include many long-time, dedicated members of the Pharmacy team, including Dora De Van and Sherrie Mellinger.

Pharmacy PA, pharmacy benefit management, and drug rebate will fall under pharmacy operations management. This will include the oversight of staff that performs call center duties for pharmacy PA, the criteria for DUR+, pharmacy benefit management (PBM) duties, and drug rebate management services for DMA, DPH, and ORHCC using the pharmacy benefit in the Replacement MMIS. EDS staff, including the pharmacy director, support pharmacists, and pharmacy technicians, will work with the more than 2,000 pharmacy Medicaid providers, pharmacy associations, and the DUR Board currently serving the Medicaid Program and will be there to support the needs of DPH and ORHCC.

Sharon Greeson Qualifications:

- 23 years of experience as a pharmacist
- 11 years in claims processing, claims operation, and drug rebate
- On the board of directors for the North Carolina Association of Pharmacists
- Supported all major pharmacy initiatives for the past 11 years, including the J code to NDC crosswalk, drug rebate interest assessment, and pharmacy-related cost avoidance edits

Processes

The Pharmacy PA, PBM, and Drug Rebate teams will complete their work through a combination of automated and manual processes. We have asked Health Information Design (HID) to provide systems and services in support of the retrospective drug utilization review (Retro-DUR). HID is a nationally known and respected provider of Retro-DUR services and is one of our major subcontractors. The major processes performed by EDS and HID include the following:

Pharmacy PA

- Pharmacy PA will be handled through an automated process using DUR+ to the extent the criteria allow.
- The call center will respond to provider requests for PA as determined by State-approved criteria and protocol.
- The call center will be staffed with clinical pharmacists and trained call center staff.
- The system will produce generated letters to recipients and providers of the status of PA requests and handle PA appeals.

- The clinical pharmacist will review new drugs that are added to a current PA class and make recommendations on criteria and protocol.

PBM

- A clinical pharmacist will oversee the POS system, edits, audits, Pro-DUR, and Retro-DUR functions and monitor coordination with the State's Community Care Program.
- The PBM team will provide oversight of the drug file review of new drugs and make recommendations for the Preferred Drug List (PDL) and the Prescription Access Litigation (PAL) project.
- The PBM team will write and consolidate articles for the monthly pharmacy newsletter.
- The PBM team will perform claims resolution for any pharmacy paper claims.
- The PBM team will prepare the CMS annual report.
- The PBM team will attend monthly meetings and prepare minutes.
- Working with HID, the PBM team will provide a Retro-DUR solution, including online access to claims data through their RxExplorer Web software.

Drug Rebate

- The Drug Rebate team will provide drug rebate functions, including electronic invoicing, handling check deposits, check disposition, dispute processing, and dispute resolution.
- The Drug Rebate team will provide drug rebate reporting, end-of-month reconciliation, and interest assessment.
- *New function*—The Drug Rebate team will scan drug rebate documentation to create a more efficient way of storing information.
- *New function*—The Replacement MMIS will provide electronic invoices, which will speed the collections of drug rebate money.

The Pharmacy Operations Management team will bring its years of experience to the new system for a smooth transition.

Enhanced Service

interChange offers efficient, real-time pharmacy claims processing and adjudication with immediate claim status information. The Pro-DUR function of interChange provides clinically significant alerts that describe the conflict, severity, and available references. Providers can contact a responsive pharmacy help desk with questions or concerns. DUR+ will provide an automated PA

function that is integrated for increased efficiencies. These efficiencies will provide enhanced support to reduce provider frustration.

Pharmacy claims data will be fed automatically to HID's Web-based RxExplorer for specialized trending analyses by its team of clinical experts, EDS, or State staff.

To increase cost-savings, the clinical pharmacist will review new products as they come on the market, paying special attention to those that are very expensive or have a high rate of misuse or abuse. They also will make recommendations for the PAL or the PDL as drugs are identified.

Our experienced Drug Rebate team will manage drug rebate and increase collections with the help of interChange, which will automate manual activities, such as calculating rebate amounts due, generating electronic invoices, and generating reports. Our team will work proactively with manufacturers to send accurate invoices, avoid disputes, and maximize drug rebate collections by supporting financial processes. The system also simplifies research tasks by placing necessary information at specialists' fingertips in user-friendly panels.

Today, providers can access the AVRS toll-free or through a local call, 24 hours a day, 7 days a week. Using the telephone keypad, the AVRS allows providers to check claim status, checkwrite information after the checkwrite cycle has run, other insurance coverage or Carolina ACCESS, drug coverage, procedure code pricing information, PA, and eligibility verification.

For the Replacement MMIS, however, the AVRS will be better than ever. The AVRS will provide toll-free access in three seconds or less to recipients and providers 24 hours a day, 7 days a week (unless undergoing maintenance), with online audit trails of inquiries and verification responses made. Callers can switch from English to another language while accessing the AVRS through Interactive Voice Response or a touch-tone telephone keypad. The new help option will allow recipients and providers to choose to be transferred to the fiscal agent call center during regular business hours or directed to a specific Web site for detailed instructions.

The user-friendly system can be accessed by providers using the Legacy MMIS+ provider identification number or the National Provider Identifier (NPI). Providers can access real-time claim, PA, and eligibility information and more. Recipients can access recipient eligibility and enrollment information.

Financial Services

Charter

Financial Services Manager Jamie Herubin will have front-line responsibility for the successful operation of financial services activities. His Financial Services team will include many long-time, dedicated members of the Financial team, including Cathy Watts, Winnie Eden, Rosemary Brockington, and Ysensia Orsenio.

The financial management and accounting organization will manage and perform financial activities that impact providers and DMA, DMH, DPH, and ORHCC, as well as other stakeholders such as DHHS' Controller's Office. The unit will work closely with these stakeholders to achieve required business objectives and communicate appropriately. Financial Services will manage cash applications, accountant analysts, recipient premiums, buy-in, and third-party liability (TPL). Additionally, a dedicated financial business analyst will support the unit's operations. Members of the Financial Services team also will work closely with other branches of North Carolina State government, such as the State's Budget, Program Integrity, and Controller's offices and supporting State vendors, such as Health Management Systems (HMS).

Jamie Herubin Qualifications:

- Seven years of business analysis and financial operations experience in support of federal and state technology systems
- Currently, the IPRS operations manager
- Area of specialization: the IPRS system's financial modules

Processes

The Financial Management and Accounting organization will complete its daily work efforts through automated tools available in interChange, augmented by manual processes whenever necessary. The major processes are described in the following subsections.

Accountant Analysts

- Support each checkwrite processing with the front-end and back-end entry, reconciliation, and reporting requirements necessary to issue provider payments according to the State checkwrite schedule
- Issue provider checkwrite payments for DMA, DMH, DPH, and ORHCC through electronic funds transfer (EFT) or check if requested and generate the remittance and status reports for the providers
- Support month-end, quarterly, and annual financial processes such as reconciliations of program expenditure reporting and financial participation reporting
- Work closely with the State to make sure checkwrite funding is in place and disbursed promptly and is accounted for, reconciled, and reported to the State in monthly financial statements

- Handle all tax-related activities such as provision of 1099 data, IRS-required reporting, corrected 1099 requirements and reporting, CP2100 notice requirements, and backup withhold requirements
- Process and track activity regarding requests for withholdings, recoupments, and advances
- Process and track liens, levies, and garnishments from government agencies, issuing funds as required or appropriate
- Assist in researching finance-specific issues as needed by the State, providers, and departments within EDS

Cash Applications

- Receive provider refund receipts and process through bank lockboxes
- Process provider refunds for overpayments, following up with the provider according to procedures if additional information is required for posting of received refunds
- Research and process returned healthcare program payments when the issued payment is returned by the provider or U.S. Post Office

Recipient Premiums

- Receive and process through bank lockboxes and post recipient premium payments to interChange Web panels
- Issue recipient refunds as required

Buy-In

- Respond to State requests regarding buy-in of Medicaid-eligible recipients
- Process CMS Part A and Part B Medicare files monthly
- Report and reconcile monthly outputs and provide data as required to the State

TPL

- Process DPH/ORHCC-related TPL recoveries/collections, including receipt and disposition of funds divided out in multiple bullets
- Provide claims data from DMA TPL support vendors, such as HMS, as required to support these State TPL collection activities

Enhanced Service

The Replacement MMIS will use current technology to handle the financial activities required. The EDS Financial Services team, along with DMA, DMH,

DPH, and ORHCC, will have the following services available to support their financial activity needs:

- Today, approximately 85 percent of approved payments are sent to providers through EFT accounting. Through the provider re-enrollment process, we expect to raise this EFT rate to more than 95 percent.
- Use of Positive Pay on the issuing bank account of the provider payments will provide an additional check before authorizing payment to a provider on a check that has been identified by the banking system as fraudulent.
- Lockboxes will be used for receipt of provider or recipient funds, as well as drug rebate monies, to provide the highest level of security for funds received. Additionally, 24-hour-per-day deposits to banks mean quicker availability of funds to the State.
- interChange's online financial panels are easy to use for inquiries and updates, which is critical to the EDS Financial Services team in meeting the operational data entry requirements for refund receipts.
- Reporting features inherent with interChange and in the supporting Business Intelligence Analytical Reporting (BIAR) tool will be readily available to EDS and the State for reviewing, comparing, and analyzing healthcare program expenditure data for projections, historical reviews, and budgetary needs.
- The Replacement MMIS financial and banking data will be easily compiled to provide monthly financials to the State in a manner that assists the State in reporting to CMS and the legislature.
- The processes of the Financial Management department will be supported by the following technology:
  - EDMS for scanning and retaining financial documentation
  - Documentum for retention, viewing, and inquiry on scanned documentation and interChange reports
  - iTRACE for process and procedures for finance
  - BIAR for ad hoc financial reporting
  - CTMS for provider financial inquiries, to which the Financial team will have access for documentation of provider contacts
  - AVRS for provider access 24 hours a day, 7 days a week to claim payment and total payment information
  - Web portal for provider access 24 hours a day, 7 days a week to claim payment, claim inquiry, and remittance and status reporting through the provider's secure mailbox

Systems Group

Charter

Technical Director/Systems Programming Manager Tim Sullivan will have front-line responsibility for the successful operation of systems activities. His Systems team will include many long-time, dedicated members of the IPRS and Medicaid technical teams, including Terry Hensley, Mike Frost, Mark Oates, Jon Teitelbaum, Anthony Perkins, Stacey Barber, Gina Brown, Traci Hawkins, Marie Polyniak, Horace Macon, Bob Earl, Paul Carr, Mukesh Karmalkar, and Sandy Flores.

The Systems organization mission is to provide technological leadership in the management and distribution of information by providing excellent and cost-effective solutions and services to support the State. Some of the most important aspects of this include maintenance required for the system to continue performing within accepted tolerances, correctly processing data and accurately communicating results, making changes as authorized by the State, and maintaining the security of data and access to the system.

Tim Sullivan Qualifications:

- 17 years of experience managing and performing software engineering activities
- 11 years of experience with MMIS development and maintenance activities
- Supported all major imple-mentations, including DB2, HIPAA remediation, and the PASARR implementation
- Five years of experience as systems manager in current operation

Processes

At the heart of our operational processes is the EDS Systems Life Cycle, Version 3 (SLC 3) methodology. This software development methodology is the framework for interChange DDI, enhancement, and modification projects and is being used on our current interChange implementations. SLC 3 provides the framework (phases and tasks) and the deliverables for software design projects of all sizes and durations. Please refer to section 50.2.4.1.2 Software Development and Systems Engineering Methodology for more details on this methodology.

The Systems organization will complete its work through a combination of automated and manual processes. The major processes include the following:

- Incorporate and maintain the interfaces needed to provide the exchange of data to and from interChange with other State business partners
- Monitor system performance to verify compliance with service-level agreement (SLA) requirements and identify improvements
- Provide required systems modification and maintenance staffing, such as project managers, systems engineers, and business analysts, to work with colleagues at DMA, DMH, DPH, and ORHCC to devise innovative and

cost-effective solutions for requested or mandated changes and proactively address any concerns and expand the Replacement MMIS to meet State healthcare program needs

- Monitor and provide the support 24 hours a day, 7 days a week for production cycles and interChange components, such as Documentum, BIAR, CTMS, Letter Generator, iTRACE, Web portals, and AVRS
- Provide HIPAA privacy and subject-matter expertise and oversight for the Replacement MMIS and operations
- Provide MMIS and multi-payer subject-matter expertise along with the State business liaison to support effective communication and implementation of Replacement MMIS maintenance and modifications

Enhanced Services

The Systems team will work to configure, modify, and enhance the Replacement MMIS throughout the life of the contract to support DMA, DMH, DPH, and ORHCC and provide the flexible, multi-payer platform for future State healthcare program technical needs. interChange technology and processes will bring the following improvements to current operations:

- Automated, flexible, parameter-driven capabilities that reduce maintenance and enhancement efforts will reduce dependence on staffing.
- A parameter-driven environment allows the maintenance staff to support not only the Replacement MMIS but also components such as BIAR, Documentum, iTRACE, AVRS, and Web portals.
- System-experienced resources will be readily available through the modification pool to support other State enhancement directives, allowing the State or EDS to make changes more quickly with less impact to the system. This will result in easier and faster implementation of enhancements, with less impact to State and EDS staff and providers.
- iTRACE will provide a powerful tool for organizing and communicating changes, system objects, requirements, testing, and other aspects of the system. iTRACE will provide a single view of projects, their progress, and historical data, which will benefit the next project implementation effort.
- Our automated workflow management solution includes the integration of the K2 workflow engine into interChange through BizTalk Server 2006 service-oriented architecture (SOA). This tool is an XML- and standards-based workflow solution used for enabling task-sharing across multiple enterprises using Web services. It provides a framework for designing, deploying, monitoring, and administering workflow processes based on Business Process Execution Language (BPEL) standards. It provides support for the following features:

- Web service standards such as XML, SOAP, and WSDL
- Dehydration (enables the states of long-running processes to be automatically maintained in a database) and correlation of asynchronous messages
- SOA
- Parallel processing of tasks
- Fault handling and exception management
- Event time outs and notifications
- Version control and audit trails for tracing business flow history

Critical Operations Management Functions

The operations organization described above will complete the operations activities identified in RFP Section 40. The organization also will support the contractual amendments throughout the life of the contract. EDS and the State will work together to define the scope of work to be performed, timeframes for delivery, and costs for all contract amendments. The key tasks performed across the organization (in all departments) are described in the following subsections.

Performing Operations Management Reviews

As noted in proposal section 50.2.5.5 Communications Approach, EDS proposes a monthly meeting between the State director and Account Manager Melissa Robinson to discuss the status of operations. Based on our experience, we recommend the State consider the following proposed agenda for these operations management reviews:

- Overall Status and Accomplishments
- Performance Metrics (for example, Report Card review)
- Customer Service Requests
- Integrated Master Schedule
- Financials
- Staffing
- Quality
- Risks and Issues
- Stakeholder Communications
- Training
- Security

We will work with the State to tailor the meeting to support a shared insight and understanding of operations status and performance quality.

Managing Quality

During the life of the contract, we will focus on the quality of work performed in every area of the operational Replacement MMIS. The EDS QA team will perform quality checks to verify that the processes, activities, standards, and procedures are being followed to achieve the best level of service for the State, providers, and business partners. The results from these monitoring activities will verify that operational reporting and processing activities meet the expectations of the State. Additionally, the results will be readily available through the Performance Dashboard, as applicable, and through iTRACE.

Our approach to the required operational quality checkpoints consists of the following key steps:

- **Sample work—**Each team's manager or supervisor may select any type of work in process and review it for quality, accuracy, and timeliness of processing.
- **Observation—**The QA team will observe work as it is performed and validate it against the documented processes and procedures to determine if staff members are conducting work as required, if they require additional training or oversight, or if processes and procedures can be modified to make the operation more efficient.
- **Review system and operational output—**The team will examine outputs and work products from every department. The following list, organized by department, identifies examples of such outputs that will be reviewed:
  - **Provider Services—**Provider enrollment inventory reports, call center CTMS documentation, and AVAYA telephone system statistics
  - **Prior Approval—**PA request forms and written correspondence, CTMS documentation, and AVAYA telephone system statistics
  - **Financial Services—**Refund receipts and data entry results and related system output reports
  - **Claims Operations—**Reference data entry results and reports, scanned image review for quality, CTMS and written correspondence for EDI efforts, and mail room reports of processed items and postage
  - **Pharmacy—**Review of drug rebate entry results and system output reports and review of pharmacy PA requests and related AVAYA telephone system stats
  - **Systems—**Uptime and audit trail system outputs

EDS builds an environment of continuous business process improvement that results in increased quality and productivity. We will report on quality compared to previous periods using the performance-based metrics that the State and EDS jointly identify and agree on.

We will meet the performance requirements and standards contained in the RFP. Data from the monitoring and benchmarking of interChange will be available as needed to produce samples, reports, and other statistical documentation required for State review.

Every action we take in planning, organizing, and managing staff and activities throughout the life of the Replacement MMIS operations will support our primary objective: outstanding service to the State and the recipients of the programs supported by the Replacement MMIS. We are confident that we have placed the right focus on quality, stressed the importance of delivering a quality project, and developed solid and proven processes and procedures. We bring the professionalism, commitment, and capability to deliver a state-of-the-art MMIS that meets the needs of the State and its provider and recipient communities.

Meeting Performance Metrics

EDS recognizes and understands the need for system performance benchmarks. To make sure State programs run at optimal levels, we will work with the State to establish operational baselines that provide a bar against which we measure efficiency and performance. Whether technical or business-related, meaningful and measurable benchmarks are valuable feedback mechanisms that initiate ongoing improvements to system and business processes.

The State has constructed performance standards at the contract level and for each major operational area described in RFP Section 40. EDS will develop and deliver a monthly Report Card in the State-approved format to report on our performance in these areas. The Report Card function helps set priorities and encourages performance improvement, effectiveness, efficiency, and appropriate levels of internal controls. The operational teams described in this section will be responsible for meeting the Section 40 performance standards applicable to their areas of work.

Please refer to proposal section 50.2.4.2.1 Proposed Solution for Operations. This section provides individual responses to all Section 40 Operations requirements, including the operational performance standards identified for the 13 business areas/subsystems. We also identify the metrics for the operational performance standards.

Managing Resources

Besides the system performance measures, another critical aspect of meeting the State's expectations is having the appropriate quality and quantity of personnel

to perform the tasks necessary for on-time, on-budget delivery of the Replacement MMIS. In recent years, EDS has successfully implemented interChange for five states. Through these implementations, we have developed a vast pool of technical and business personnel with expertise in the methodologies, approaches, and tool sets necessary for the success of the Replacement MMIS and ongoing operation of fiscal agent responsibilities. We are prepared and pleased to provide the State with a team who will bring the experience, knowledge, focus, and "can do" attitude necessary for implementing the next-generation MMIS for the State.

We will work closely with the State to gain a full understanding of State-specific policies, programs, and approaches to business throughout project implementation and carry this knowledge into operations. EDS managers will monitor employee performance and conduct annual performance reviews. They will work with employees to establish goals and objectives and measure accomplishments to understand each employee's performance and areas for improvement. Employees also will receive formal feedback from their managers quarterly, enabling employees to understand how their performance contributes to the project and how they can improve performance.

EDS is solely responsible for the performance of our subcontractors. Part of our selection criteria for inclusion on the EDS team was our subcontractors' successful history of service delivery excellence. We will routinely monitor their performance against objectives and provide feedback as appropriate.

We invite the State to provide feedback about any employee or contractor concerns. We will perform regularly scheduled performance reviews of staff members to make sure they meet performance standards.

Additional Information

Additional information on our operations and how we manage it can be found in other sections of the proposal. The following table, Fiscal Agent Operations: Many Considerations, Many Disciplines, identifies other key aspects of fiscal agent account operations and the proposal section where they are discussed.

Fiscal Agent Operations: Many Considerations, Many Disciplines

Subsection	Overview	Proposal Section
Staffing and Project Organization	An experienced EDS team with a depth of Medicaid program and system knowledge	50.2.5.4.1 Staffing Approach—DDI and 50.2.5.4.2 Staffing Approach—Operations
Training and Continuing Education	EDS' training plan that provides the guidance needed by the State, providers, and our own staff to make full use of the Replacement MMIS	50.2.4.4 Training Approach
Communications	A client-centric organization that can respond to the State's evolving business needs	50.2.5.5 Communications Approach

Subsection	Overview	Proposal Section
Coordinating Workflow Processes	Manual and automated processes brought together in a stable and manageable environment to reduce costs while improving system connectedness and effectiveness	Workflow Management subsection of our response to General System Requirements in proposal section 50.2.4.1.1
Change Management	Proven change management tools and processes that facilitate accurate, timely changes	50.2.5.8 Change Management Approach
Risk and Issue Management	A proven risk and issue management process that identifies and mitigates high-impact and critical risks	50.2.5.6 Risk and Issue Management Plan and 50.2.5.7 Initial Risk Assessment (Risk Profile)
Disaster Recovery and Continuity of Operations	Detailed plan for enabling the continuation of business operations	50.2.6.3 Business Continuity/ Disaster Recovery Approach
Security	A commitment to preserving the confidentiality, integrity, and availability of the sensitive information we manage for our clients, above and beyond HIPAA requirements	50.2.8 Section H—Security Approach
Maintaining Secure Operations Environment	Comprehensive policies, procedures, and systems necessary for privacy requirements, confidentiality of data, and safe work space	50.2.8 Section H—Security Approach
Methods and Metrics for Evaluating Performance	Manual and automated procedures for monitoring application and personnel performance	Operational Performance Standards subsections of proposal section 50.2.4.2.1 Proposed Solution for Operations
Quality Management	A quality management process that is embedded in our delivery culture	Managing Quality subsection earlier in this section

Operations Management—Designed for Success

Operations management must be vigilant, proactive, and applied every day. Operations management, supported by the Replacement MMIS, will guide the operations organization, keeping the team on track to deliver the tasks and meet the operational performance standards identified in RFP Section 40. Our approach for operations management combines the elements needed for this complex task: staff members who know the North Carolina Medicaid and Mental Health programs, staff members who are fully trained in interChange, an organization that assigns the right types and numbers of people to each branch of the operations, and the technology and training required to complete the operations tasks defined in RFP Section 40 correctly and efficiently. Working with DMA, DMH, DPH, and ORHCC, we will provide outstanding service—every day—to the recipients and providers of these programs.

50.2.6.1 Change and Configuration Management

RFP Reference: 50.2.6.1 Change and Configuration Management, Page 280; 50.2.5.8 Change Management Approach, Page 279

Please refer to proposal section 50.2.5.8 for a discussion of our approaches to both change management and configuration management.

50.2.6.2 Risk and Issue Management

RFP Reference: 50.2.6.2 Risk and Issue Management, Page 280; 50.2.5.6 Risk and Issue Management Plan, Page 279

Please refer to proposal section 50.2.5.6 Risk and Issue Management Plan, which includes our risk management approach to operations, systems, and DDI.

50.2.6.3 Business Continuity/Disaster Recovery Approach

To show that we have met the RFP's page limitation of 15 pages for this section and 30 pages for all other sections of 50.2.6 Section F—Operations Management Approach, we have placed our response to this section following this page. The section spans pages E-31 to E-45, meeting the RFP requirement.

50.2.6.4 Ongoing Training

RFP Reference: 50.2.6.4 Ongoing Training, Page 280; 50.2.4.4 Training Approach, Page 277

Please refer to proposal section 50.2.4.4 Training Approach for a discussion of our approach to training, which includes our ongoing training processes and procedures.

50.2.6.5 Communications Process/ Procedures

RFP Reference: 50.2.6.5 Communications Process/Procedures, Page 280; 50.2.5.5 Communications Approach, Pages 278-279

Please refer to our proposal section 50.2.5.5 Communications Approach for a discussion of our overall approach to communication, which includes communication processes and procedures.

50.2.6.3 Business Continuity/Disaster Recovery Approach

RFP Reference: 50.2.6.3 Business Continuity/Disaster Recovery Approach, Page 280; Business Continuity/Disaster Recovery Plan CDRL, Page 262

During Hurricane Floyd in 1999, the eastern part of North Carolina was hit by tremendous flooding. Several providers needed their payments so they could continue to serve their patients. EDS provider relations staff members hand-delivered checks to providers in this area. Our commitment is to the continued operations of the State's healthcare programs.

State of North Carolina

Access to the Replacement MMIS and related systems is vital to enabling the State to provide services to the North Carolina community. We understand our key role in protecting and maintaining the availability of the systems, data, and processes that comprise the Replacement MMIS. In this age of heightened security threats, disaster response and backup plans have become essential business components. EDS has a long history of protecting clients' data and maintaining system availability, even in adverse conditions.

EDS manages disaster recovery solutions for many clients in the private and public sectors. If a disaster occurs, decisions are made quickly to determine the appropriate level of response so business functions can be resumed as rapidly as possible. EDS will develop a comprehensive disaster recovery and business continuity plan with the State. To make sure that the Replacement MMIS solution continues to evolve to meet the State's needs, the plan will address the following:

- Recovery of business functions, business processes, and human resources
- Technology infrastructure
- Documentation and training

The approach described in this section summarizes the contents of the business continuity/disaster recovery plan that EDS will submit for State approval. The plan will meet the requirements identified in the RFP's Business Continuity/Disaster Recovery Plan CDRL.

The following table, RFP Business Continuity/Disaster Recovery Plan Checklist and EDS Approach, highlights the requirements requested in the RFP and the corresponding EDS approach and policy to meet each.

RFP Business Continuity/Disaster Recovery Plan Checklist and EDS Approach

Requirement	EDS Approach/Policy
Roles and responsibilities of participants	The Operations Incident Management Team (OIMT) will define roles and responsibilities for each key player.
Processes that address preparation and planning	The business continuity/disaster recovery plan will describe the plan policies for recovery of operations and system environments.
Awareness and recognition training	Required training for employees will be included in the business continuity/disaster recovery plan. Emergency drills will be tested annually.
Business service and process relocation	A remote site and associated processes identified in the business continuity plan will define the critical operations and plan for recovery of vital business operations, equipment, and data.
Notification and communication	Contact information, scripts, and evacuation procedures will be defined for various disasters. The communication plan with the State also will be defined in the business continuity/disaster recovery plan.
Testing and auditing processes for ensuring the currency of the plan	An annual test of the recovery plan will be executed. Any issues or updates will be made and communicated to the State for approval.
Response plans for disasters that may result in prolonged work force absence from the fiscal agency location	The business continuity/disaster recovery plan will include the off-site location and potential work force availability.

Business Continuity

The North Carolina Division of Medical Assistance (DMA), Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (DMH), Division of Public Health (DPH), and the Migrant Health Program in the Office of Rural Health and Community Care (ORHCC) have become increasingly dependent on the availability and reliability of automated systems to provide services to State residents. Information is an important asset for the daily operations and must be available even after a disaster. These critical programs directly affect the health, safety, and security of the State's residents and the State's financial position.

The business continuity plan will have defined business processes, functions, equipment, and staff identified to recover from any service interruption. Training, annual testing, and updates to the plan will be necessary. Uninterrupted payment to providers and availability to their customer information is our goal for a successful business continuity plan. To achieve this goal, we will do the following:

- Make sure employees are safe
- Identify an alternate site for systems processing and operational functions

- Assemble a high-performance OIMT of experienced support professionals who will execute the business continuity plan and will be the State's point of contact if an emergency occurs
- Put in place processes to safeguard staff and assets to maintain the ability to recover important operational functions and processes
- Understand the impact to other business areas and venders
- Assess and mitigate risk of loss of business area or resources
- Make sure the business continuity plan and associated responsibilities for employees and the State are understood

Contingency Planning for Service Interruptions

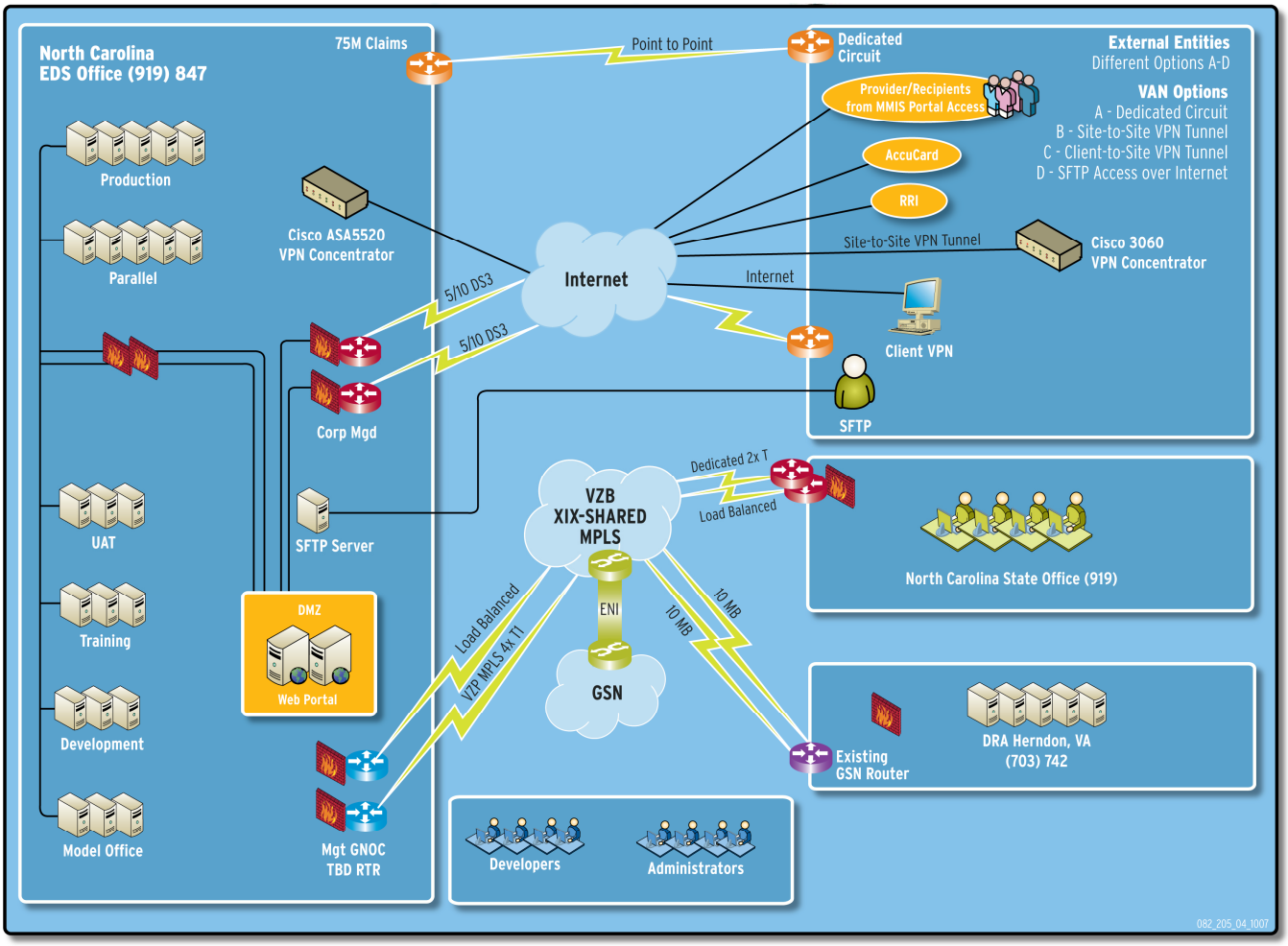
EDS will collaborate with the State to identify, maintain, test, and support contingency planning to meet critical processing needs if short- or long-term interruptions of service occur.

EDS will maintain a primary office to host EDS staff members at Wycliff Road in Raleigh, N.C., within 15 miles of the State's headquarters. If the primary EDS office is unavailable during a disaster, an alternate operations site will be used. This site will be identified during the DDI Phase. Typically, this is another EDS MMIS account within the same geographical region.

EDS has chosen the Herndon, Va., facility as the remote systems site if a major disaster occurs. This site has been conducting successful monthly disaster recovery drills for the last two years. It is a fully functional disaster recovery facility with firewalls, DMZs, Internet connections, and various hardware, tape libraries, and storage area network (SAN) devices. With multiple system redundancies and an impressive ability to endure severe weather conditions, this center is ideally equipped to serve as the first line of defense in keeping service interruptions to a minimum. This site will enable electronic claims to be processed through edit, audits, and pricing. Web access to claim history will enable our operational staff members to continue to give exceptional support to providers, regardless of their location.

The following exhibit, Network Communication Diagram, shows the relationship between the entities involved in a major recovery effort.

Network Communication Diagram



EDS will work with the State to identify, maintain, test, and support contingency planning to meet critical processing needs.

OIMT

The Operations Incident Management Team (OIMT) is the EDS North Carolina core management team for emergencies at the local facility. They will be the central point for reporting any incidents affecting continuous operations. They will be responsible for executing the business continuity plan, have the authority to make decisions regarding the management of the account during a disaster, and coordinate activities during a disaster.

The Emergency Management team will comprise the account manager, technical director, operations manager, and PMO director. The other managers and the Health Insurance Portability and Accountability Act (HIPAA) privacy official on the account will provide vital input to the team but will not be decision-makers for the purposes of executing the business continuity plan.

The following table, OIMT Responsibilities, lists the positions and the responsibilities of the OIMT.

OIMT Responsibilities

Position	Responsibilities
Account manager	• Account for personnel • Assess the situation and determine, along with the technical director, whether to declare an emergency • Make major decisions concerning the plan and activities • Prioritize critical jobs along with other members of the OIMT • Use the communication process to coordinate with EDS and the State • Account for personnel • Authorize expenditures related to the situation • Update status lines with the latest announcements
Technical director	• Account for personnel • Assess the situation and determine, along with account manager, whether to declare an emergency • Determine to what extent the emergency procedures will be activated • Use the communication process to coordinate with EDS and the State • Execute the business continuity/disaster recovery plan • Serve as the single point of contact for disaster recovery activities for the State • Prioritize critical jobs, along with the account manager • Communicate with employees • Direct the shutdown of operations when necessary • Direct the transition to the alternate location when necessary • Set up the permanent location and coordinate the move when necessary • Update status line with the latest announcements
Operations or claims manager	• Assist the account manager and technical director in executing the business continuity/disaster recovery plan • Make sure outside emergency services such as medical aid and the local fire department are called when necessary • Make sure employees' health and safety are a priority • Make employees aware of regulatory requirements in the plan
PMO director	• Make sure the business continuity documents are maintained annually • Assist in the review, risk, and impact of the incidents

Business Continuity Planning

Business continuity planning includes the following tasks:

- Business continuity gap analysis
- Business impact analysis
- Business continuity risk assessment/business criticality analysis (BCA)
- Business continuity management strategy
- Business continuity planning and testing
- Business continuity program audit

We will employ our business continuity planning methodology to develop the business continuity plan. This methodology is based on best practices from the Business Continuity Institute (BCI), Disaster Recovery Institute International (DRII) and Information Technology Infrastructure Library (ITIL).

Testing of Business Continuity Plan

The State and EDS technology teams will test business continuity plans with the business area owners annually for currency and make sure that appropriate actions exist in accordance with the existing risk management philosophy.

Making sure staff members are aware of emergency practices is critical to the execution of the business continuity plan. We will execute practice drills annually and conduct continued security training courses. The business continuity coordinator will make sure personnel are accounted for and that the appropriate communication with the local emergency agencies has been completed. Employees who need special assistance will be paired with other employees to help them safely evacuate. After each practice drill, we will perform a review to identify the success of the exercise and determine if any modifications to the plan are needed.

Business Analysis Activities

The business criticality analysis (BCA) document will describe the processes involved in establishing a complete analysis of the business functional relationships. An annual review of the risk assessment and BCA will enable us to provide recommendations on improving the business continuity and disaster recovery plans. The State can review these recommendations with the associated cost-versus-risk factors. For each core business process, EDS will assist the State in the activities described in the following subsections.

Identification of Potential System Failures

We will identify potential system failures for each process and indicate the most likely cause. Potential failure conditions will be documented in the plan and serve as input to the risk analysis activity.

Risk Analysis

We will examine potential risks and points of failure and correlate them with the specific processes and locations to which they apply. The analysis will include the relative likelihood of each risk. These risks include technological threats such as hardware component failure, environmental threats such as storms or fires, and human threats such as hacker-initiated denial-of-service attacks. Each risk will have corresponding trigger events that indicate that the potential risk has materialized, requiring implementation of one or more contingency plans.

Analysis

We will analyze the possible business impact and risk exposure of these risks to the core business functions if they occur. The exposure of any risk is based on many factors, such as the severity of the event, the likelihood of the event to occur, and the cost in dollars, time, and effort to mitigate it or recover from it.

Minimum Acceptable Levels of Outputs

Each process will have an associated minimum level of output that must be maintained, such as a minimum number of data entry claims keyed per hour. Risk remediation strategies will be targeted at achieving at least these minimum levels of performance for the MMIS to continue providing essential services.

Communication of the Business Recovery Plan

The business recovery plan will include contact information for key staff required to recover from a disruptive event. Copies of the plan will be available on several types of media to enable easy access from a remote area if necessary for the State and OIMT. The various detailed communication procedures defined in the business continuity plan will be followed to enable employee safety, prompt notification to the State, identification of business affected, and guidelines to enable a quick recovery response.

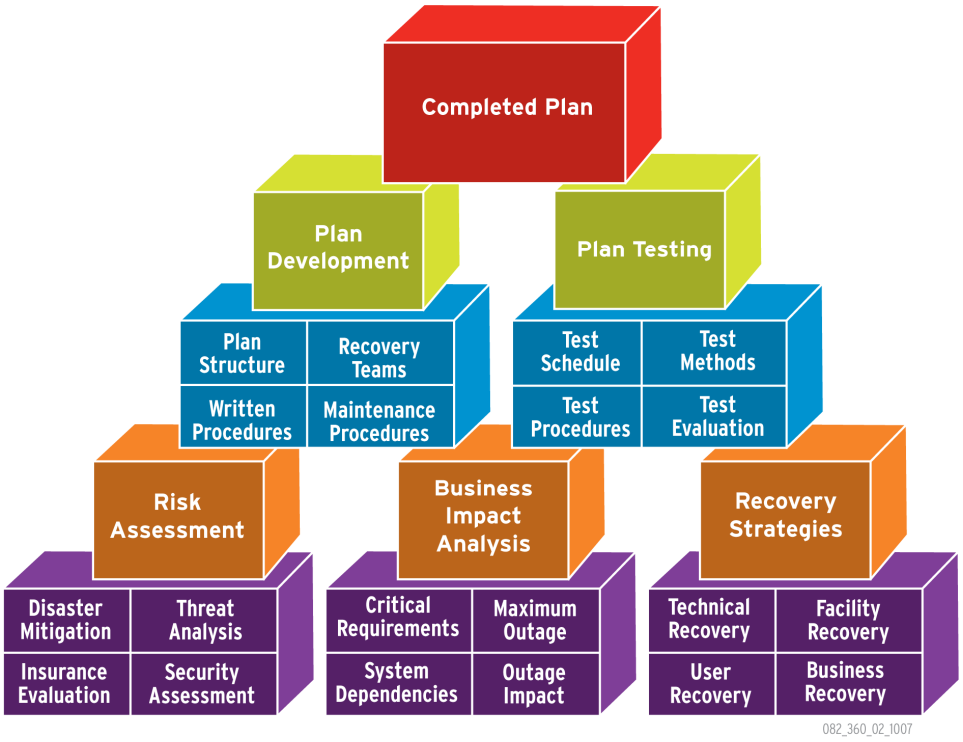
Disaster Recovery Plan

The disaster recovery plan (DRP) will document the guidelines, support, and technical resources needed should a disaster impact the Replacement MMIS

infrastructure. The plan will be activated when an emergency beyond the scope of standard operating procedures occurs. It is designed to reduce confusion created during a disaster, and provides a framework for recovery and restoration of critical systems, voice and data communications, business processes, and facilities that are necessary to continue payment to providers and State support. To accomplish that goal, we have developed an approach to planning and recovery of vital services. The concept identifies services vital to daily operations and maps those services to the infrastructure required to support that service.

The DRP is a result of processes that build up a structured methodology to verify successful execution of the recovery of the vital daily operations and system features. The following exhibit, Disaster Recovery Building Process, shows the steps necessary to complete the DRP and the relationship between each unit.

Disaster Recovery Building Process



The DRP is a result of essential processes that build up a structured methodology to verify successful execution of the recovery of the vital daily operations and system features.

The DRP will include the following elements:

- Description of scope
- Event response triggers and thresholds
- Planning activities
- Root-cause analysis process
- Disaster declaration procedures
- Communication procedures

- Recovery strategies
- Resumption of regular operations
- Training activities
- Emergency procedures and drills
- Evacuation plans
- Contact lists

DRP Benefits

The benefits of preparing a workable DRP are presented in the following table, DRP Benefits.

DRP Benefits

Time Frame	Benefit Description
Before a disaster event	• Reduce dependence on key personnel • Improve necessary documentation • Decrease potential threats and exposures • Lower the possibility of a disaster event
During a disaster event	• Protect employees • Minimize disruptions to business processes • Safeguard critical assets • Minimize confusion and delays
After a disaster event	• Verify organizational stability and an orderly recovery • Reduce potential financial loss • Decrease potential legal liability • Adhere to legal, statutory, and regulatory requirements • Resume operations at the primary site

Disaster Recovery Methodology

Interruptions in service can come from many potential sources. The Replacement MMIS must be protected from the following:

- Hardware and software failure of system components
- Natural disasters and accidents that could affect entire facilities
- Communication failures and other potential interruptions of service

EDS will support the successful, on-time development of the Replacement MMIS. We will do this by maintaining a high level of system availability for interChange during the DDI and Operations phases, providing the State with

access to the resources needed to keep the system development process moving forward. Additionally, we will do the following:

- Assemble a high-performance virtual team of experienced interChange developers and support professionals from multiple locations that are focused on delivering a comprehensive, best-in-class solution to meet the State's needs
- Put in place processes to safeguard system development assets and maintain the ability to recover important system and data files and preserve progress made in developing the Replacement MMIS
- Perform regular system backups of the development environment throughout the DDI Phase as the production backup and DRP is being developed
- Back up production and development environments regularly after implementation according to the developed plan

We will provide the following elements to support high levels of system availability:

- A proven system architecture already in use in multiple Medicaid programs
- Defined system availability reporting and problem resolution processes
- State-of-the-art information processing facilities with multiple redundant systems, such as power and telecommunications
- Comprehensive system and data backup and restore capabilities
- Solid disaster recovery planning, including the following:
  - Off-site protected storage for backup tapes in an access-controlled location with fireproof storage units
  - A separate operations recovery site to be used if the production site becomes unavailable
  - Documentation of critical business processes that must continue to be performed even if the production site becomes unavailable
  - A regular program of recovery plan testing to verify its effectiveness

EDS will maintain the State-approved plan. We will make this plan available to State auditors and authorized State and EDS users at any time through iTRACE.

The State will benefit from our approach because the interChange base system is a mature, stable solution that has benefited from the input of the multiple state MMIS programs where it is in use. EDS will maintain high levels of system availability during the development process. We have demonstrated that ability during our administration of the current Legacy MMIS+.

Point-in-Time Recovery

The procedures EDS will develop and document in the DRP for recovery of telecommunications, data circuits, and MMIS subsystems will include the procedures for point-in-time recovery.

The Replacement MMIS will include appropriate point-in-time recovery capabilities and other features necessary to promote reliability and recovery. Recovery procedures will provide step-by-step recovery instructions for each service and its supporting infrastructure, allowing technical support personnel who are unfamiliar with the current systems to bring a particular service back online.

The Replacement MMIS will use the Oracle database's archive logging ability and Oracle Recovery Manager (RMAN) with a robust tape management system to enable point-in-time recovery of the database up to the last completed transaction.

If a restore from tape is required, the database will first be restored to the previous weekend's backup. Archive logs would then be used to apply transactions that occurred since that full backup, up to just before the problem occurred.

A related benefit of the Oracle logging feature mentioned is its ability to back out update transactions.

Retention and Storage of Backup Files and Software

EDS will create a detailed backup plan as part of the development of the DRP, which will include retention periods for backup media and required conditions for the storage of backup files and software. This plan will correspond with the compliance requirements identified in the State Record Retention Policy.

The Replacement MMIS will use a comprehensive backup strategy that includes the components—such as the automated voice response system—that are part of the Replacement MMIS solution. EDS recognizes that factors such as retention time may not be identical for each component, and we will work with the State to determine the appropriate parameters, which will be documented in the backup plan.

Hardware Backup for Main Processors

Hardware backup for the main processors and other critical system components is one more technique EDS uses to maximize system availability and provide superior service to the State. Hardware backup will be accomplished internally through component redundancy and externally by hardware at an off-site recovery facility.

Internally, the main processors will be configured with multiple central processing units (CPUs) to provide redundancy and improve performance. With multiple CPUs in operation, the Replacement MMIS can continue to operate and provide services to the State even if one or more units suffer a failure. EDS will monitor the status of the hardware to detect any such failure conditions and resolve them to restore the protection provided by this component redundancy.

The Replacement MMIS also will include redundancy for system memory modules, for similar reasons. Critical system and data disks also are protected through mirroring or redundant arrays of independent disks (RAID 5) redundancy. Other redundancies are described in the following discussion points.

Externally, servers at an off-site recovery facility will provide hardware backup if a disruption of services occurs at the primary data center. The Business Resumption team will create the business continuity/disaster recovery plan and use it to determine when to initiate recovery activities at the remote site.

Telecommunications Network Backup

The Replacement MMIS' data center will have extensive network and telecommunications capabilities. The network is designed with redundant communications to each mission-critical system. The North Carolina Data Center will connect to the Internet through two sets of six bundled T1 lines that will be routed through separate switches at the Local Exchange Carrier (LEC) to provide redundancy. This will provide high-availability connectivity to areas such as the Provider and Recipient Web Portals, value-added networks (VANs) using site-to-site VPN tunnels, SunGard FormWorks for data entry, and other entities needing to exchange interface files.

The State offices will have redundant connectivity to the Replacement MMIS. This will be provided by two load-balanced sets of two bundled, dedicated T1 lines. These lines also will be routed to separate switches at the LEC.

Finally, the North Carolina Data Center will connect to the multiprotocol label switching (MPLS) network through independent switches by two load-balanced sets of four bundled T1 lines. These MPLS clouds will connect to the Herndon Disaster Recovery site across two redundant 10 MB data lines.

A visual representation of these data lines is shown in the exhibit, Network Communication Diagram, in the "Contingency Planning for Service Interruptions" section.

UPS at Primary and Alternate Sites

Uninterruptible power supplies (UPSs) will be available at the primary and alternate sites with the capacity to support the system and its components.

UPS and electrical system capabilities are particularly robust at the primary Replacement MMIS data center. Dual AC power feeds lead into the data center, and other elements of the data center infrastructure have been designed with N+1 capacity to maximize availability. This includes UPSs; power distribution units; cooling, heating, and humidity controls, and emergency generators. UPSs can power the entire data center, including connectivity, security, air conditioning, and fire suppression systems.

Emergency diesel generators have a three-day fuel supply stored on-site. During extended periods of electrical utility outages, the data center can call on existing fuel vendor contracts to supplement the three-day on-site fuel supply so that the generators can continue to power the facility indefinitely.

File Backup and Recovery

EDS understands the importance of the systems and data in our care and our responsibility in preserving access to these assets using multiple levels of protection. EDS will provide the State with superior backup and recovery capabilities as a core building block of the Replacement MMIS.

EDS will provide a detailed backup plan and procedures, including secure off-site storage of the Replacement MMIS' critical files, instructions, procedures, documentation, and programs, to begin during the Implementation Phase. The plan also will include a schedule for the generation and retention of backup files. This backup plan and associated procedures, locations, and protocols will be approved in advance by the State and in place before operations are assumed. Each aspect of the DRP will be detailed as to State and EDS responsibilities and will satisfy contractual requirements.

Data will be replicated from Raleigh to Herndon using the EMC RecoverPoint appliance. This is a SAN-to-SAN snapshot replication performed every 24 hours across the WAN. Herndon has sufficient equipment dedicated to North Carolina to support the claim-processing function of the Replacement MMIS. Our solution is to include a 48-hour recovery time objective (RTO) and a 24-hour recovery point objective (RPO). Network connectivity between the State and Herndon will exist if a disaster occurs.

Call Center (AVRS) Recovery

EDS has outlined three levels of recovery responses for correcting an interruption within the call center. Each level is an overview example of the size and recovery efforts involved.

Level 1—Single Device Failure

In this event, a single voice-response server has encountered a hardware or platform software failure. These self-service applications are engineered to run

on multiple hardware platforms at one time. This will eliminate a single point of failure, thus eliminating any noticeable failures to the callers. If the failure happens during a high call volume, we can move call traffic to a partial disaster recovery site, allowing EDS to bring up the applications to the partial disaster recovery site running their applications simultaneously.

Level 2—Local Event/Multiple Device Failures

In this scenario, the local premise is non- or partially habitable. This type of event could be the result of a building fire, storm damage, or massive power surge possibility. In this event there could be no power, telecommunications, or data network possible on premise. Employees could work from home or hotels as needed by their business role, while the self-service applications are brought online at other U.S. locations.

This type of event allows for account staff members to work from home or from clustered hotel segments. Premise-based hardware might be decommissioned, and replacement hardware is shipped from a ready staging area. This scenario will be implemented in two stages. At first inception, it will appear as a regional event, where self-service applications are brought online at multiple disaster sites around the United States within the first few hours. As replacement hardware is available and premises' connectivity is restored, self-service applications are moved back in-house smoothly.

Level 3—Regional Event

In this event, a regional disaster is generally a more planned phased event. The most likely disaster in this category is a hurricane that moves up or down a coastline. EDS can preemptively move call traffic out of the event's path well before the event occurs. Before this transition, disaster sites are staged to run the affected self-service applications. When the event is eminent, the caller's experience is not impacted. After the all-cleared alert has been issued and the premise hardware is verified as operational, the same phased approach is used to smoothly transfer capacity back to the regular account site.

System Downtime

Processes to communicate scheduled system downtime will be detailed in the communication plan. Scheduled system downtime can be caused by installing hardware or software, or as part of a disaster recovery drill. Progress notices will be sent to reflect the system status and estimated time of completion to users impacted. The State will be notified of any scheduled system downtime events.

Recovery Experience

EDS will maintain high levels of system availability and respond quickly to interruptions to the production environment. Any problems with the MMIS application software that require it to be restored will be resolved with the highest urgency. EDS has been successful in executing recovery efforts from past disasters. For example, during the 2004 hurricane season—one of the worst in decades—the Orlando Data Center continued to maintain system availability for its clients, despite a succession of four strong hurricanes.

EDS also responds quickly to even larger-scale events such as Hurricanes Katrina and Rita in 2005. EDS was in action before, during, and immediately after the storms to provide safety for more than 1,000 employees in the affected areas, besides keeping clients operating by using such methods as transitioning call center operations to facilities outside the danger areas.

Overcoming unexpected emergencies and fulfilling our provider community expectations of uninterrupted service is one of this account's strength. On December 4 and 5, 2002, Raleigh was hit with a severe ice storm that left thousands without power in some areas for days. The EDS team responded. As soon as power went out at our Raleigh Data Center, our UPS and generator kept the services and applications up and available to our clients and our providers in the rest of the State. During the entire incident, we accepted claims, received provider telephone calls, and completed the cycle to send provider payments.

In such cases, EDS Situation Management teams and tools such as the toll-free Global Emergency Support Line are used to coordinate responses.

The Best Plan—Being Prepared

North Carolina's Medicaid and mental health systems and services have been protected by EDS' business continuity plans for many years. With the implementation of the Replacement MMIS, this protection will be extended to DPH and ORHCC. The plans we are proposing are in place for our Medicaid clients across the country and have been approved by Medicaid agencies in each of those states. The plans we propose cover a single primary objective: resume service to North Carolina's healthcare stakeholders as rapidly and efficiently as possible, while protecting our employees.

To demonstrate our successful approach to business continuity and disaster recovery planning, we provide a sample excerpt from the Kentucky MMIS Disaster Recovery Plan following this page. As stated in RFP section 50.2 Technical Proposal Requirements, this sample does not count toward any page limit.

New KY MMIS Disaster Recovery Plan
Kentucky MMIS Project

Cabinet for Health and Family Services
Departmant for Medicaid Services

July 20, 2006

SAMPLE EXCERPT

Cabinet for Health and Family Services Department for Medicaid Services		
Role:	Name:	
Author	Dean Taunton, Terry Tewell	
Reviewer	Chuck Priddy, Scott Lowry, Angela Mateernowski	
EDS Management	Ricky Pope Mark Noble	
Client	Acting Commissioner J. Thomas Badgett, MD, PhD. Deputy Commissioner Jan Howell, J.D. Executive Director/CIO Lorna S. Jones Sandeep Kapoor	
DELIVERABLE TITLE: New KY MMIS Commonwealth Disaster Recovery Plan Template	DATE SUBMITTED: July 20, 2006	
LOCATION and FILE NAME: ky_mmis_commonwealth_disaster_recovery_plan_FINAL_062906.doc		AUTHORING TOOL: MSWord2003

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Document Change Log

Version	Changed Date	Changed By	Reason
0.1	1/2/2006	Dean Taunton	Create initial Commonwealth disaster recovery plan template draft
0.2	1/9/2006	Terry Tewell	Revision of contents to reflect draft format
0.3	1/11/2006	Donna Nicholson	Format to Standards
0.4	01/12/2006	Derek Simons	PMO Quality Review
0.5	1/12/2006	Terry Tewell	Delivery to Commonwealth for Review
0.6	1/16/2006	Terry Tewell	Expanded Appendix outlines
1.0	1/20/2006	Terry Tewell	Updated based on Commonwealth Review
1.0		Commonwealth	Approved template
1.1	3/20/2006	Terry Tewell/ Various authors	Modified Appendices and change damage to outage in level descriptions for all but building. General expansion and completion of data
1.2	4/12.2006	Terry Tewell/ Leadership team	Internal EDS walkthrough
1.3	5/12/2006	Terry Tewell	Made corrections based on Internal walkthrough
1.4	5/15/2006	Catherine Hill	Technical writer review and corrections
*	5/16/2006	PMO	Quality Assurance Review
1.6	5/17/2006	Catherine Hill	Technical writer corrections based on PMO QC review.
2.0	5/18/2006	Terry Tewell	Initial release for Commonwealth review
2.0	6/7/2006		Commonwealth Walkthrough
2.1		Terry Tewell	Updated based on Commonwealth comments
2.2	6/30/2006	Cathy Hill	Updated based on Commonwealth comments
2.3	7/6/2006	Angela Maternowski	PMO Quality Review
3.0	7/7/2006	Terry Tewell	Updates based on PMO Quality Review
3.0	7/7/2006		Delivery to Commonwealth
3.1	7/20/2006	Terry Tewell	Modified based on Commonwealth Response

3.1	7/20/2006		Delivery to Commonwealth

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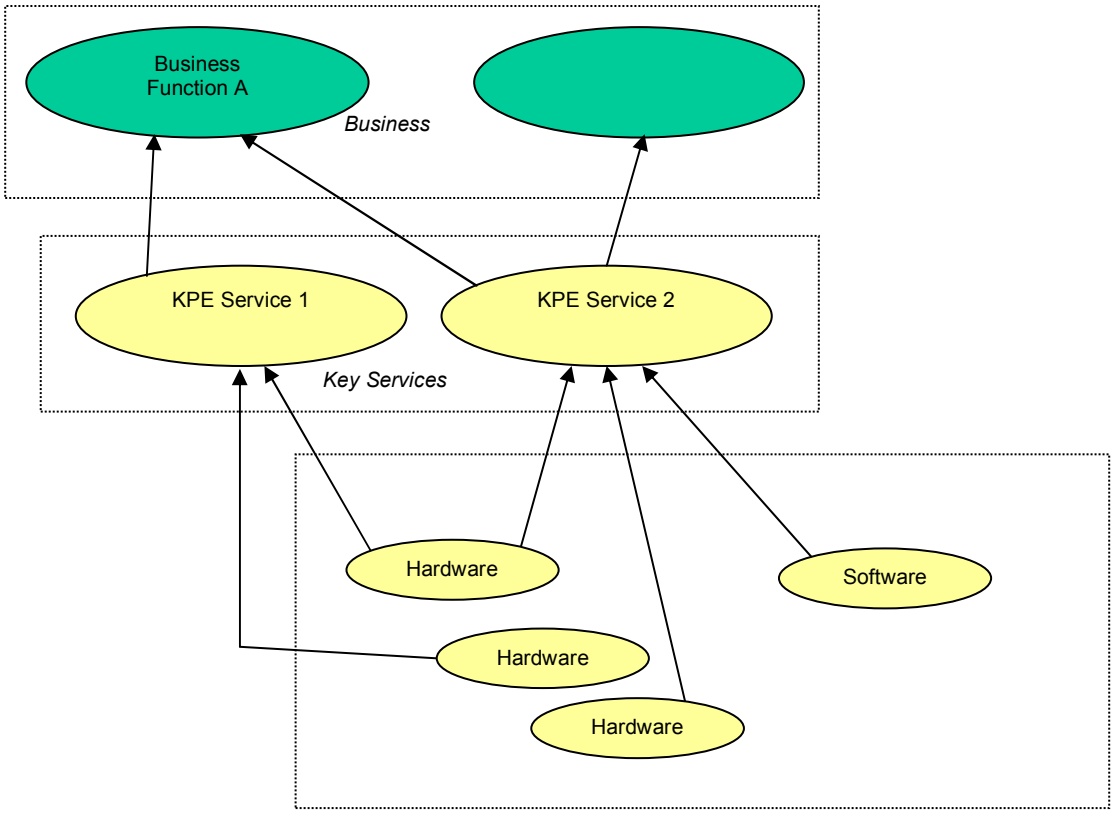
1 Introduction

The Commonwealth MMIS Disaster Recovery Plan (DRP) has been developed to document the guidelines, support, and resources needed should a disaster impact the MMIS infrastructure located at Cold Harbor, EDS Frankfort facilities, and the EDS Orlando Data Center. The plan will be activated when an emergency beyond the scope of standard operating procedures occurs. It is designed to reduce confusion created during a disaster, and provides a framework for recovery and restoration of critical systems, voice and data communications, business processes, and facilities that comprise the Key Process Environment.

1.1 Disaster Recovery and Business Continuity

The plan is designed around the concept of recovery of the key production services used in the Key Production Environment (KPE). Recovery of the critical portions of the KPE is paramount in the event of a natural/unnatural disaster or catastrophic infrastructure failure. To accomplish that goal, we have developed a KPE-centric concept and approach to planning and recovery of vital services. The concept identifies all KPE services vital to day-to-day operations and maps those services to all infrastructure required to support that service. This matrix of system vulnerability identifies infrastructure that may be supporting multiple KPE services such that the full impact of failure of a particular piece of infrastructure is fully understood.

Procedures are being developed that will provide step-by-step recovery instructions for each service and its supporting infrastructure, allowing technical support personnel who are unfamiliar with the current systems to bring a particular service back online. So, in this concept, the infrastructure is at the center, or core, mapping to all of the KPE services provided for day-to-day operations, and at the highest level those services will map to the business units or entities that require them allowing the business units to exercise their existing desktop procedures to perform their daily processes.



KPE-Centric DR Model

The diagram above is a simple view of the model but demonstrates the mapping and recovery strategy to re-establish services and business functionality. The actual matrix is extensive and detailed as one would expect when you need to make sure every key piece of supporting infrastructure is mapped to the services. This model, and the documentation developed as a result, is applicable to day-to-day failures as well as major catastrophic events. The same procedures, or a subset thereof, can be applied to a single hardware or software failure. From a business continuity angle during disaster recovery, the KPE services will ultimately have to be prioritized for order of restoration based on business priority. The KPE-centric concept allows a business unit to assume that the current level of services will be provided in the recovery location and operations can be scaled as needed. Thus, the desktop procedures used on a daily basis are applicable in this approach. One other piece to be developed will be establishment and maintenance of open agreements with certain vendors for hardware, software, communications, transportation, facilities, supplies, and so on, to be exercised in the event of a disaster that requires temporary relocation.

Elements of the plan will be tested periodically. Core services will be tested annually. Appendix R: Disaster Recovery Test Frequency contains the break down of the KPE and their testing cycles. The plan must be modified regularly based upon test results, as well as changes to hardware, software, applications, procedures, personnel, and the organization structure. The plan documents are stored electronically, backed up and saved off site, and made available in electronic form to authorized individuals. Primary access to the plan will be via the Intranet.

1.2 Benefits

The benefits of preparing a workable disaster recovery plan are presented below:

Time Frame	Benefit Description
Pre-Disaster Event	• Reduce dependence on key personnel; • Improve necessary documentation; • Decrease potential threats and exposures; and, • Lower the possibility of a disaster event.
During A Disaster Event	• Minimize disruptions to business processes; • Protect employees; • Safeguard critical assets; and, • Minimize confusion and delays.
Post-Disaster Event	• Reduce potential financial loss; • Decrease potential legal liability; • Ensure organizational stability and an orderly recovery; and, • Adhere to legal, statutory and regulatory requirements.

1.3 Plan Objectives and Scope

The objectives of this project are to develop a disaster recovery plan for the MMIS that helps to ensure the continued operation of the mission critical business processes should an interruption occur due to a disaster event. The plan ensures minimal disruption to operations in the event of significant problems and interruptions, and ensures organizational stability and an orderly recovery.

Although the plan addresses the worst case of the total loss of the facility including Information Technology (IT) equipment and services, the approach is applicable even in the event of a partial loss. The appropriate steps to recover key process services can be used to implement the required recovery actions.

1.4 Policy Statement

Commonwealth of Kentucky government has become increasingly dependent on the availability and reliability of automated systems to provide services to its citizens. Information is an important asset for the operation of the Commonwealth. These critical applications and functions directly affect the health, safety, and security of the citizens of the Commonwealth and its financial position.

EDS has developed a plan to assure the continuity of claims processing resources for critical applications and services. Determination of the appropriate priorities for recovery of Key Process Services is a joint effort between EDS, the Commonwealth, and its vendors. Therefore, contingency planning must be conducted by all parties in concert with the Cabinet for Health and Family Services (CHFS), the Commonwealth Office of Technology (COT), and other vendors to ensure a complete and viable plan should execution of the plan become necessary.

1.5 Disaster Recovery Plan Mission Statement

The Disaster Recovery teams are empowered to provide the KY MMIS operations enterprise with a rapid recovery process to assure high availability of critical operations based on the Customer needs of the Cabinet for Health and Family Services. The teams are charged with maintaining, implementing, and if necessary, updating procedures and plans to:

- Gain control of problem situations early;
- Minimize the impact of an operational outage on the Cabinet for Health and Family Services;
- Gather critical information into a central repository;
- Reduce risks to essential information resources;
- Make decisions in advance of a crisis; and
- Test annually.

1.6 Purpose of the plan

The purpose of this plan is to formalize and document the Disaster Recovery Policies and Procedures of the EDS teams and to provide guidelines to:

- Restore the claims processing operations;
- Return to a permanent Key Process Environment; and,
- Resume time-sensitive business operations.

The Disaster Recovery Plan addresses the logical flow of events in responding to major disruptions in services, business processes, and technology infrastructure. Specifically, the Plan addresses the flow of events to:

- Continue/resume time-sensitive business operations for the critical and essential business processes;
- Activate the resumption and support of those services. (The chain of command, identifying who pulls the trigger and manages the resumption support.)
- Provide ability to initiate restoration procedures of critical computer processing and data communications capabilities quickly following a declared disaster;
- Define how CHFS and EDS Departments will communicate and coordinate with the Disaster Recovery Teams;

- Identify the staff assigned to implement resumption support (Disaster Recovery Teams) and their responsibilities;
- Restore critical operating systems, application systems, functions and telecommunications according to the recovery time objectives;
- Achieve each of the above objectives in a timely, efficient, and cost effective manner; and,
- Return to a permanent operating environment.

1.7 Plan Assumptions

The DRP plan is based on the following assumptions:

- Sufficient key staff is available to perform the necessary procedures described in the plan;
- Sufficient technical staff can be notified and can report to the recovery site to perform critical recovery and reconstruction activities;
- Off-site storage media and materials are available, are current, correct and readable;
- The Disaster Recovery Plan is current and available;
- In the event of a disaster, the plan will be accessed via the Intranet or the Internet, and status information will be added as the restoration proceeds. Copies of the plan, both electronically and in paper will be located at the off-site storage facility. Also, team members may have copies at their homes as needed;
- Subsets of the overall plan can be used to recover from minor interruptions;
- Recovery services from critical vendors are available;
- A rapidly recoverable WAN technology has been implemented prior to the disaster;
- The replacement sites (any number of locations where servers will be installed on the WAN replace primary facility servers) can be located at any accessible site via the WAN;
- The backup servers and tape system will be located at the recovery site;
- The primary leveraged solution recovery site will be the EDS facility at 13600 EDS Drive, Herndon, VA 20171;
- A disaster of severe magnitude may occur and that the disaster could result in a total loss of the Commonwealth Data Center in Frankfort, Kentucky, the EDS Data Center in Frankfort, or the EDS Data Center in Orlando, Florida;
- The Disaster Recovery Site will be available as ensured by contract;
- There may be a shortage of personnel due to the disaster, but between the disaster recovery service personnel and the major hardware and software vendor's personnel, disaster recovery operations will be initiated;
- AT&T or MCI can be used to restore vital data communications;

- Adequate financial and personnel resources will be made available each year to test the recovery plan to assure its continuing viability, and,
- During a disaster, some degradation of service to user agencies may occur until recovery operations are completed and EDS Data Center operations have returned to normal. Business will be operated in a disaster mode at a reduced level of service, returning to full service as soon as possible.

1.8 Maintenance & Distribution

The Business Continuity Administrator is responsible for overseeing the maintenance, distribution, and annually testing of the recovery plan. The maintenance activities are assigned to various individuals or groups within the organization with overall responsibility for coordination of the activities designated to the Business Continuity Coordinator.

The Disaster Recovery Plan is a restricted document and classified as confidential, given the nature of the contents. Each individual with access to, or a copy of, the plan is responsible for security and control of the document in accordance with policies.

The Business Continuity Administrator is responsible for authorized access to the Disaster Recovery Plan and maintains a master access list. Additionally, the Business Continuity Administrator should maintain a current copy on site and a copy off site of both printed and electronic versions.

1.9 Recovery Team Organization Structure

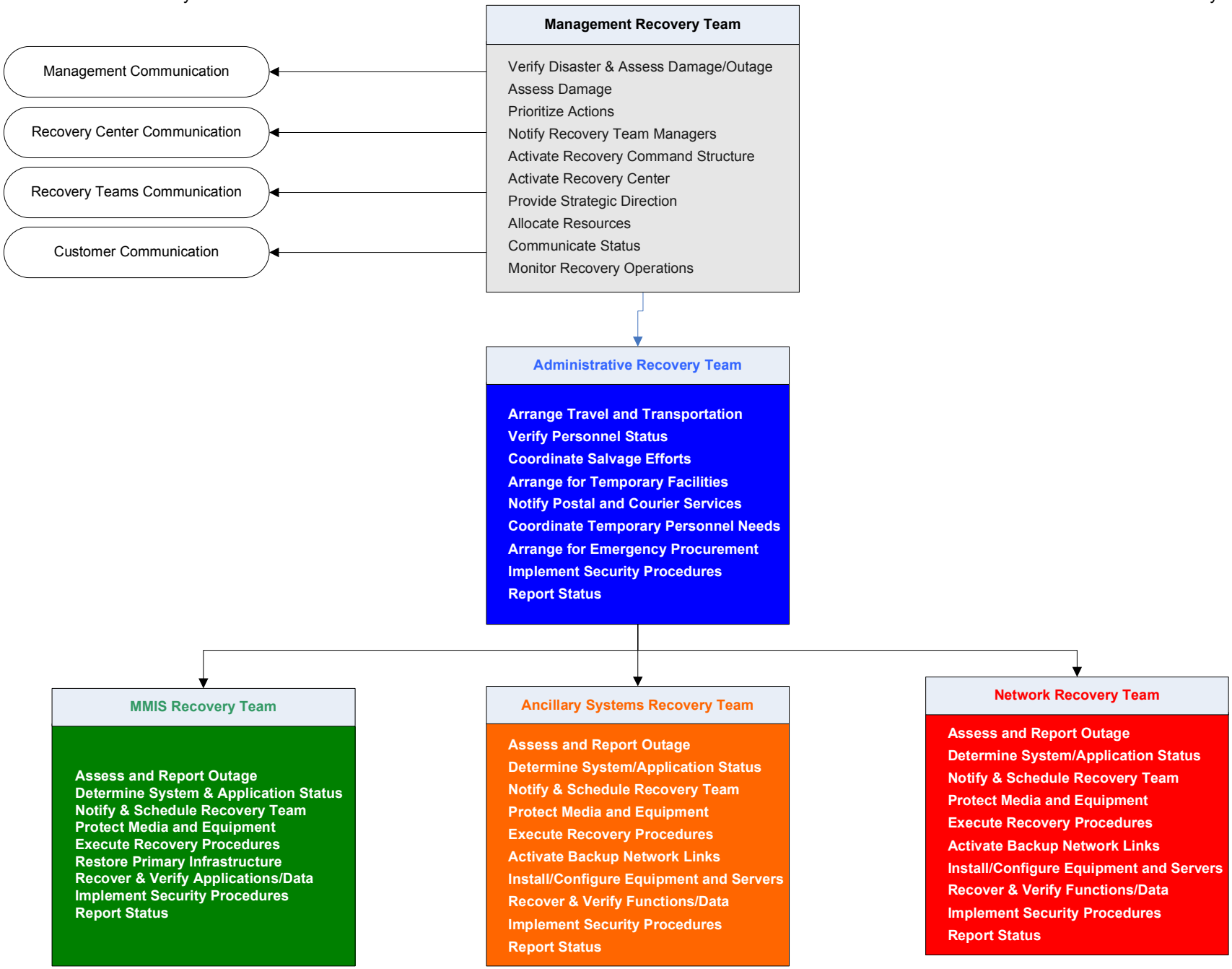
Because an unexpected interruption in business operations and systems may occur at any time requiring a coordinated response, each occurrence requires a managed approach that fosters consistency of effort and reduces the escalation of damage or outage. The recovery teams are organized to address all issues related to an emergency and authorized to make certain decisions relative to recovery efforts. Specific team members are assigned to manage these efforts, and the teams are also staffed with members capable of performing each task. The teams are designed to handle a specific set of tasks to be accomplished before, during, and/or after an emergency. The documented restoration procedures are intended to be in sufficient detail that in the event that specific key members are not able to participate in the recovery, other individuals who are knowledgeable in the particular operations and/or technology could, following the procedures, restore the business operations and systems involved.

Team members have several roles. Team managers have the responsibility to assign personnel to staff the teams necessary to address emergency situations. Multiple roles are sometimes unavoidable based on available resources, emergency conditions, and time constraints. Alternates are assigned as back-ups for team manager positions and team members to reduce the possibility of a vacancy in the command chain.

The Disaster Recovery Plan is structured with five recovery teams. The primary team is the Management Recovery Team, with complete functional responsibility for all recovery-planning activities. Each team has a separate plan section. Recovery teams are operational groups responsible for specific functions. The teams have specific responsibilities that allow for a rapid and smooth recovery process. Each team has the authority to carry out the procedures contained in their section of the plan. The recovery teams (and related plan sections) are color coded to facilitate the use of this document as described below:

Color Name	Team Description	Appendix
Gray	Management Recovery Team	A
Blue	Administrative Recovery Team	B
Green	MMIS Recovery Team	C
Orange	Distributed Systems Recovery Team	D
Red	Network Recovery Team	E

Each appendix details the procedures and specific responsibilities for each respective team. Each appendix is written and formatted for use on a stand-alone basis. The last sections of the plan include exhibits which may be needed to support the procedural sections of the plan. The Business Continuity Team Structure is illustrated on the following page.


Management Recovery Team
Verify Disaster & Assess Damage/Outage
Assess Damage
Prioritize Actions
Notify Recovery Team Managers
Activate Recovery Command Structure
Activate Recovery Center
Provide Strategic Direction
Allocate Resources
Communicate Status
Monitor Recovery Operations
Management Communication
Recovery Center Communication
Recovery Teams Communication
Customer Communication
Administrative Recovery Team
Arrange Travel and Transportation
Verify Personnel Status
Coordinate Salvage Efforts
Arrange for Temporary Facilities
Notify Postal and Courier Services
Coordinate Temporary Personnel Needs
Arrange for Emergency Procurement
Implement Security Procedures
Report Status
MMIS Recovery Team
Assess and Report Outage
Determine System & Application Status
Notify & Schedule Recovery Team
Protect Media and Equipment
Execute Recovery Procedures
Restore Primary Infrastructure
Recover & Verify Applications/Data
Implement Security Procedures
Report Status
Ancillary Systems Recovery Team
Assess and Report Outage
Determine System/Application Status
Notify & Schedule Recovery Team
Protect Media and Equipment
Execute Recovery Procedures
Activate Backup Network Links
Install/Configure Equipment and Servers
Recover & Verify Functions/Data
Implement Security Procedures
Report Status
Network Recovery Team
Assess and Report Outage
Determine System/Application Status
Notify & Schedule Recovery Team
Protect Media and Equipment
Execute Recovery Procedures
Activate Backup Network Links
Install/Configure Equipment and Servers
Recover & Verify Functions/Data
Implement Security Procedures
Report Status

1.10 Methodology

This Disaster Recovery Plan was developed in phases using the following methodology:

Risk Assessment and Reduction: The first step in the planning process identified the areas of highest exposure to the organization. The most probable threats and vulnerabilities of the organization were identified and analyzed. The process also included evaluating existing physical and environmental security and controls, and assessing their adequacy relative to the potential threats to the organization.

Although the exact nature of potential disasters or their resulting consequences are difficult to determine, the risk assessment identified various threats that can realistically occur. The process addressed issues to minimize or eliminate exposures that have the possibility of creating a disruption or interfering with the recovery.

Business Impact Analysis: The business impact analysis identified the critical business processes, and determined the impact of not performing the processes beyond the maximum acceptable outage. The critical and essential business processes and their related software applications were identified throughout the core Medicaid and peripheral applications including all interfaces. Based on the analysis, the related infrastructure requirements were identified and prioritized.

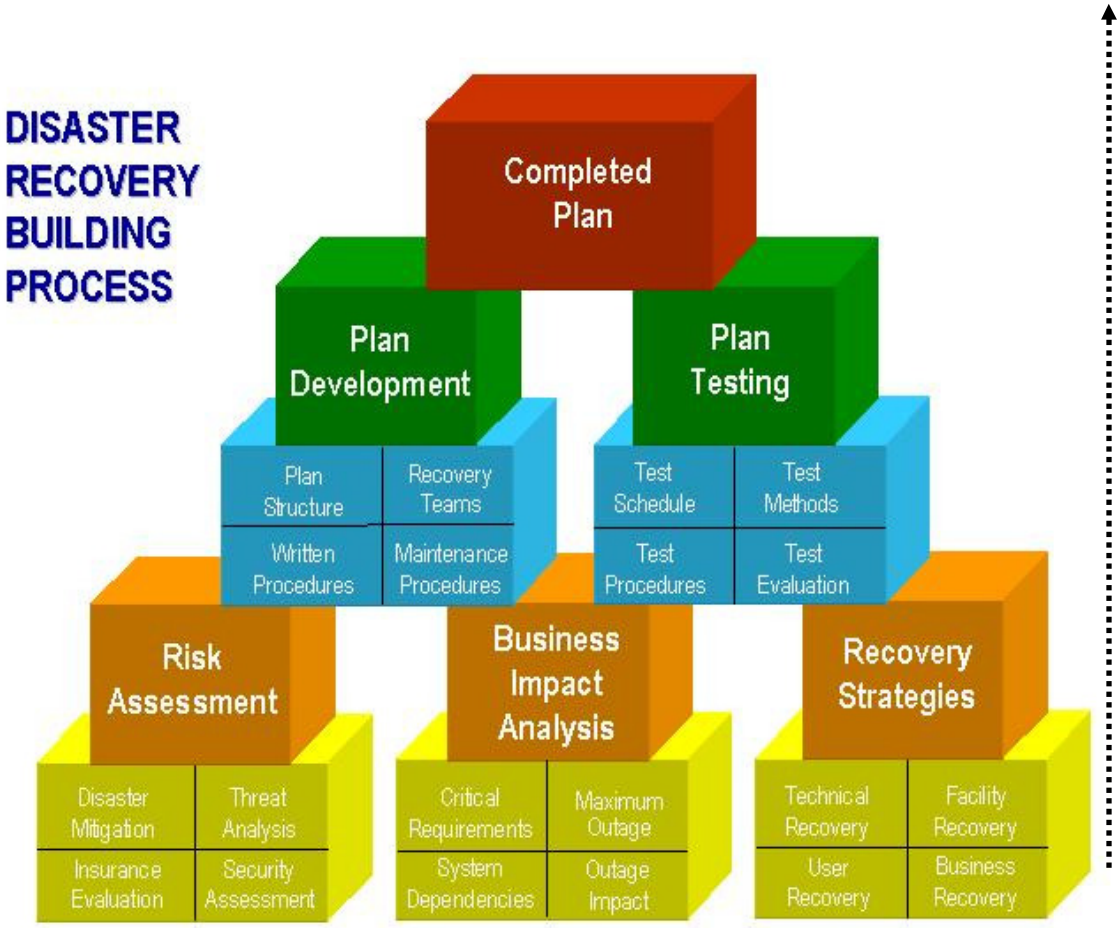
Recovery Strategies: Important aspects of business continuity planning are to determine recovery strategies and develop written agreements related to the most feasible alternative(s). Based on this analysis, recovery alternatives for critical equipment, processes, and facilities were evaluated. The results of the business impact analysis and risk assessment process were used to determine the most cost effective recovery strategies for each consideration. This phase of the process focused on identifying critical resources that result in cost-effective recovery strategies.

Recovery plan: The contents of the plan follow a logical sequence and are written in a standard and understandable format. The plan, which is brief and to the point, is written to reduce the time required to read and understand the procedures. This should provide improved team performance if the plan has to be used. The plan documents the initial actions necessary to assess the damage, outage or impact of an emergency situation and the activities required to maintain control and recover from the disaster event.

Training and testing: It is essential that training be provided for all team members and other participating personnel. In addition, the plan should annually be tested and evaluated at least once a year and more frequently when systems or process changes result in plan changes. Procedures to test the plan are documented in the testing plan. The tests will provide the organization with the assurance that all necessary steps are included in the plan.

The tests will provide, in addition to information regarding any further steps that may need to be included, changes in procedures that are not effective or other appropriate adjustments. The plan must then be updated to correct any problems identified during the test. Testing should also be a part of the method for training the team members on the plan.

The diagram below illustrates the process used for developing the Disaster Recovery Plan. An important aspect of the methodology is that each phase of the process is built on a solid foundation.

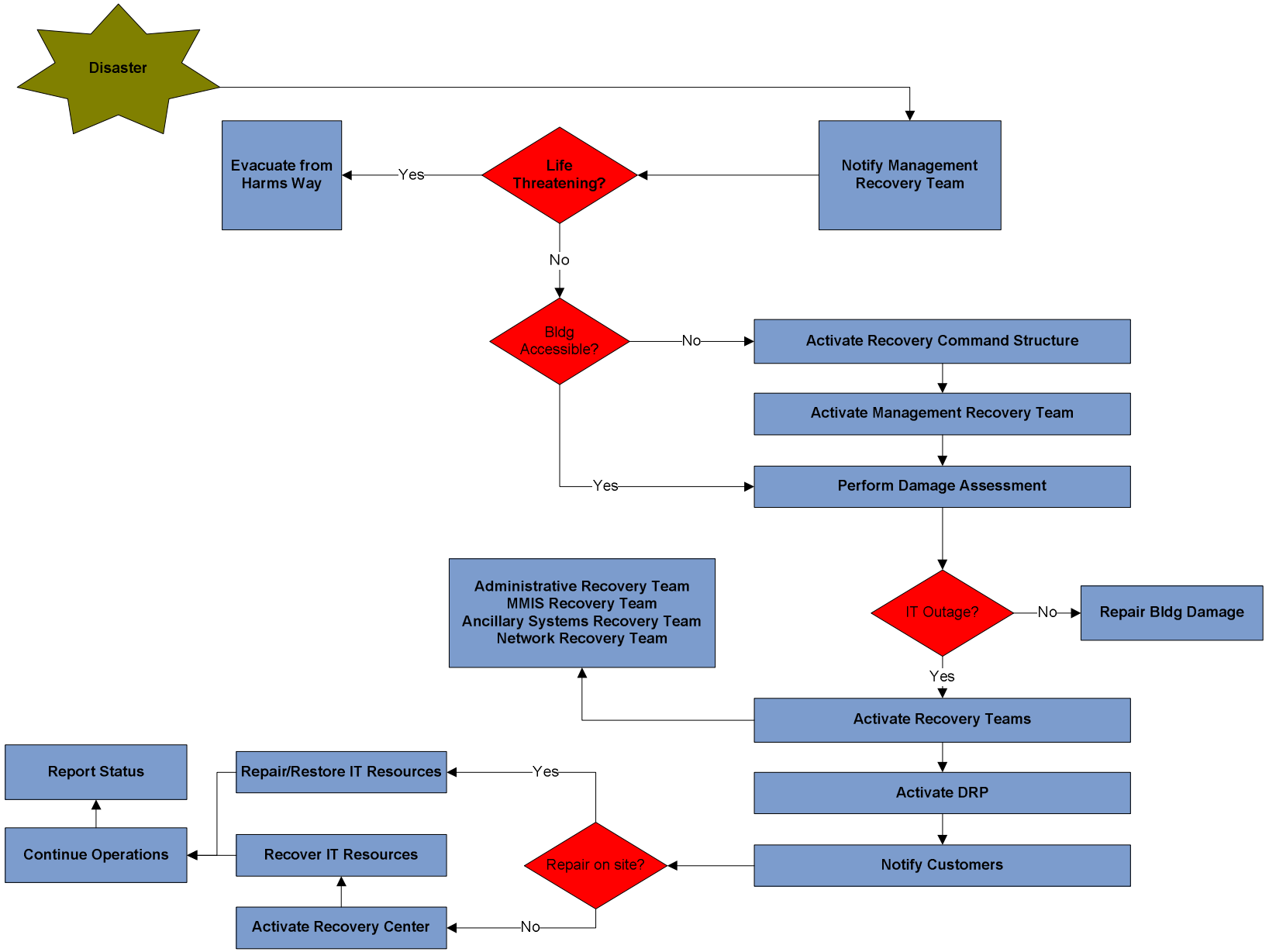

DISASTER
RECOVERY
BUILDING
PROCESS
Completed Plan
Plan Development
Plan Testing
Plan Structure
Recovery Teams
Written Procedures
Maintenance Procedures
Test Schedule
Test Methods
Test Procedures
Test Evaluation
Risk Assessment
Business Impact Analysis
Recovery Strategies
Disaster Mitigation
Threat Analysis
Insurance Evaluation
Security Assessment
Critical Requirements
Maximum Outage
System Dependencies
Outage Impact
Technical Recovery
Facility Recovery
User Recovery
Business Recovery

1.11 Plan Activation Process

Authority to declare a disaster is a crucial element of the plan and is assigned to a restricted number of individuals within the organization. This procedure should be verified annually for accuracy and improvements. The activation process for the Disaster Recovery Plan is illustrated below. Disaster event guidelines for the following types of damage or outage are also illustrated below:

- Building Damage;
- MMIS Outage;
- Distributed Systems Outage;
- WAN Outage; and,
- Hardware Outages Outage.

A flow chart of the plan activation process is attached.

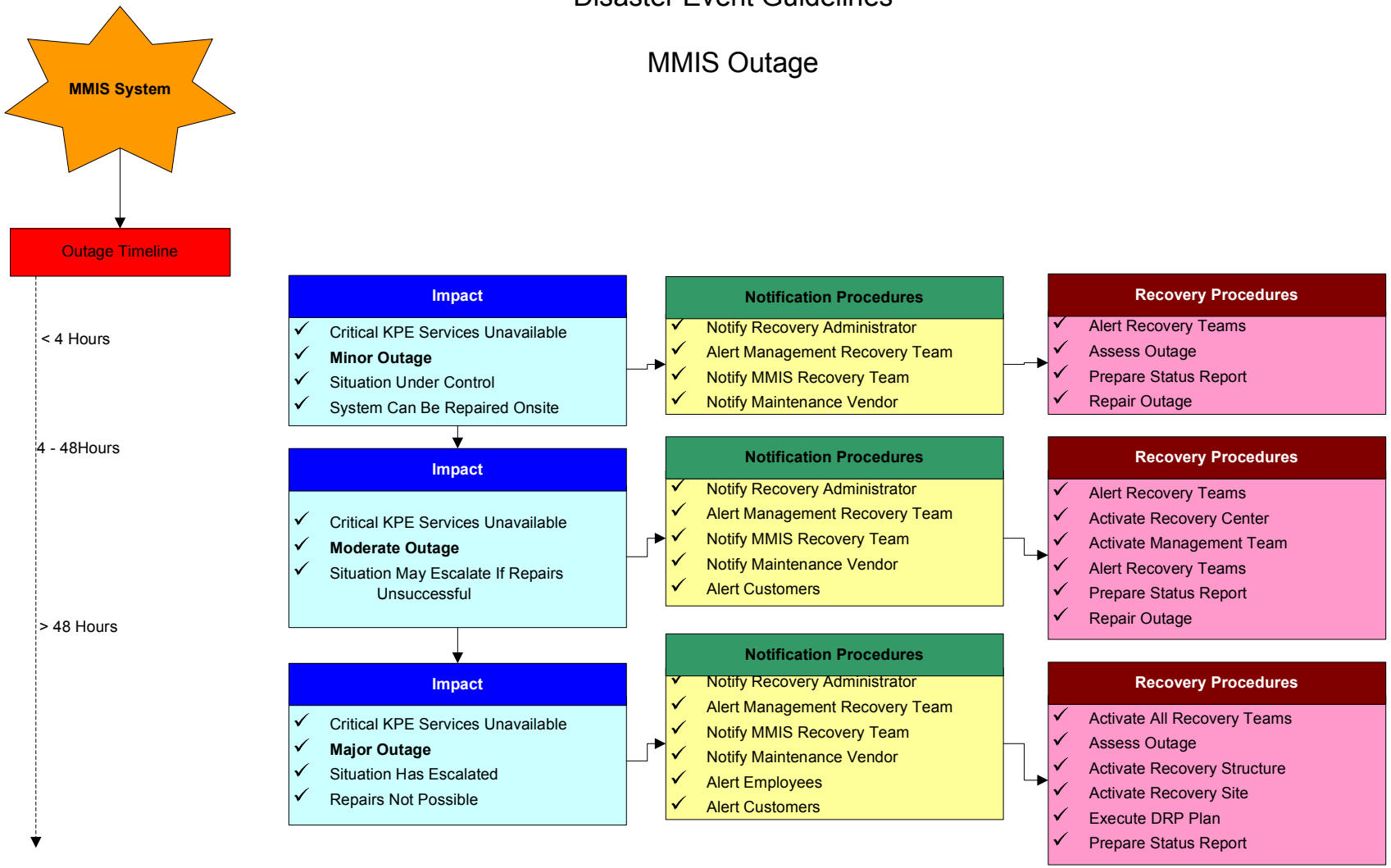

Disaster
Evacuate from Harms Way
Yes
Life Threatening?
Notify Management Recovery Team
No
Bldg Accessible?
No
Activate Recovery Command Structure
Activate Management Recovery Team
Yes
Perform Damage Assessment
Administrative Recovery Team
MMIS Recovery Team
Ancillary Systems Recovery Team
Network Recovery Team
IT Outage?
No
Repair Bldg Damage
Yes
Activate Recovery Teams
Report Status
Repair/Restore IT Resources
Yes
Activate DRP
Continue Operations
Recover IT Resources
Repair on site?
Notify Customers
Activate Recovery Center
No

Disaster Event Guidelines

Building Damage

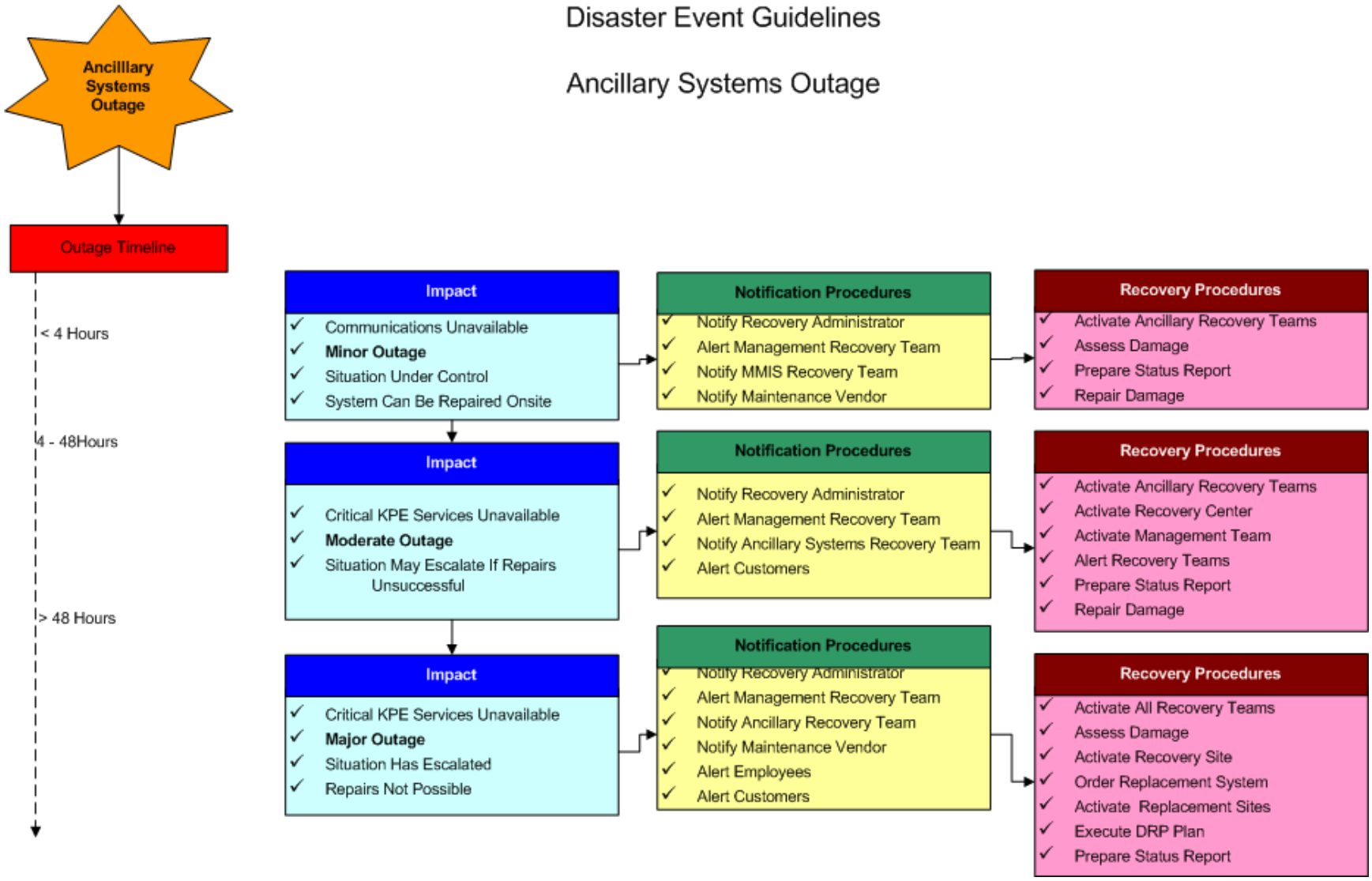
Disaster Event Guidelines

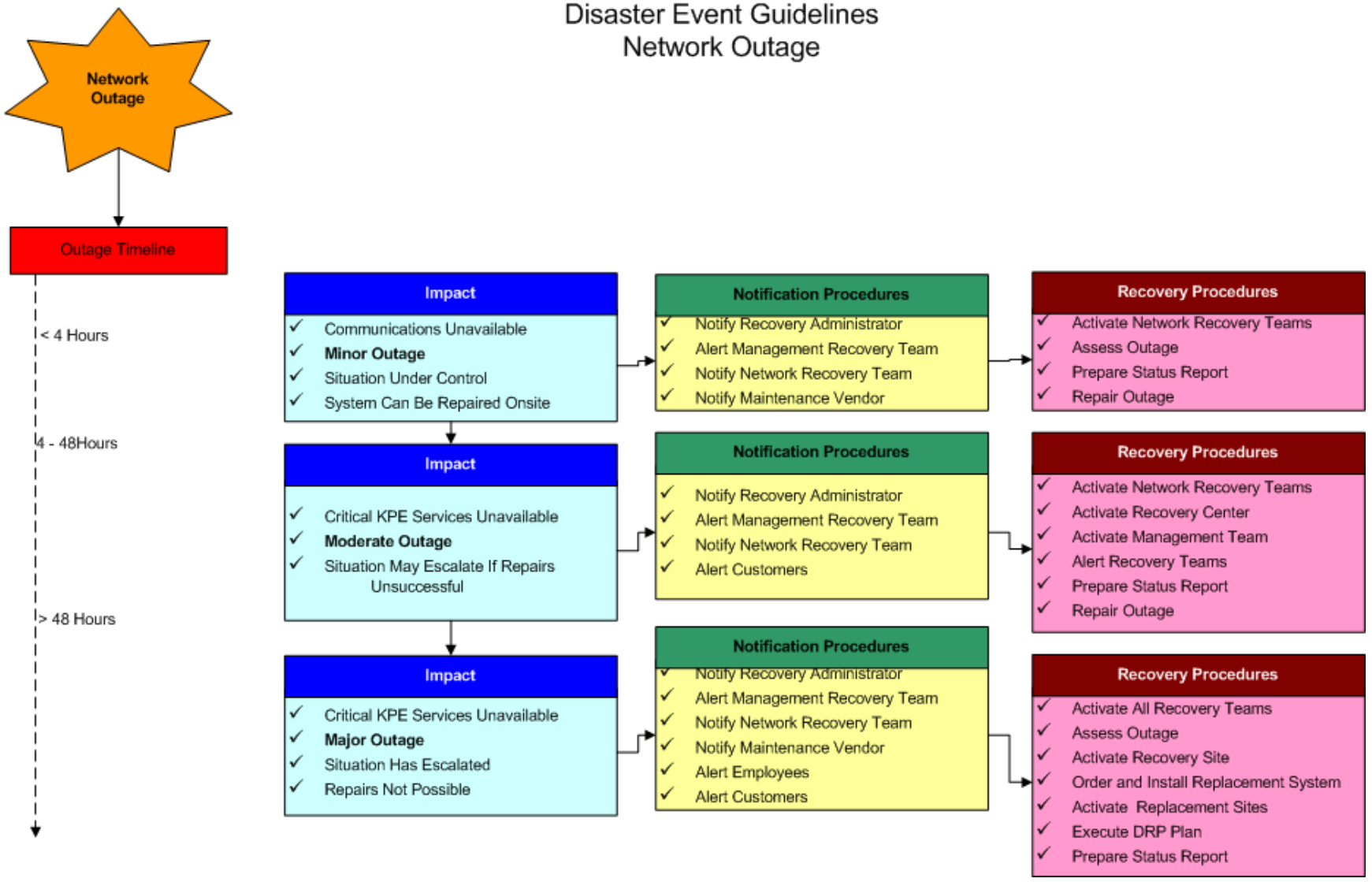
MMIS Outage



Disaster Event Guidelines

Ancillary Systems Outage




Disaster Event Guidelines
Network Outage
Network Outage
Outage Timeline
< 4 Hours
4 - 48Hours
> 48 Hours
Impact
Communications Unavailable
Minor Outage
Situation Under Control
System Can Be Repaired Onsite
Notification Procedures
Notify Recovery Administrator
Alert Management Recovery Team
Notify Network Recovery Team
Notify Maintenance Vendor
Recovery Procedures
Activate Network Recovery Teams
Assess Outage
Prepare Status Report
Repair Outage
Impact
Critical KPE Services Unavailable
Moderate Outage
Situation May Escalate If Repairs Unsuccessful
Notification Procedures
Notify Recovery Administrator
Alert Management Recovery Team
Notify Network Recovery Team
Alert Customers
Recovery Procedures
Activate Network Recovery Teams
Activate Recovery Center
Activate Management Team
Alert Recovery Teams
Prepare Status Report
Repair Outage
Impact
Critical KPE Services Unavailable
Major Outage
Situation Has Escalated
Repairs Not Possible
Notification Procedures
Notify Recovery Administrator
Alert Management Recovery Team
Notify Network Recovery Team
Notify Maintenance Vendor
Alert Employees
Alert Customers
Recovery Procedures
Activate All Recovery Teams
Assess Outage
Activate Recovery Site
Order and Install Replacement System
Activate Replacement Sites
Execute DRP Plan
Prepare Status Report

1.12 Mission Critical Applications and Connectivity

Refer to the following exhibits that are located at the end of the plan:

- Appendix: G: Key Process Services Recovery Priorities; and,
- Appendix O: KPE Mapping

1.13 Relocation Strategies

If the Orlando Data Center is unusable, a facility at 13600 EDS Drive, Herndon, VA 20171 will be prearranged for operations. If the Orlando Data Center becomes unusable for an extended period of time, this office could function as an input-output, user support, and terminal area.

As a result of a disaster or outage, the initial meeting location of all special teams is: Lobby Conference Room

In the event that this site is unusable, the alternate site is: EDS Education Account located in Louisville, KY

1.14 Communications plan

Proper internal and external communications are critical to successful recovery from a disaster. Therefore, it is important that the organization maintain specific communication policies as defined in this Disaster Recovery Plan. A comprehensive communications strategy is critical for many reasons, including:

- Effectively resolving any issues that may arise in the course of recovery;
- Building the commitment of the members of the recovery team;
- Ensuring the allocation of sufficient resources to the recovery process;
- Facilitating effective teamwork and coordination of activities;
- Minimizing the time span of the recovery; and,
- Establishing appropriate expectations of the recovery process among the impacted parties.

1.14.1 Internal Communications

Depending on the disaster event experienced, employees may need to be provided information regarding the organization's response to the disaster situation. The Management Recovery Team will determine the type of information that needs to be provided to staff and will determine the most appropriate method of dissemination. Potential methods of internal communications will vary depending on the type of event and whether normal systems and communications channels have been affected. Potential communications methods may include:

- Employee assistance telephone line;
- Intranet announcements;
- E-mail announcements;
- Voice mail announcements;

- Radio, television or newspaper announcements to employees; and,
- Newsletters sent to employee homes or distributed through interoffice mail.

1.14.2 External Communications

The Management Recovery Team will be responsible for directing and approving all methods of external communications following a disaster event. The Management Recovery Team will work with all recovery teams to determine the information to be communicated, the form of communication that should be used and the audiences that should receive it. The Management Recovery Team has the sole authority to answer questions with predetermined limitations and to make on-the-spot decisions and arrangements necessary for proper relations.

According to the Communications Standards and Protocols, under normal operating conditions all official CHFS correspondence that is intended to represent the view of CHFS as a whole, the commissioner's office and/or the executive staff must have pre-approval before distribution. The commissioner, deputy commissioner, executive directors, directors, branch managers, project leaders, and other designated employees are the only employees authorized to send official correspondence outside of CHFS. An executive director, prior to issuance, must approve any correspondence to all members of groups with which the commissioner or deputy commissioner have working relationships (i.e., all Information resource managers, all commissioner's, media, etc.). Official CHFS correspondence should be sent using the CHFS official state letterhead.

1.14.2.1 Communications Matrix

In general, the Management Recovery Team will be solely responsible for informing the public following a disaster event.

The Management Recovery Team is responsible for gathering and disseminating timely information for external audiences during times of disaster, given the following objectives:

- Provide timely and accurate information and direction to those affected by the disaster;
- Reduce rumor and uncertainty; and,
- Maintain CHFS credibility and minimizing damage to its reputation.

Other than the above the following communication matrix applies to all communications during a disaster:

Activity Description	CHFS Office of Contract Oversight	Commissioner	Management Recovery Team	Administrative Recovery Team	MMIS Recovery Team	Ancillary Systems Recovery Team	Network Recovery Team
1. Discussions with and inquiries from the Governor.		☸					
2. Official CHFS correspondence that is intended to represent the view of CHFS as a whole, the Commissioner's office and/or the executive staff.		☸					
3. Financial or contractual correspondence.	☸						
4. Distribution and communication of press releases.			☸				
5. Inquiries from the press regarding the disaster, security, viruses, and CHFS policy or any other CHFS related issue.			☸				
6. Inquiries from any legislative office regarding the disaster, security, viruses, and CHFS policy or any other CHFS related issue.			☸				
7. Acts as liaison with emergency response personnel.			☸				
8. Communicates information about the disaster to all team leaders.			☸				
9. Inquiries and communications with Recovery Teams with regard to their specific recovery activity and needs with regard to the recovery activity.				☸			
10. Communications and inquiries with/ from the Administrative and Management Recovery Teams with regard to damage or outage assessment.					☸	☸	☸
11. Communications and inquiries with/ from the MMIS and Distributed Systems Teams with regard to network communication assessment & outage.							☸
12. Communications and inquiries with/ from the Distributed Systems and Network Recovery Teams with regard to items stored at the off-site storage facility.					☸		

Activity Description	CHFS Office of Contract Oversight	Commissioner	Management Recovery Team	Administrative Recovery Team	MMIS Recovery Team	Ancillary Systems Recovery Team	Network Recovery Team
13. Communications and inquiries with/ from the Distributed Systems and Network Recovery Teams with regard to items in transit from the off-site storage facility.					☸		

1.15 Emergency Procurement

The Management Recovery Team is responsible for monitoring and controlling disaster related expenses during the recovery process. The Administrative Recovery Team is responsible for purchasing and recording disaster related expenses. A disaster event may cause circumstances where normal purchasing policies cannot be followed due to the need to quickly obtain equipment and supplies. Whenever possible, purchasing policies should be followed. In the event of a disaster, recovery team managers have purchasing authority based on the existing procurement policies.

All purchases should be recorded in the EDS Corporate Account System (CAS) financial system. Information contained in this log should include:

- Item purchased;
- Date purchased;
- Date delivery promised;
- Address to deliver;
- Method of delivery;
- Vendor purchased from;
- Cost of item;
- Purpose of purchase; and,
- Name of purchaser.

Receipts should be obtained to document each purchase. All emergency purchase information and supporting documentation should be provided to the Administrative Recovery Team.

2 Plan Organizational Structure

The organizational structure of the plan during and after a disaster closely resembles the current organization structure. The contingency organization is designed to provide a structure similar to the operational organization. The goal of the contingency organization is to accomplish a rapid and smooth recovery process.

Recovery teams are operational groups responsible for restoring specific functions. The teams have specific responsibilities that allow for a quick and successful recovery process. Each team should have the authority to implement and accomplish the procedures contained in their functional area.

The plan assumes minimum contingency staff is available to perform team functions. Certain business recovery roles are diversified based on the size of the team and the magnitude of the disaster. The Business Continuity Team structure identifies reporting lines as well as responsibilities for key individuals.

2.1 Recovery Team Definitions

There are five major recovery teams designed within the plan. These teams are color coded to facilitate the use of this document as described below:

Color Name	Team Description	Section
Grey	Management Recovery Team	2.4.1
Blue	Administrative Recovery Team	2.4.2
Green	MMIS Recovery Team	2.4.3
Orange	Ancillary Systems Recovery Team	2.4.4
Red	Network Recovery Team	2.4.5

Each of these teams has a separate section of the plan addressing specific responsibilities and procedures to be followed in the event of a disaster.

In addition to the establishment of recovery teams, the plan has assigned team positions and members. Team positions include:

- Recovery administrator;
- Team member;
- Business continuity coordinator;
- Alternate team manager; and
- Team manager.

These persons provide the necessary leadership and direction to implement the plan and carry out the assigned duties and responsibilities at the time of a disaster. The Disaster Recovery Plan Team structure is illustrated above.

The recovery team structure includes two important positions, the business continuity administrator and the business continuity coordinator.

2.2 Recovery administrator

The recovery administrator is responsible for supervising and controlling recovery activities on an overall basis, and providing managerial direction to the leaders of all teams.

2.3 Business Continuity Coordinator

The business continuity coordinator is responsible for coordinating recovery activities between the Management Recovery Team and the other recovery teams. The business continuity coordinator is also responsible for maintaining documentation relative to the recovery process.

Responsibilities of the business continuity administrator and business continuity coordinator are further defined in the Management Recovery Team section of the plan. In addition, this position is responsible for:

- Maintaining the Business Continuity plan;
- Distributing the plan and subsequent updates;
- Business Continuity plan training; and,
- Testing the plan.

2.4 Team managers

Team managers will be responsible for coordinating all recovery activities of their respective teams to reestablish operations to acceptable levels within the shortest possible timeframe. These individuals will:

- Serve as the prime decision-makers for situations included and not included in the plan;
- Evaluate and critique initial disaster assessment reports and action plans;
- Submit disaster assessment reports to the Management Recovery Team;
- Identify additional recovery positions needed to assist in recovery activities;
- Direct and motivate the team members;
- Track the actual progress/completion of recovery activities against the projected sequence of recovery events (i.e., function as a project manager for the recovery process);
- Establish with the Management Recovery Team, progress-reporting times (hourly, every two hours, etc.) to ensure that required activities are being performed as planned; and,
- Submit final disaster assessment reports to the Management Recovery Team.

2.4.1 Management Recovery Team

The **Management Recovery Team** has the following general responsibilities:

- Receiving the initial disaster alert;

- Serving as primary liaison to emergency response personnel;
- Verifying the disaster event;
- Assessing the disaster event;
- Activating all or part of the Disaster Recovery Plan with the assistance of the Administrative Recovery Team;
- Activating the recovery center(s);
- Working with the Administrative Recovery Team to establish the DR Command Center:
  - Facilities;
  - Equipment and supplies; and,
  - Personnel.
- Providing strategic direction to the Administrative Recovery Team;
- Performing public relations;
- Addressing legal issues; and,
- Monitoring recovery operations.

2.4.2 Administrative Recovery Team

The **Administrative Recovery Team** has the following general responsibilities:

- Activating all or part of the Disaster Recovery Plan as directed by the Management Recovery Team;
- Notifying Administrative Recovery Team members;
- Notifying appropriate recovery team managers;
- Prioritizing actions and activities;
- Performing recovery action planning;
- Working with the Management Recovery Team to establish the DR Command Center:
  - Facilities;
  - Equipment and supplies; and,
  - Personnel.
- Documenting recovery operations:
  - Recovery status report; and,
  - Emergency accounting procedures.
- Providing strategic direction to all recovery teams and personnel;

- Arranging for alternate facilities, if needed;
- Directing salvage efforts;
- Arranging for basic support services;
- Obtaining office equipment as necessary;
- Arranging transportation and travel;
- Verifying personnel status;
- Contacting construction and service vendors to arrange facility reconstruction as necessary;
- Arranging security:
  - Disaster site; and,
  - Alternate processing and facility sites.
- Arranging for temporary personnel;
- Notifying postal and courier services;
- Coordinating insurance claims;
- Analyzing records retention and salvage requirements;
- Coordinating asset removal;
- Executing recovery procedures;
- Assessing office damage;
- Issuing status reports;
- Monitoring recovery operations; and,
- Reporting status to the Management Recovery Team.

2.4.3 MMIS Recovery Team

The **MMIS Recovery Team** has the following general responsibilities:

- Determining system and application status;
- Notifying and scheduling recovery team members;
- Retrieving backup media from the offsite storage location;
- Restoring MMIS infrastructure;
- Implementing MMIS backup file restoration;
- With respect to the MMIS:
  - Protecting media and equipment at the Disaster Recovery Site;

- Restoring system files, applications, and data from backup copies of electronic media in collaboration with agency recovery teams;
- Executing recovery procedures;
- Recovering and verifying applications/data;
- Implementing security procedures; and,
- Reporting status to the Management Recovery Team.

2.4.4 Ancillary Systems Recovery Team

The **Ancillary Systems Recovery Team** has the following responsibilities:

- Determining system and application status;
- Notifying and scheduling recovery team members;
- Installing/configuring servers;
- With respect to distributed systems:
  - Protecting media and equipment;
  - Restoring system files and applications from backup copies of electronic media;
  - Executing recovery procedures;
  - Recovering and verifying applications/data;
  - Implementing security procedures; and,
  - Reporting status to the Management Recovery Team.

2.4.5 Network Recovery Team

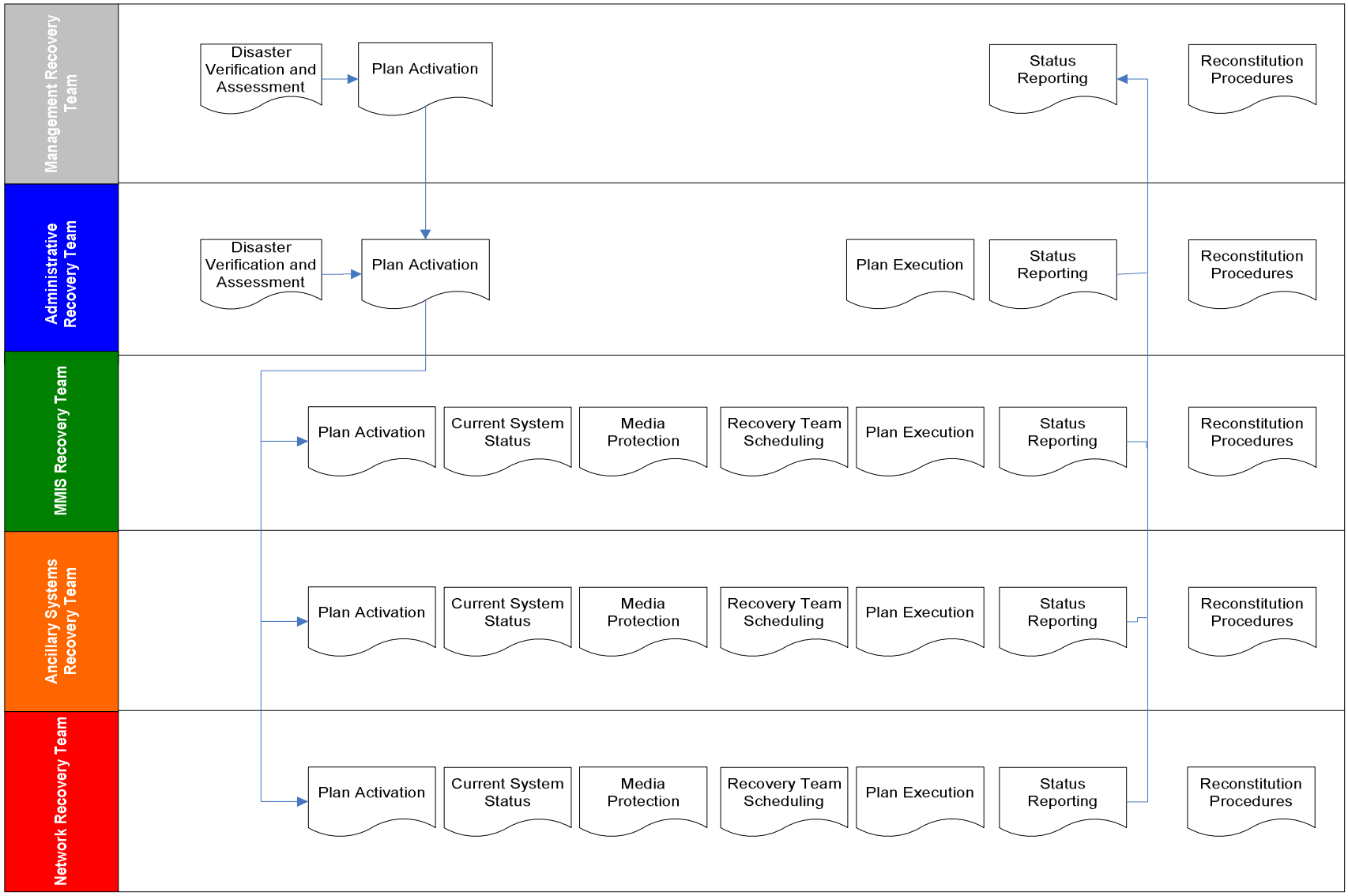
The **Network Recovery Team** has the following responsibilities:

- Determining the status of the network;
- Notifying and scheduling recovery team members;
- Protecting media and equipment;
- Installing/configuring equipment and servers;
- Activating the backup network; and,
- With respect to networked systems equipment Including routers, switches, firewalls and email systems:
  - Restoring system files from backup copies of electronic media;
  - Restoring connectivity to customers and providing connectivity from the hot site to customers;
  - Executing recovery procedures;

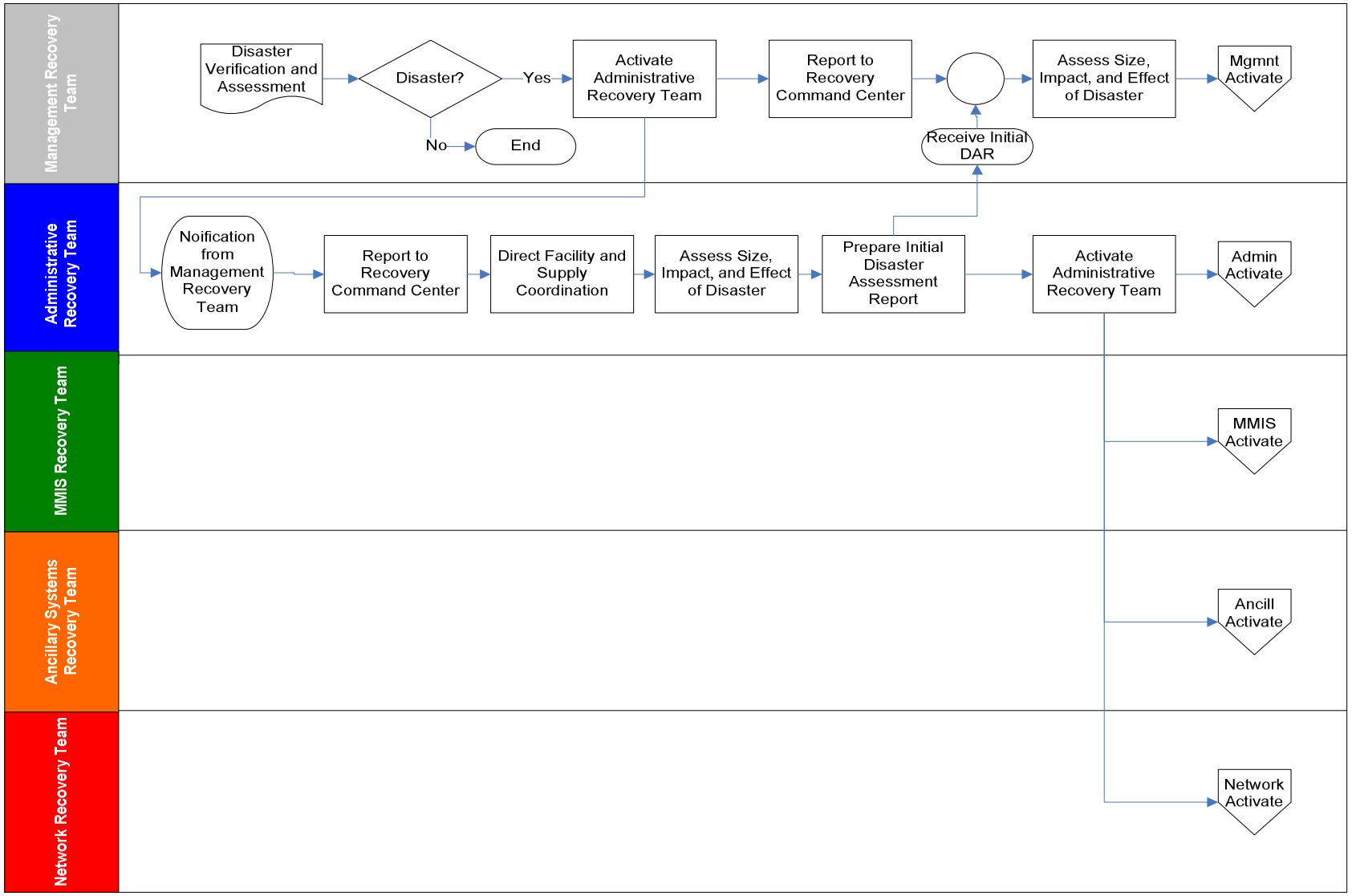
- Implementing security procedures; and,
- Reporting status to the Management Recovery Team.

Note: A summary flow chart of the **MMIS DISASTER RECOVER PLAN** with summary team activities is attached.

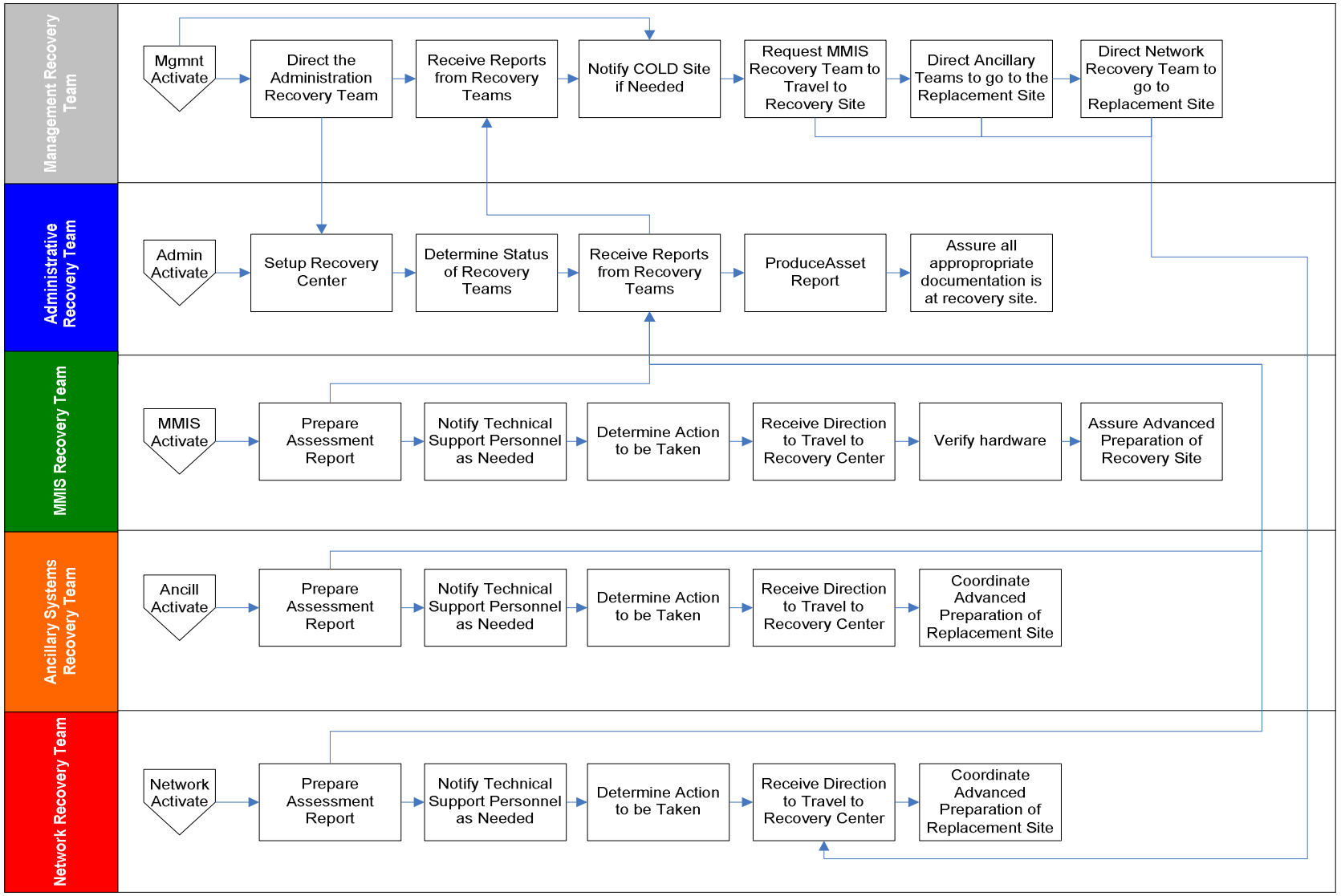
MMIS Disaster Recovery Plan



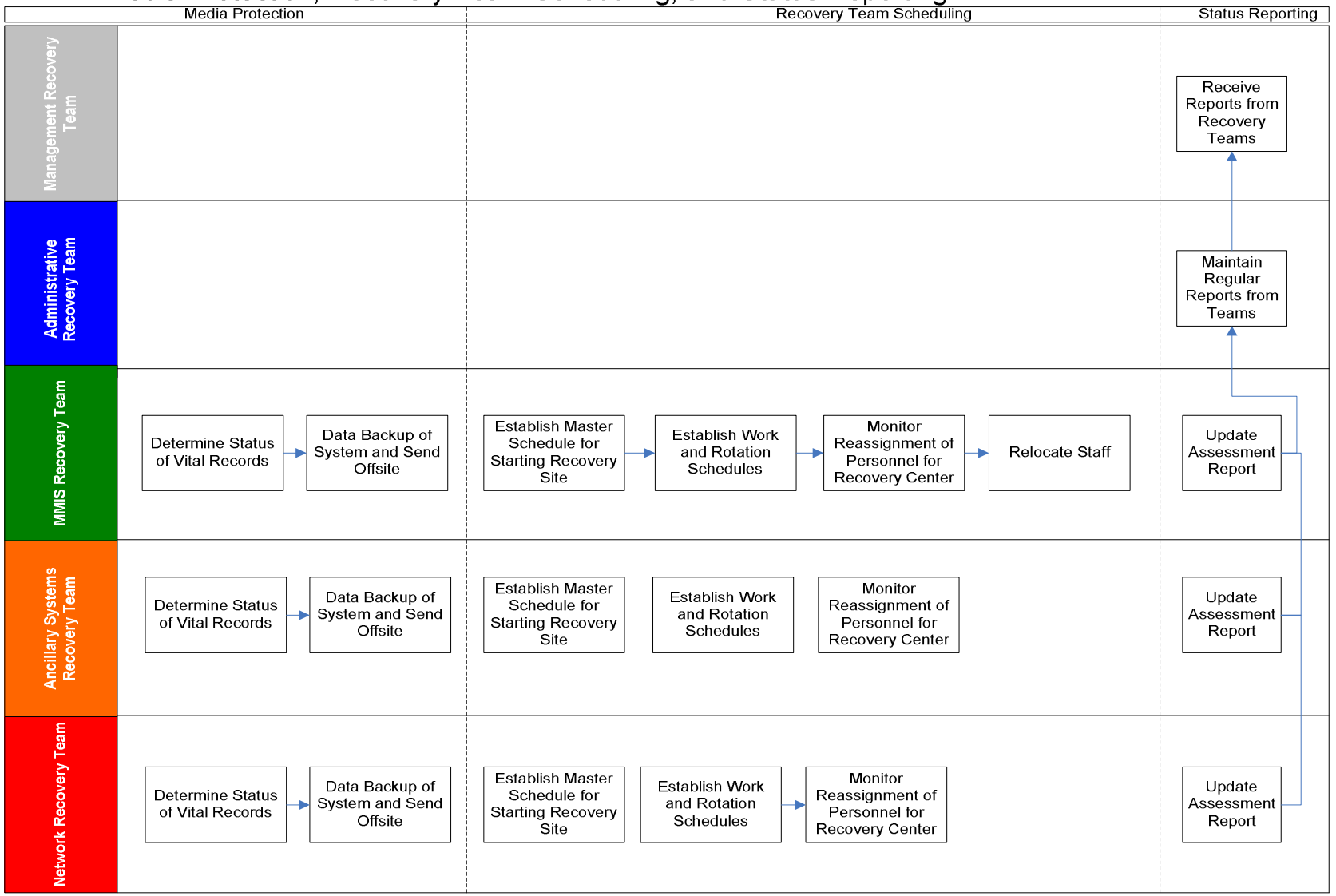
Disaster Verification and Disaster Assessment



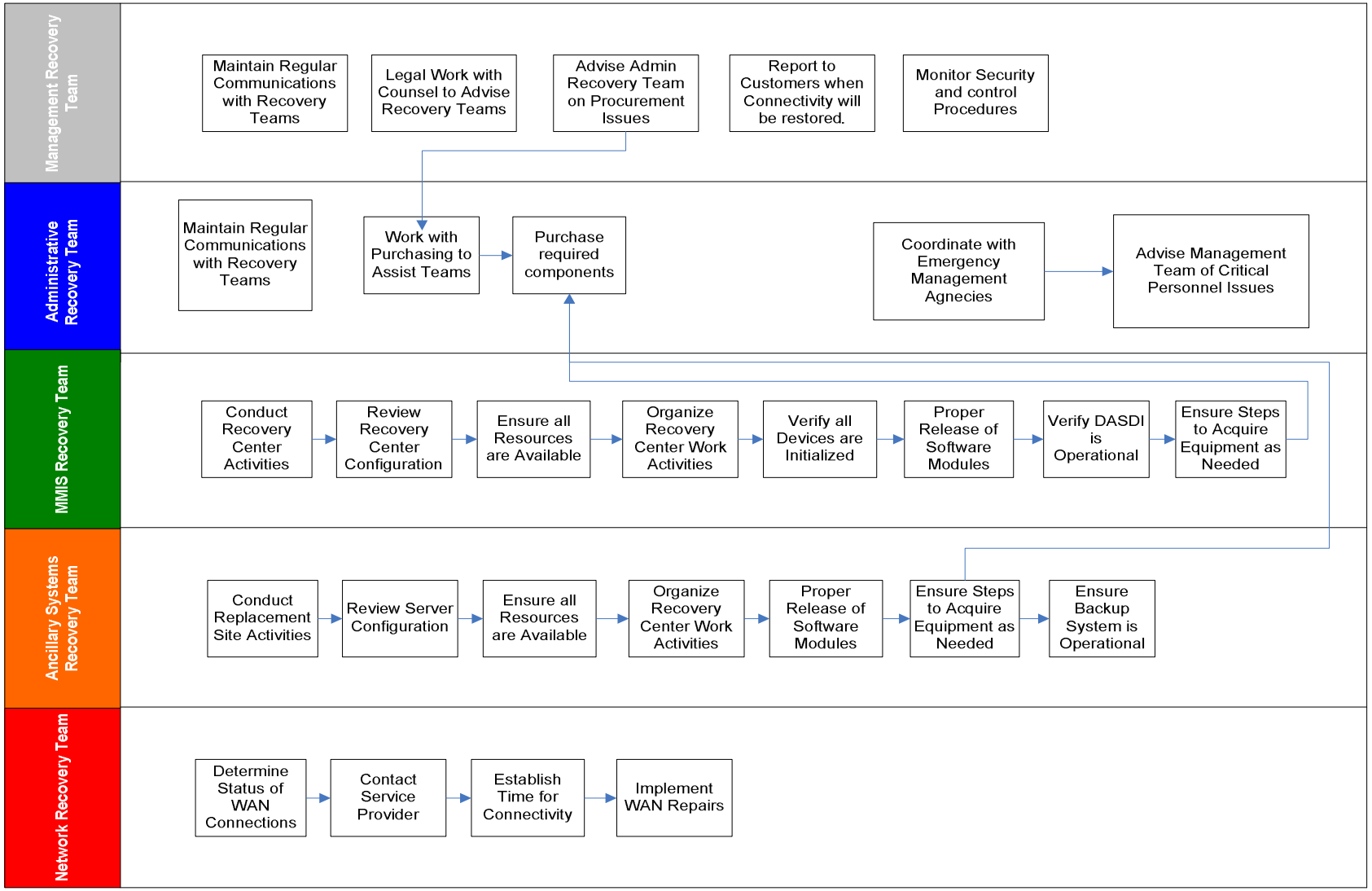
Plan Activation



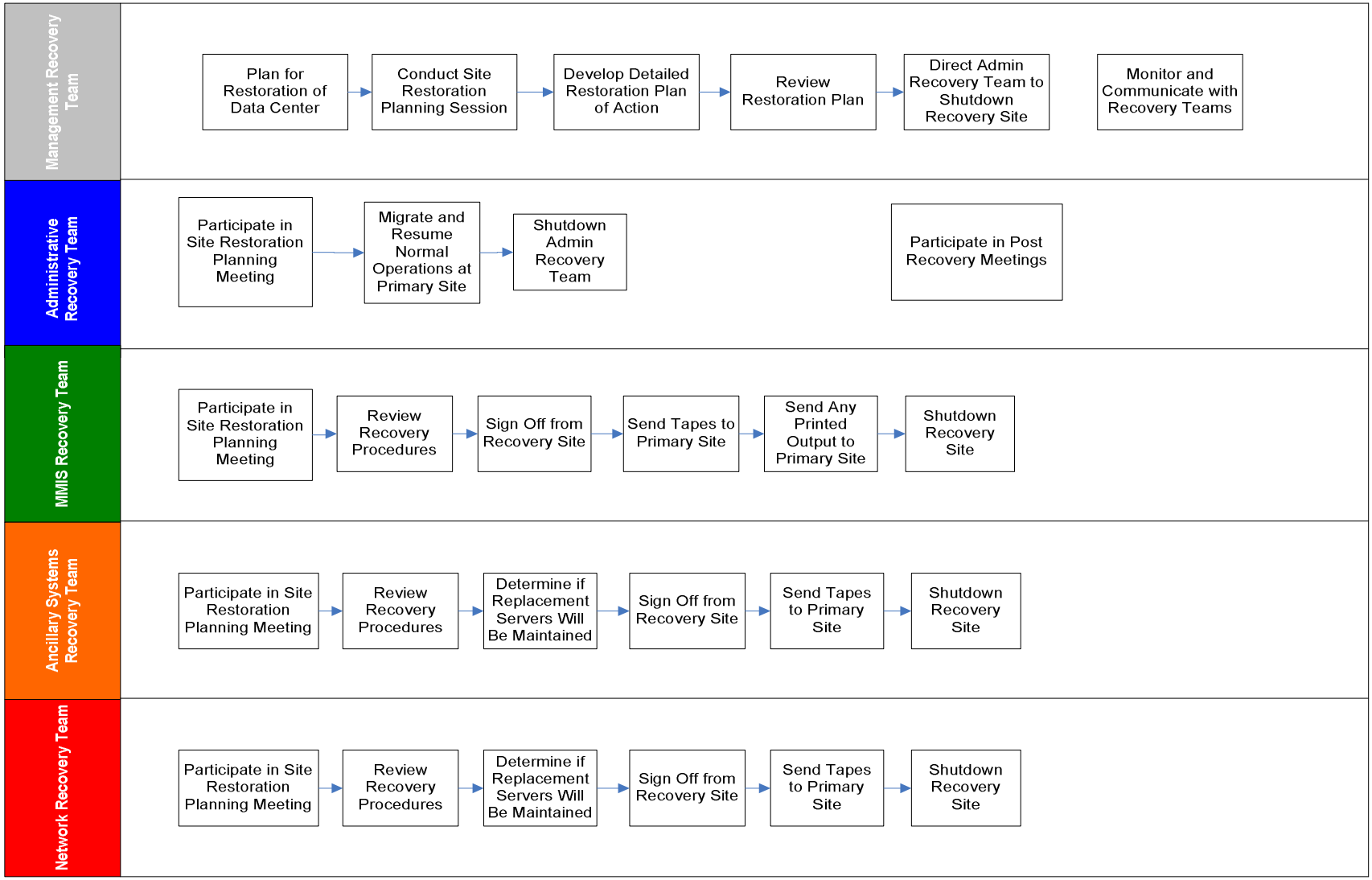
Media Protection, Recovery Team Scheduling, and Status Reporting



Plan Execution



Reconstitution Procedures



3 Plan Activation Process

Authority to declare a disaster is a crucial element of the plan and is assigned to a restricted number of individuals within the organization. The absence of these individuals could jeopardize the effectiveness of the Disaster Recovery Plan if the declaration process is delayed. Authorized members are listed in Appendix A. This procedure should be verified annually for accuracy and improvements. The activation process for the Disaster Recovery Plan is illustrated in Section 1.11 Plan Activation Process.

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3.1 Disaster Event Guidelines

The decision to activate the plan in full or in part depends on a number of factors ultimately judged by the person(s) in charge. These factors include:

- The type of disaster incident;
- The effect of the incident including the extent and type of damage or outage;
- How long critical/essential services are unavailable or inaccessible;
- Whether the services are mission critical; and,
- The anticipated recovery time.

The following chart provides guidelines for the various disaster events:

Incident	Impact	Outage	Action Description
Building Damage	Facility unavailable, minor damage and situation under control	< 4 hours	Alert building management. Notify Management Recovery Team. Alert customers.
	Facility unavailable, moderate damage and situation may escalate	4 - 48 hours	Activate Management Recovery Team. Activate EDS Command Center. Alert recovery teams. Alert recovery center. Alert customers.

Incident	Impact	Outage	Action Description
	Facility unavailable, major damage and situation has escalated	> 48 hours	Activate Management Recovery Team. Activate EDS Command Center. Activate recovery teams. Activate recovery center. Activate alternate work site(s). Alert customers.
MMIS Outage	Critical services unavailable, minor outage and system can be repaired onsite	< 4 hours	Call maintenance vendor and initiate repairs. Notify Management Recovery Team. Alert customers.
	Critical services unavailable, moderate outage and situation may escalate if repairs are unsuccessful	4 - 48 hours	Activate Management Recovery Team. Activate EDS Command Center. Alert recovery teams. Alert recovery center. Alert customers.
	Critical services unavailable, major outage, repairs are not possible, and situation has escalated	> 48 hours	Activate Management Recovery Team. Activate EDS Command Center. Activate recovery teams. Activate recovery center. Alert customers.
Ancillary Systems Outage	Critical services unavailable, minor outage and system can be repaired onsite	< 4 hours	Call maintenance vendor and initiate repairs. Notify Management Recovery Team. Alert customers.

Incident	Impact	Outage	Action Description
	Critical services unavailable, moderate outage and situation may escalate if repairs are unsuccessful	4 - 48 hours	Activate Management Recovery Team. Alert recovery teams. Alert hardware vendor(s). Alert customers.
	Critical services unavailable, major outage, repairs are not possible, and situation has escalated	> 48 hours	Activate Management Recovery Team. Activate recovery teams. Activate EDS Command Center. Order replacement equipment if required. Alert customers.
Network Outage	Critical services unavailable, minor outage and system can be repaired onsite	< 4 hours	Call maintenance vendor and initiate repairs. Notify Management Recovery Team. Alert customers.
	Critical services unavailable, moderate outage and situation may escalate if repairs are unsuccessful	4 - 48 hours	Activate Management Recovery Team. Alert recovery teams. Alert hardware vendor(s). Alert customers.
	Critical services unavailable, major outage, repairs are not possible, and situation has escalated	> 48 hours	Activate Management Recovery Team. Activate recovery teams. Activate EDS Command Center. Order replacement equipment if required. Alert customers.

3.2 Chain of Command

In the event the DRP is activated, the existing leadership structure and authority levels will generally remain in place. Realizing that one or more persons within the leadership structure may be unable to assume their duties, the following succession plan has been established:

Position
1. Account Manager
2. Deputy Account Manager
3. Operations Manager
4. Systems Operations Manager
5. Claims Manager
6. Provider Relations Manager

3.3 Recovery Team Assignments

In organizing the recovery teams, each person's responsibilities are assigned based on the restoration of specific business processes. Team members have the authority to carry out the responsibilities within their assigned area. The team structure consists of various sub-groups to facilitate the identification and resolution of systems and operational disruptions. Recovery teams have been defined to distribute recovery tasks as necessary.

Members of the recovery teams are listed in the following exhibits:

Team Name	Appendix
Management Recovery Team	Appendix A: Recovery Team Assignments
Administrative Recovery Team	Appendix A: Recovery Team Assignments
MMIS Recovery Team	Appendix A: Recovery Team Assignments
Ancillary System Recovery Team	Appendix A: Recovery Team Assignments
Network Recovery Team	Appendix A: Recovery Team Assignments

4 Appendix A: Recovery Team Assignments

See Appendix J Emergency Contact List for cross reference of role and name as well as alternative contact information.

4.1 Management Recovery Team

Name	Work Number
Kentucky Medicaid Account Manager	209-3190
Kentucky Medicaid Deputy Account Manager	209-3191
Kentucky Medicaid Operations Manager	209-3195
Kentucky Medicaid Financial Manager	765-451-4763
Kentucky Medicaid Systems Operations Manager	209-3126
Kentucky Medicaid Claims Manager	209-3129
Kentucky Medicaid Provider Relations Manager	209-3176

4.2 Administrative Recovery Team

Name	Work Number
Kentucky Medicaid Deputy Account Manager	209-3191
Kentucky Medicaid Administrative Assistant - Personnel	209-3189
Kentucky Medicaid Administrative Assistant – Business Office	209-3192
Kentucky Medicaid Administrative Assistant	209-3000
Kentucky Medicaid Communications	209-3078

4.3 MMIS Recovery Team

Name	Work Number
Kentucky Medicaid Technical Delivery Manager	209-3174
Kentucky Medicaid DSS Manager	209-3128

Name	Work Number
EDS MMIS UNIX System administrator	972-604-6630
USGS Leverage Delivery Infrastructure Analyst	972-604-7204
EDS MMIS Database administrator	972-604-3341

4.4 Ancillary Systems Recovery Team

Name	Work Number
EDI Technical Functional area lead	972-604-2566
EDS Documentation Storage SME	972-604-3180
EDS MMIS UNIX System administrator	972-604-4499
EDS MMIS Database administrator	972-604-3341
USGS Leverage Delivery Infrastructure Analyst	972-604-7204

4.5 Network Recovery Team

Name	Work Number
Kentucky Medicaid LAN Manager	209-3177
EDS MMIS Platform SME	972-604-4499
EDS System Architect	972-604-0201
EDS Orlando Data Center Operation SME	407-207-8990 X 260
Kentucky Medicaid Infrastructure Specialist - Security	209-3149
Kentucky Medicaid Infrastructure Specialist - Network	209-3148

5 Appendix B: Management Recovery Team Procedures

5.1 Automated Voice Response System (AVRS)

5.1.1 Level 1

Critical services are unavailable, minor damage or outage and system can be repaired on site.

Duration: Less than four hours.

5.1.1.1 Receiving the initial event alert

5.1.1.1.1 Notified by AVRS team of outage and estimated time of restoration of service

5.1.1.2 Verifying the disaster event

5.1.1.2.1 Contact the AVRS team point of contact to determine initial status

5.1.1.3 Providing strategic direction to the Administrative Recovery Team

5.1.1.3.1 Authorize the ancillary team point of contact to complete repairs

5.1.1.4 Performing public relations

5.1.1.4.1 Notify the appropriate Commonwealth users of the outage and estimate the time to complete the fix

5.1.1.4.2 Notify internal EDS teams of the outage and estimate time to complete the fix

5.1.1.5 Addressing legal issues

5.1.1.5.1 Determine the effect of the outage in relation to the contract

5.1.1.6 Monitoring recovery operations

5.1.1.6.1 Notified by AVRS of the status of restoration activities

5.1.2 Level 2

Critical services are unavailable, moderate damage or outage and situation may escalate if repairs are unsuccessful.

Duration: More than four hours but less than 48 hours.

5.1.2.1 Receiving the initial disaster alert

5.1.2.1.1 Notified by AVRS team of the outage and estimated time of restoration of service

5.1.2.2 Verifying the disaster event

5.1.2.2.1 Contact AVRS team contact to determine the initial status

5.1.2.3 Assessing the disaster event

5.1.2.3.1 Determine the extent of the event in consultation with the AVRS team contact

5.1.2.4 Activating all or part of the Disaster Recovery Plan

5.1.2.4.1 Determine that the event classifies as a level 2 outage based on the AVRS team evaluation of the time required to restore the AVRS system to full functionality

5.1.2.4.2 Provide the authority to acquire replacement hardware/software

5.1.2.4.3 Provide the authority to activate the backup site

5.1.2.5 Providing strategic direction to the Administrative Recovery team

5.1.2.5.1 Notify Administrative Recovery team of the priority of restoration of service

5.1.2.6 Performing public relations

5.1.2.6.1 Notify appropriate Commonwealth users of outage and estimate time to complete fix

5.1.2.6.2 Notify internal EDS teams of outage and estimate time to complete fix

5.1.2.7 Addressing legal issues

5.1.2.7.1 Determine effect of outage in relation to contract

5.1.2.8 Monitoring recovery operations

5.1.2.8.1 Notified by AVRS team lead of status of restoration activities

5.1.2.9 Serving as primary liaison to emergency response personnel

5.1.2.9.1 Notify emergency response personnel if outage/damage warrants

5.1.2.9.2 Notify EDS Security if outage/damage warrants

5.1.2.10 Activating the recovery center(s)

5.1.2.10.1 Notify back-up AVRS site contact that account request cut over.

5.1.3 Level 3

Critical services unavailable, major damage or outage, repairs are not possible, and situation has escalated

Duration: Greater than 48 hours

5.1.3.1 Receiving the initial disaster alert

5.1.3.1.1 Notified by AVRS team of outage and estimated time of restoration of service

5.1.3.2 Verifying the disaster event

5.1.3.2.1 Contact AVRS team contact to determine initial status

5.1.3.3 Assessing the disaster event

5.1.3.3.1 Determine the extent of the event in consultation with AVRS team contact

5.1.3.4 Activating all or part of the Disaster Recovery Plan

5.1.3.4.1 Determine that event classifies as a level 3 outage based on AVRS team evaluation of the time required to restore the AVRS system to full functionality

5.1.3.4.2 Provide authority to acquire replacement hardware/software

5.1.3.4.3 Provide authority to activate the backup site providing strategic direction to the Administrative Recovery team

5.1.3.4.4 Notify Herndon disaster recovery site of long term back up requirements

5.1.3.5 Performing public relations

5.1.3.5.1 Notify appropriate Commonwealth users of outage and estimate time to complete fix

5.1.3.5.2 Notify internal EDS teams of outage and estimate time to complete fix

5.1.3.5.3 Notify EDS Corporate Relations of outage/damage for their drafting of official news release

5.1.3.6 Addressing legal issues

5.1.3.6.1 Determine effect of outage in relation to contract

5.1.3.7 Monitoring recovery operations

5.1.3.7.1 Notified by AVRS team lead of status of restoration activities

5.1.3.7.2 Notified by EDS Corporate Real Estate of status of relocation activities

5.1.3.8 Serving as primary liaison to emergency response personnel

5.1.3.8.1 Dial 911 and notify local emergency services (such as the fire department and police) if outage/damage warrants

5.1.3.8.2 Notify EDS Security if outage/damage warrants

5.2 Bulletin Board System (BBS)

Note: The BBS refers to Kentucky Health Net

5.2.1 Level 1

Critical services are unavailable, minor damage or outage and system can be repaired on site.

Duration: Less than four hours.

5.2.1.1 Receiving the initial event alert

5.2.1.1.1 Notified by BBS team of outage and estimated time of restoration of service

5.2.1.2 Verifying the disaster event

5.2.1.2.1 Contact the BBS team point of contact to determine initial status

5.2.1.3 Providing strategic direction to the Administrative Recovery Team

5.2.1.3.1 Authorize the ancillary team point of contact to complete repairs

5.2.1.4 Performing public relations

5.2.1.4.1 Notify the appropriate Commonwealth users of the outage and estimate the time to complete the fix

5.2.1.4.2 Notify internal EDS teams of the outage and estimate time to complete the fix

5.2.1.5 Addressing legal issues

5.2.1.5.1 Determine the effect of the outage in relation to the contract

5.2.1.6 Monitoring recovery operations

5.2.1.6.1 Notified by BBS team of the status of restoration activities

5.2.2 Level 2

Critical services are unavailable, moderate damage or outage and situation may escalate if repairs are unsuccessful.

Duration: More than four hours but less than 48 hours.

5.2.2.1 Receiving the initial disaster alert

5.2.2.1.1 Notified by BBS team of the outage and estimated time of restoration of service

5.2.2.2 Verifying the disaster event

5.2.2.2.1 Contact BBS team contact to determine the initial status

5.2.2.3 Assessing the disaster event

5.2.2.3.1 Determine the extent of the event in consultation with the BBS team contact

5.2.2.4 Activating all or part of the Disaster Recovery Plan

5.2.2.4.1 Determine that the event classifies as a level 2 outage based on the BBS team evaluation of the time required to restore the BBS to full functionality

5.2.2.4.2 Provide the authority to acquire replacement hardware/software

5.2.2.4.3 Provide the authority to activate the backup site

5.2.2.5 Providing strategic direction to the Administrative Recovery team

5.2.2.5.1 Notify Administrative Recovery team of the priority of restoration of service

5.2.2.6 Performing public relations

5.2.2.6.1 Notify appropriate Commonwealth users of outage and estimate time to complete fix

5.2.2.6.2 Notify internal EDS teams of outage and estimate time to complete fix

5.2.2.7 Addressing legal issues

5.2.2.7.1 Determine effect of outage in relation to contract

5.2.2.8 Monitoring recovery operations

5.2.2.8.1 Notified by BBS team lead of status of restoration activities

5.2.2.9 Serving as primary liaison to emergency response personnel

5.2.2.9.1 Notify emergency response personnel if outage/damage warrants

5.2.2.9.2 Notify EDS Security if outage/damage warrants

5.2.2.10 Activating the recovery center(s)

5.2.2.10.1 Notify back-up BBS site contact that account request cut over.

5.2.3 Level 3

Critical services unavailable, major damage or outage, repairs are not possible, and situation has escalated

Duration: Greater than 48 hours

5.2.3.1 Receiving the initial disaster alert

5.2.3.1.1 Notified by BBS team of outage and estimated time of restoration of service

5.2.3.2 Verifying the disaster event

5.2.3.2.1 Contact BBS team contact to determine initial status

5.2.3.3 Assessing the disaster event

5.2.3.3.1 Determine the extent of the event in consultation with BBS team contact

5.2.3.4 Activating all or part of the Disaster Recovery Plan

5.2.3.4.1 Determine that event classifies as a level 3 outage based on BBS team evaluation of the time required to restore the BBS to full functionality

5.2.3.4.2 Provide authority to acquire replacement hardware/software

5.2.3.4.3 Provide authority to activate the backup site providing strategic direction to the Administrative Recovery team

5.2.3.4.4 Notify Herndon disaster recovery site of long term back up requirements

5.2.3.5 Performing public relations

5.2.3.5.1 Notify appropriate Commonwealth users of outage and estimate time to complete fix

5.2.3.5.2 Notify internal EDS teams of outage and estimate time to complete fix

5.2.3.5.3 Notify EDS Corporate Relations of outage/damage for their drafting of official news release

5.2.3.6 Addressing legal issues

5.2.3.6.1 Determine effect of outage in relation to contract

5.2.3.7 Monitoring recovery operations

5.2.3.7.1 Notified by BBS team lead of status of restoration activities

5.2.3.7.2 Notified by EDS Corporate Real Estate of status of relocation activities

5.2.3.8 Serving as primary liaison to emergency response personnel

5.2.3.8.1 Dial 911 and notify local emergency services (such as the fire department and police) if outage/damage warrants

5.2.3.8.2 Notify EDS Security if outage/damage warrants

5.3 Claim Image Viewing (CIV)

Note: The Kentucky MMIS InterChange Claims Image Viewing solution is Hyland Software, Inc's. OnBase®

5.3.1 Level 1

Critical services are unavailable, minor damage or outage and system can be repaired on site.

Duration: Less than four hours.

5.3.1.1 Receiving the initial event alert

5.3.1.1.1 Notified by the CIV team of outage and estimated time of restoration of service

5.3.1.2 Verifying the disaster event

5.3.1.2.1 Contact the CIV team point of contact to determine initial status

5.3.1.3 Providing strategic direction to the Administrative Recovery team

5.3.1.3.1 Authorize the ancillary team point of contact to complete repairs

5.3.1.4 Performing public relations

5.3.1.4.1 Notify the appropriate Commonwealth users of the outage and estimate the time to complete the fix

5.3.1.4.2 Notify internal EDS teams of the outage and estimate time to complete the fix

5.3.1.5 Addressing legal issues

5.3.1.5.1 Determine the effect of the outage in relation to the contract

5.3.1.6 Monitoring recovery operations

5.3.1.6.1 Notified by the CIV team of the status of restoration activities

5.3.2 Level 2

Critical services are unavailable, moderate damage or outage and situation may escalate if repairs are unsuccessful.

Duration: More than four hours but less than 48 hours.

5.3.2.1 Receiving the initial disaster alert

5.3.2.1.1 Notified by the CIV team of the outage and estimated time of restoration of service

5.3.2.2 Verifying the disaster event

5.3.2.2.1 Contact the CIV team contact to determine the initial status

5.3.2.3 Assessing the disaster event

5.3.2.3.1 Determine the extent of the event in consultation with the CIV team contact

5.3.2.4 Activating all or part of the Disaster Recovery Plan

5.3.2.4.1 Determine that the event classifies as a level 2 outage based on the CIV team evaluation of the time required to restore the CIV system to full functionality

5.3.2.4.2 Provide the authority to acquire replacement hardware/software

5.3.2.4.3 Provide the authority to activate the backup site

5.3.2.5 Providing strategic direction to the Administrative Recovery team

5.3.2.5.1 Notify Administrative Recovery team of the priority of restoration of service

5.3.2.6 Performing public relations

5.3.2.6.1 Notify appropriate Commonwealth users of outage and estimate time to complete fix

5.3.2.6.2 Notify internal EDS teams of outage and estimate time to complete fix

5.3.2.7 Addressing legal issues

5.3.2.7.1 Determine effect of outage in relation to contract

5.3.2.8 Monitoring recovery operations

5.3.2.8.1 Notified by the CIV team lead of status of restoration activities

5.3.2.9 Serving as primary liaison to emergency response personnel

5.3.2.9.1 Notify emergency response personnel if outage/damage warrants

5.3.2.9.2 Notify EDS Security if outage/damage warrants

5.3.2.10 Activating the recovery center(s)

5.3.2.10.1 Notify back-up CIV site contact that account request cut over.

5.3.3 Level 3

Critical services unavailable, major damage or outage, repairs are not possible, and situation has escalated

Duration: Greater than 48 hours

5.3.3.1 Receiving the initial disaster alert

5.3.3.1.1 Notified by the CIV team of outage and estimated time of restoration of service

5.3.3.2 Verifying the disaster event

5.3.3.2.1 Contact the CIV team contact to determine initial status

5.3.3.3 Assessing the disaster event

5.3.3.3.1 Determine the extent of the event in consultation with the CIV team contact

5.3.3.4 Activating all or part of the Disaster Recovery Plan

5.3.3.4.1 Determine that event classifies as a level 3 outage based on the CIV team evaluation of the time required to restore the CIV system to full functionality

5.3.3.4.2 Provide authority to acquire replacement hardware/software

5.3.3.4.3 Provide authority to activate the backup site providing strategic direction to the Administrative Recovery team

5.3.3.4.4 Notify Herndon disaster recovery site of long term back up requirements

5.3.3.5 Performing public relations

5.3.3.5.1 Notify appropriate Commonwealth users of outage and estimate time to complete fix

5.3.3.5.2 Notify internal EDS teams of outage and estimate time to complete fix

5.3.3.5.3 Notify EDS Corporate Relations of outage/damage for their drafting of official news release

5.3.3.6 Addressing legal issues

5.3.3.6.1 Determine effect of outage in relation to contract

5.3.3.7 Monitoring recovery operations

5.3.3.7.1 Notified by the CIV team lead of status of restoration activities

5.3.3.7.2 Notified by EDS Corporate Real Estate of status of relocation activities

5.3.3.8 Serving as primary liaison to emergency response personnel

5.3.3.8.1 Dial 911 and notify local emergency services (such as the fire department and police) if outage/damage warrants

5.3.3.8.2 Notify EDS Security if outage/damage warrants

5.4 Decision Support System (DSS)

5.4.1 Level 1

Critical services are unavailable, minor damage or outage and system can be repaired on site.

Duration: Less than four hours.

5.4.1.1 Receiving the initial event alert

5.4.1.1.1 Notified by the DSS team of outage and estimated time of restoration of service

5.4.1.2 Verifying the disaster event

5.4.1.2.1 Contact the DSS team point of contact to determine initial status

5.4.1.3 Providing strategic direction to the Administrative Recovery team

5.4.1.3.1 Authorize the ancillary team point of contact to complete repairs

5.4.1.4 Performing public relations

5.4.1.4.1 Notify the appropriate Commonwealth users of the outage and estimate the time to complete the fix

5.4.1.4.2 Notify internal EDS teams of the outage and estimate time to complete the fix

5.4.1.5 Addressing legal issues

5.4.1.5.1 Determine the effect of the outage in relation to the contract

5.4.1.6 Monitoring recovery operations

5.4.1.6.1 Notified by the DSS of the status of restoration activities

5.4.2 Level 2

Critical services are unavailable, moderate damage or outage and situation may escalate if repairs are unsuccessful.

Duration: More than four hours but less than 48 hours.

5.4.2.1 Receiving the initial disaster alert

5.4.2.1.1 Notified by the DSS team of the outage and estimated time of restoration of service

5.4.2.2 Verifying the disaster event

5.4.2.2.1 Contact the DSS team contact to determine the initial status

5.4.2.3 Assessing the disaster event

5.4.2.3.1 Determine the extent of the event in consultation with the DSS team contact

5.4.2.4 Activating all or part of the Disaster Recovery Plan

5.4.2.4.1 Determine that the event classifies as a level 2 outage based on the DSS team evaluation of the time required to restore the DSS to full functionality

5.4.2.4.2 Provide the authority to acquire replacement hardware/software

5.4.2.4.3 Provide the authority to activate the backup site

5.4.2.5 Providing strategic direction to the Administrative Recovery team

5.4.2.5.1 Notify Administrative Recovery team of the priority of restoration of service

5.4.2.6 Performing public relations

5.4.2.6.1 Notify appropriate Commonwealth users of outage and estimate time to complete fix

5.4.2.6.2 Notify internal EDS teams of outage and estimate time to complete fix

5.4.2.7 Addressing legal issues

5.4.2.7.1 Determine effect of outage in relation to contract

5.4.2.8 Monitoring recovery operations

5.4.2.8.1 Notified by the DSS team lead of status of restoration activities

5.4.2.9 Serving as primary liaison to emergency response personnel

5.4.2.9.1 Notify emergency response personnel if outage/damage warrants

5.4.2.9.2 Notify EDS Security if outage/damage warrants

5.4.2.10 Activating the recovery center(s)

5.4.2.10.1 Notify the Herndon disaster recovery site contact that account request cut over.

5.4.3 Level 3

Critical services unavailable, major damage or outage, repairs are not possible, and situation has escalated

Duration: Greater than 48 hours

5.4.3.1 Receiving the initial disaster alert

5.4.3.1.1 Notified by the DSS team of outage and estimated time of restoration of service

5.4.3.2 Verifying the disaster event

5.4.3.2.1 Contact the DSS team contact to determine initial status

5.4.3.3 Assessing the disaster event

5.4.3.3.1 Determine the extent of the event in consultation with the DSS team contact

5.4.3.4 Activating all or part of the Disaster Recovery Plan

5.4.3.4.1 Determine that event classifies as a level 3 outage based on the DSS team evaluation of the time required to restore the DSS to full functionality

5.4.3.4.2 Provide authority to acquire replacement hardware/software

5.4.3.4.3 Provide authority to activate the backup site providing strategic direction to the Administrative Recovery team

5.4.3.4.4 Notify Herndon disaster recovery site of long term back up requirements

5.4.3.5 Performing public relations

5.4.3.5.1 Notify appropriate Commonwealth users of outage

5.4.3.5.2 Notify internal EDS teams of outage and estimate time to complete fix

5.4.3.5.3 Notify EDS Corporate Relations of outage/damage for their drafting of official news release

5.4.3.6 Addressing legal issues

5.4.3.6.1 Determine effect of outage in relation to contract

5.4.3.7 Monitoring recovery operations

5.4.3.7.1 Notified by the DSS team lead of status of restoration activities

50.2.7 Section G—Contract Data Requirements List

RFP Reference: 50.2.7 Section G—Contract Data Requirements List, Pages 280-281; 40.15 Contract Data Requirements List, Pages 254-267; 10.10 Life-Cycle Support Objectives, Paragraph 6, Page 12

The Contract Data Requirements List (CDRL) is a catalog of deliverables EDS will present to the State with the proposal and at various points during the Design, Development, and Implementation (DDI) Phase of the Replacement Medicaid Management Information System (MMIS).

In organizing our response to Section G, we started with the CDRLs listed in RFP Section 40.15 and added the data deliverables required by the work plan appearing in the Integrated Master Schedule.

The following table, Five Categories of CDRLs, organizes the CDRLs into five categories of data deliverables and identifies the source of each one.

Five Categories of CDRLs

CDRL	RFP Section 40.15	EDS Work Plan
Project Management		
Integrated Master Plan (IMP)	X	
Project Management Plan	X	
Integrated Master Schedule (IMS)	X	
Integrated Master Schedule—Post Requirements Validation		X
Integrated Master Schedule—Post Detailed System Design		X
Integrated Master Schedule—Post Construction		X

CDRL	RFP Section 40.15	EDS Work Plan
Earned Value Management System (EVMS) Reports	X	
Cost and Budget Estimates		X
Joint DDI Communications Plan	X	
Stakeholder Analysis		X
Staffing Management Plan		X
Risk and Issue Management Plan	X	
Identification, Analysis, & Response Plan		X
Change/Configuration Management Plan	X	
Software Development and Systems Engineering Methodology	X	
Security Plan	X	
Training Plan	X	
Deployment/Rollout Plan	X	
Business Continuity/Disaster Recovery Plan	X	
Turnover Plan	X	
Data Accession List (DAL)	X	
Technical Design		
General Technical Requirement Design		X
System-wide Architecture Technical Design		X
Recipient Technical Design		X
Eligibility Verification System (EVS) Technical Design		X
Benefit Administration Technical Design		X
Provider Technical Design		X
Claims/Point of Sale Technical Design		X
Third-Party Liability (TPL) Technical Design		X
Prior Approval (PA) Technical Design		X
Automated Voice Response System Technical Design		X
Managed Care Technical Design		X
Management and Administrative Reporting System (MARS) Technical Design		X
Data Entry Technical Design		X
Reference Technical Design		X
Financial Technical Design		X

CDRL	RFP Section 40.15	EDS Work Plan
Health Check — Early and Periodic Screening, Diagnosis, and Treatment (DPSDT) Technical Design		X
Drug Rebate Technical Design		X
Drug Utilization Review (DUR) Technical Design		X
Enterprise Integration Services (EIS) Technical Design		X
Transition		
MMIS System Documentation		X
Training Materials/Manuals		X
Provider Documentation		X
MMIS Certification Documentation and Presentation Materials		X
Operations Management Plan (OMP)	X	
Operations Manuals		X
Special Contingency Plan		X
Testing		
Master Test and Quality Assurance Plan (MTQAP)	X	
Integrated Structured Testing (IST) Results		X
Parallel Test Results		X
Volume/Stress Test Results		X
Conversion		
Data Conversion and Migration Plan	X	
Preliminary Conversion Test Results		X
Final Conversion Test Results		X

In some cases, EDS added information to the above artifacts already identified by the State in the RFP and supplemented the descriptions by adding a new row titled "EDS DESCRIPTION." Our suggested changes to the CDRLs are based on our proven best practice DDI delivery work pattern to reduce the implementation risk through proven processes and deliverables.

EDS will deliver most project and system documentation within iTRACE, the real-time information repository. iTRACE is a fully client-facing Web site that serves as the repository for system and project documentation. Through an intranet connection, staff members will have full read access (and, where appropriate, update access) to iTRACE. Therefore, if staff members need general

and detailed system information, they can access that information through iTRACE. (For more information on iTRACE, please refer to proposal section 50.2.4.1.2, Software Development and Systems Engineering Methodology.)

Project Management

TITLE	Integrated Master Plan (IMP)		
VENDOR	EDS		
TYPE OF DATA	Planning/Execution	DATA RIGHTS	State Material
FREQUENCY DUE	When changed	1ST SUBMISSION DATE	With Proposal: see proposal section 50.2.5.1
METHOD OF DELIVERY	Electronic and paper with Proposal; electronic thereafter, through iTRACE		
DESCRIPTION	This document is an event-based plan consisting of a hierarchy of project events (milestones), with each event being supported by specific accomplishments and each accomplishment associated with specific criteria to be satisfied for its completion. ❑ An event is a project assessment point that occurs at the culmination of significant project activities: accomplishments and criteria. ❑ An accomplishment is the desired result(s) before or at completion of an event that indicates a level of the project's progress. ❑ Criteria provide definitive evidence that a specific accomplishment has been completed. Entry criteria reflect what must be done to be ready to initiate a review, demonstration, or test. Exit criteria reflect what must be done to clearly ascertain the event has been successfully completed. If there are any important processes supporting events that are not described in other plans or proposal approaches, a brief narrative should be written to provide greater understanding. Additionally, any support the Vendor requires from the State must be identified for each item in the IMP in enough detail for the State to understand the quantity and types of resources it needs to make available. There are overlaps in the content of IMP and the Statement of Work (SOW). The SOW should be comprehensive, thus allowing some reduction in the content and descriptions in the IMP where it duplicates SOW material. Additionally, as identified above, there are overlaps in the content of the IMP and many of the stand-alone plans. In these cases, the narrative details should reside in the stand-alone plans. Changes to the IMP, other than minor clarifications, usually require a contract change.		
EDS DESCRIPTION	Besides the description above, the EDS IMP will provide an overview of the following: ❑ EDS' Systems Life Cycle, Version 3 (SLC 3) software development methodology ❑ Project Management 2 (PM 2) methodology ❑ Global Applications Delivery Quality Management System (GAD QMS) EDS outlines the high-level steps for managing a DDI project so that the State and EDS will have common process expectations.		

TITLE	Project Management Plan		
VENDOR	EDS		
TYPE OF DATA	Planning/Execution	DATA RIGHTS	State Material
FREQUENCY DUE	When changed	1ST SUBMISSION DATE	With Proposal: see Proposal Section E—Project Management Plan
METHOD OF DELIVERY	Electronic and paper with proposal. Electronic thereafter, through iTRACE		
DESCRIPTION	This document will define how project activities are executed, monitored, and controlled. It will reflect how and when a project's objectives are to be achieved by showing the major products, milestones, activities, and resources required on the project. This document describes the processes for facilitating adherence to State, DHHS, and Offeror-established policies, standards, guidelines, and procedures. Significant portions of the Project Management Plan are contained in other data items described in the CDRL: These include the IMP, Integrated Master Schedule, Master Test and Quality Assurance Plan, Joint DDI Communications Plan, Risk and Issue Management Plan, and Change Management Plan. The Project Management Plan can reference these documents rather than duplicating the information. Besides these items, the minimum requirements for the Project Management Plan are as follows: ❑ Project management overview ❑ Objectives and priorities ❑ Project planning process ❑ Planning assumptions, constraints, and decisions ❑ Project Organization and Staffing Plan with roles and responsibilities ❑ Project deliverables and approval process ❑ Standards, tools, and techniques to be used ❑ Monitoring and control procedures for cost, schedule, scope, and staffing ❑ Performance metrics reporting process ❑ Metrics data quality process ❑ Financial reporting processes using an Earned Value Management System ❑ Electronic data-sharing system and process ❑ Project status reporting process ❑ Project management review process This document must describe the processes for evolution/updates to the PMP, along with version control.		
EDS DESCRIPTION	The project management plan is contained within the Integrated Master Plan.		

TITLE	Integrated Master Schedule (IMS)		
VENDOR	EDS		
TYPE OF DATA	Planning/Execution	DATA RIGHTS	State Material
FREQUENCY DUE	At least monthly	1ST SUBMISSION DATE	With Proposal: see Proposal Section 50.2.5.2
METHOD OF DELIVERY	Electronic and paper with Proposal; electronic thereafter (MS Project)		
DESCRIPTION	This document establishes dates and dependencies for items from the IMP, along with the detailed tasks needed to complete the activities. For the Proposal, the IMS should be at a level of detail needed to demonstrate support of the IMP and convey a realistic approach. Additionally, at least the first three months of the project need to be in detail at the time of the Proposal submission (with dates relative to Contract award). During Contract execution, detailed portions of the IMS shall always be maintained three or more months in the future.		
EDS DESCRIPTION	Besides the description above, EDS will provide the following in the Integrated Master Schedule: ❑ **Key milestone dates—**These dates include completion of the project planning phases, business and technical design phases, comprehensive testing plans, development of the new system, and user acceptance testing. ❑ **Initiation and start-up activities—**These are tasks needed to set up and establish the facility, infrastructure, project team, and the project kickoff. ❑ **Project planning—**Activities conducted during project planning include a risk management plan, communication management plan, project schedule, personnel management plan, and quality management plan. ❑ **Project execution—**This phase contains the following: development, documentation, and milestone approval tasks for requirements validation; business and technical designs; training plans; testing plans; scenarios; unit, volume, and performance testing; interChange system notification of completion; system documentation; user and provider training and manuals; and acceptance testing. ❑ **Project control—**These are tasks and activities that are integrated in all project management activities related to the project. ❑ **Project closedown—**This phase includes tasks for our project closedown, such as lessons learned across this phase and the Implementation Planning Phase.		

TITLE	Integrated Master Schedule (IMS) – Post Requirements Validation (RV)		
VENDOR	EDS		
TYPE OF DATA	Planning/Execution	DATA RIGHTS	State Material
FREQUENCY DUE	NA	1ST SUBMISSION DATE	05/11/2009
METHOD OF DELIVERY	Electronic—Microsoft Project		
EDS DESCRIPTION	Though EDS will present an updated IMS as a part of regular status reports, EDS expects significant changes to the IMS after the team achieves certain project milestones.		

TITLE	Integrated Master Schedule (IMS) – Post Detailed System Design (DSD)		
VENDOR	EDS		
TYPE OF DATA	Planning/Execution	DATA RIGHTS	State Material
FREQUENCY DUE	NA	1ST SUBMISSION DATE	11/06/2009
METHOD OF DELIVERY	Electronic—Microsoft Project		
EDS DESCRIPTION	Though EDS will present an updated IMS as a part of regular status reports, EDS expects significant changes to the IMS after the team achieves certain project milestones.		

TITLE	Integrated Master Schedule (IMS) – Post Construction		
VENDOR	EDS		
TYPE OF DATA	Planning/Execution	DATA RIGHTS	State Material
FREQUENCY DUE	NA	1ST SUBMISSION DATE	01/27/2010
METHOD OF DELIVERY	Electronic—Microsoft Project		
EDS DESCRIPTION	EDS will use this version of the IMS as an input into project reviews after completion of the DDI phase. The final IMS also will serve as an input into planning for future projects.		

TITLE	Earned Value Management System (EVMS) Reports		
VENDOR	EDS		
TYPE OF DATA	Planning/Execution	DATA RIGHTS	State Material
FREQUENCY DUE	Monthly	1ST SUBMISSION DATE	One (1) month after contract award
DELIVERY	Electronic—iTRACE		
DESCRIPTION	This report shall describe the project status based on the Vendor's EVMS using the Vendor's format. At a minimum, this report shall provide earned value data for the current period (month), cumulative information to date for the project, estimates at complete, and explanations and projections for both the current period and cumulative to date variances.		

TITLE	Cost and Budget Estimates		
VENDOR	EDS		
TYPE OF DATA	Planning/Execution	DATA RIGHTS	State Material
FREQUENCY DUE	When Changed	1ST SUBMISSION DATE	11/06/2008
METHOD OF DELIVERY	Electronic—iTRACE		
EDS DESCRIPTION	This document will serve as an input into the EVMS reports. EDS will baseline costs and budget estimates at the beginning of implementation.		

TITLE	Joint DDI Communications Plan		
VENDOR	EDS		
TYPE OF DATA	Planning/Execution	DATA RIGHTS	State Material
FREQUENCY DUE	When changed	1ST SUBMISSION DATE	One (1) month after Contract award
METHOD OF DELIVERY	Electronic—iTRACE		
DESCRIPTION	This document will define the methodology for sharing project-specific communications among project stakeholders during the DDI Phase. It will describe the processes to facilitate timely and appropriate generation, collection, dissemination, storage, and ultimate disposition of project information. It must include, but is not limited to: ❑ Information communications ❑ Information communication requirements/needs ❑ How, where, and when communications will occur ❑ Who will provide/receive the communication ❑ Meeting protocol procedures-noting when minutes are taken, and so on ❑ Provider communications approach—to include interactions among the State, Vendor, and providers; the Vendor's approach to provider awareness following Contract award; and the facilitation of ongoing project status communications ❑ Incident reporting and escalation—to include reporting of security incidents The State and Vendor will develop a mutually acceptable Joint DDI Communications Plan after Contract award. Updates or changes to the Joint DDI Communication Plan, as mutually agreed, will occur as needed.		

TITLE	Stakeholder Analysis		
VENDOR	EDS		
TYPE OF DATA	Planning/Execution	DATA RIGHTS	State Material
FREQUENCY DUE	When changed	1ST SUBMISSION DATE	06/13/2008
METHOD OF DELIVERY	Electronic—iTRACE		
EDS DESCRIPTION	This document is a subsection of the EDS Communications plan. EDS will detail State and EDS stakeholders and document their role in the DDI and Operations phases for the Replacement MMIS project. The analysis will allow project team leaders to determine security levels, communication types and frequency, Change Control Board participation, escalation paths, and more.		

TITLE	Staffing Management Plan		
VENDOR	EDS		
TYPE OF DATA	Planning/Execution	DATA RIGHTS	State Material
FREQUENCY DUE	When changed	1ST SUBMISSION DATE	11/21/2008
METHOD OF DELIVERY	Electronic—iTRACE		
EDS DESCRIPTION	This document will detail EDS' staff management approach and describe the DDI organization for the Replacement MMIS. At a minimum, this document will include the following information: ❑ DDI Organizational Chart ❑ Description of DDI Organization ❑ Proposed Key DDI Personnel ❑ Job Descriptions and Resumes for Key DDI Personnel		

TITLE	Risk and Issue Management Plan (RIMP)		
VENDOR	EDS		
TYPE OF DATA	Planning/Execution	DATA RIGHTS	State Material
FREQUENCY DUE	When changed	1ST SUBMISSION DATE	With Proposal: see proposal section 50.2.5.6
METHOD OF DELIVERY	Electronic and paper with Proposal; electronic (iTRACE) thereafter		
DESCRIPTION	The RIMP documents the general process for risk and issue management to include activities such as identification, evaluation, mitigation, and reporting, along with process cycle times. While the activities may differ in urgency and reporting to a certain extent, this plan shall integrate management of risks and issues to allow the earliest practical identification and mitigation to minimize impacts. The plan shall also cover the application of the general process to this specific project in terms of major activities and roles and responsibilities. This plan shall include processes for corrective action plans used when significant deviations from the IMP, IMS, requirements, or the Contract occur that would require greater explanation and documentation than a typical issue would need. Note: Specific risks and issues are not part of the plan. For the Proposals, they will be identified in the Initial Risk Assessment section. Vendors shall identify data item descriptions for the risks and issues being managed during Contract execution and add them to the CDRL.		
EDS DESCRIPTION	The plan includes procedures to manage risk throughout the project, including identifying risks, monitoring risk triggers and metrics, performing risk analyses, and executing a contingency plan if a risk event occurs. The risk management process includes the following activities: ❑ Critical success factors redefinition ❑ Risk categorization ❑ Risk probability and impact evaluation ❑ Risk prioritization ❑ Action plan Based on the outcome of the risk review, the project manager will assign personnel to assess, prioritize, and respond to the risks or simply update the risk documentation. Risk information will be brought to the attention of the State as necessary. The entire risk management process and plan is described in detail in section 50.2.5.6 Risk and Issue Management Plan.		

TITLE	Identification, Analysis & Response Plan		
VENDOR	EDS		
TYPE OF DATA	Planning/Execution	DATA RIGHTS	State Material
FREQUENCY DUE	When changed	1ST SUBMISSION DATE	10/28/2008
METHOD OF DELIVERY	Electronic—iTRACE		
EDS DESCRIPTION	This document details the results of risk analysis activities. The Replacement MMIS team will determine the following for each identified risk: ❑ Probability of occurrence ❑ Impact of occurrence ❑ Mitigation response		

TITLE	Change/Configuration Management Plan (CMP)		
VENDOR	EDS		
TYPE OF DATA	Planning/Execution	DATA RIGHTS	State Material
FREQUENCY DUE	When changed	1ST SUBMISSION DATE	10/10/2008
METHOD OF DELIVERY	Electronic—iTRACE		
DESCRIPTION	This document describes the process, roles, responsibilities, and documentation required to manage change within the project and subsequent operations. The plan should describe the operation of the Change Control Board both during the DDI and Operations phases. Changes managed with this process include both those that result in contract changes and those that do not require contract changes. The process described in this plan should manage changes to any baselined artifact. A baselined artifact is one that has been completed or signed off in its current version (that is, it is complete for its current use even if the Vendor or State plans to change it again in the future for a different purpose). Artifacts can include plans, software, data, or any other items over which management control is necessary. The CMP also shall contain information describing configuration management information necessary for the Vendor's daily artifact control that is at a level of detail lower than needs to be managed by the joint State/Vendor team (for example, source code management during construction). The Vendor's entire configuration management process is not required in this document.		

TITLE	Software Development and Systems Engineering Methodology		
VENDOR	EDS		
TYPE OF DATA	Planning/Execution	DATA RIGHTS:	State Material
FREQUENCY DUE	When changed	1ST SUBMISSION DATE	With Proposal: see proposal section 50.2.4.1.2
METHOD OF DELIVERY	Electronic—iTRACE		
DESCRIPTION	This document describes the Vendor's processes used for requirements analysis, design, construction, testing, deployment, documentation, quality assurance, and integration of the software and hardware for the system. It also should include the relationships of the methodology to risk and issue management, as well as overall quality management. The document should discuss development and deployment strategies, as well as any tools used for development or to improve efficiency and effectiveness. Software development and systems engineering planning and execution methods must be discussed in this document, along with how technical and quality metrics are used to control and improve the process and products. The IMP will identify key events, accomplishments, and criteria for project-specific activities that are supported by this methodology.		

TITLE	Security Plan		
VENDOR	EDS		
TYPE OF DATA	Planning/Execution	DATA RIGHTS	State Material
FREQUENCY DUE	When changed	1ST SUBMISSION DATE	02/04/2009
METHOD OF DELIVERY	Electronic—iTRACE		
DESCRIPTION	This document describes the DDI and operations processes and the system features that will make certain that the Vendor meets the Contract requirements for security. The plan shall describe how the Fiscal Agent intends to use current industry, State, and federal standards during the DDI Phase and within the Operations Phase to address the following: ❑ Security features inherent in the system design and operation ❑ Entity-wide security program planning and management, including risk management, data protection assurance, staff responsibilities, performance assessment and audit, and reporting ❑ Access controls for the system and the facility and assurance of system availability and performance ❑ Management of application development and change controls (with respect to security) ❑ Controls for protecting, managing, and monitoring the technical environment ❑ Controls for continuing services and access to information during and after minor to disastrous interruptions (by reference to the Business Continuity/Disaster Recover Plan) ❑ Responses to attacks on security and actual breaches of security		

TITLE	Training Plan		
VENDOR	EDS		
TYPE OF DATA	Planning/Execution	DATA RIGHTS:	State Material
FREQUENCY DUE	Annually or more frequently	1ST SUBMISSION DATE	11/16/2009
METHOD OF DELIVERY	Electronic—iTRACE		
DESCRIPTION	This document describes the Vendor's cohesive and responsive training program to make certain that users can be efficient and effective while using the system, including the Vendor's staff, State staff, and external users-such as the providers. It should reflect the relative lead-time for developing training materials before conducting training classes (including training testing participants and training before implementation); how users' skills will remain current throughout the operations phase; and how the Vendor will build and maintain the training environment. Additionally, it must specify the planned duration of the implementation training rollout, including development of Desk Procedures for use in the Operations Phase. The document will specify the delivery media to be used for each training activity and the accessibility of training materials and training news before, during, and after training. It should describe the process to identify and track training needs and to evaluate trainee feedback to improve course materials and methods. The Training Plan will be updated annually to address specific training activities for the upcoming year and shall be completed at least 90 days before the beginning of the contract year.		

TITLE	Deployment/Rollout Plan		
VENDOR	EDS		
TYPE OF DATA	Planning/Execution	DATA RIGHTS	State Material
FREQUENCY DUE	When changed	1ST SUBMISSION DATE	11/21/2008
METHOD OF DELIVERY	Electronic—iTRACE		
DESCRIPTION	This document will describe the detailed plan for implementing the Replacement MMIS (including any future integration with Reporting and Analytics or DHSR Division of Health Service Regulation (DHSR). It will include the processes and planning activities, roles and responsibilities, and schedule for activities related to cutover from the Legacy MMIS+ to the Replacement MMIS without impacting system processing. It will establish success criteria and provide for a Post-Implementation Evaluation, including metrics for measurement of successful implementation. Other considerations for inclusion are as follows: ❑ Communication of the plan ❑ Disaster recovery and backup procedures ❑ Training manuals ❑ System documentation ❑ Back-out plan ❑ Software support (help desk and break fix) ❑ Monitoring system performance		

TITLE	Business Continuity/Disaster Recovery Plan		
VENDOR	EDS		
TYPE OF DATA	Planning/Execution	DATA RIGHTS	State Material
FREQUENCY DUE	When changed	1ST SUBMISSION DATE	03/11/2009
METHOD OF DELIVERY	Electronic—iTRACE		
DESCRIPTION	This document describes the processes required to facilitate the continuation of critical business processes and the information systems and services supporting them if a disruption of the system itself, the loss of key personnel, or the loss of facilities housing the Fiscal Agent's operations occurs. Plans and processes documented in this plan shall be consistent with those identified in the requirements and its referenced documents: ❑ Roles and responsibilities of participants ❑ Processes that address preparation and planning ❑ Awareness and recognition training ❑ Business service and process relocation ❑ Notification and communication ❑ Testing and auditing processes for verifying the currency of the plan ❑ Response plans for epidemiological disasters that may result in prolonged work force absence from the Fiscal Agency location ❑ This document shall also describe additional processes associated with disaster recovery to include: ❑ Recovery priority for critical resources, including the recovery point objective (RPO) and recovery time objective (RTO) ❑ Processes for data relocation and recovery		

TITLE	Turnover Plan		
VENDOR	EDS		
TYPE OF DATA	Planning/Execution	DATA RIGHTS	State Material
FREQUENCY DUE	When changed	1ST SUBMISSION DATE	No later than one month after State's notification
METHOD OF DELIVERY	Electronic—iTRACE		
DESCRIPTION	This document describes the activities needed to facilitate an uninterrupted and transparent turnover to a new Fiscal Agent at the completion of the Vendor's contract. This plan shall describe the activities performed to make certain that required system and operational knowledge will be transferred to the new Fiscal Agent. This includes the conversion and migration of all pertinent information and work in progress, leases, and so on. Additionally, the plan shall discuss roles and responsibilities of the organizations and the workflow between the Vendor and new Fiscal Agent. High-level time lines and contingency plans should be included.		

TITLE	Data Accession List (DAL)		
VENDOR	EDS		
TYPE OF DATA	Other	DATA RIGHTS	State Material
FREQUENCY DUE	Monthly	1ST SUBMISSION DATE	One month after Contract award
METHOD OF DELIVERY	Electronic—iTRACE		
DESCRIPTION	This document shall list the data (to include software) and documents that are not part of the CDR that are created under this Contract. The DAL will include the data or document title, a reasonable description, the in-house release date, and the data rights associated with the item. Note: Any data required for proper operation and maintenance of the system and for proper conduct of the Fiscal Agent operations shall be identified in the CDRL rather than the DAL.		

Technical Design

TITLE	General Technical Requirement Design		
VENDOR	EDS		
TYPE OF DATA	Technical	DATA RIGHTS	State Material
FREQUENCY DUE	When changed	1ST SUBMISSION DATE	06/18/2009
METHOD OF DELIVERY	Electronic—iTRACE		
EDS DESCRIPTION	This document will detail the logical design of the interChange MMIS including hardware, system interfaces, networks, operating systems, databases, and storage.		

TITLE	System-wide Architecture Technical Design		
VENDOR	EDS		
TYPE OF DATA	Technical	DATA RIGHTS	State Material
FREQUENCY DUE	When changed	1ST SUBMISSION DATE	05/29/2009
METHOD OF DELIVERY	Electronic—iTRACE		
EDS DESCRIPTION	This document will detail the technical design of the interChange MMIS hardware, system interfaces, networks, operating systems, databases, and storage.		

TITLE	Recipient Technical Design		
VENDOR	EDS		
TYPE OF DATA	Technical	DATA RIGHTS	State Material
FREQUENCY DUE	When changed	1ST SUBMISSION DATE	04/30/2009
METHOD OF DELIVERY	Electronic—iTRACE		
EDS DESCRIPTION	This document describes the design of the interChange Recipient feature for the State, which comprises the following: ❑ Interface with other systems to receive and store recipient data and allow direct entry of recipient and entitlement data from authorized staff or departments ❑ Apply appropriate business rules to accurately merge the data from the distinct systems in accordance with State policy ❑ Set rules for benefit plans for enrolling recipients ❑ Enroll recipients in the appropriate benefit plans ❑ Support accurate buy-in processing of dual eligibles ❑ Support Medicare data exchanges, including beneficiary data exchange (BENDEX), the Medicare Modernization Act (MMA), and eligibility database (EDB) files ❑ Support lock-in and lock-out control of recipient service utilization ❑ Support recipient linking and unlinking activities and reporting ❑ Enable recipient premium payment, refund processing and invoicing activities, and reporting ❑ Support cost-sharing activities ❑ Generate Certificate of Credible Coverage (COCC) letters, as appropriate ❑ Inform, initiate, and track follow-up of early and periodic screening, diagnosis, and treatment (EPSDT) eligibles ❑ Provide access to the same Health Insurance Portability and Accountability Act (HIPAA)-compliant recipient information across multiple channels, including the Web, automated voice response system (AVRS), and electronic data interchange (EDI) ❑ Provide a contact center for identification (ID) card requests, notices, and recipient communication This document is the result of Requirements Validation (RV) sessions with stakeholders. The technical design will include the following information that will be used to customize the interChange MMIS for the State: ❑ Subsystem Narrative Overview ❑ Subsystem Description ❑ Data Model ❑ Data Tables ❑ System Flow		

	❑ Subsystem Logic: Job Scripts, Programs, Browser Pages, Reports, Letters ❑ Internal and External Interfaces ❑ Requirements Matrix ❑ Change Orders ❑ Data element Dictionary ❑ Supplemental Documentation

TITLE	Eligibility Verification System (EVS) Technical Design		
VENDOR	EDS		
TYPE OF DATA	Technical	DATA RIGHTS	State Material
FREQUENCY DUE	When changed	1ST SUBMISSION DATE	08/03/2009
METHOD OF DELIVERY	Electronic—iTRACE		
EDS DESCRIPTION	This document describes the design of the interChange EVS capability for the State. Besides the verification of individual recipient's eligibility, the interChange EVS also will comprise the following features: ❑ Multipayer capability ❑ Access to real-time information through multiple access channels ❑ Automatic validity, format, and consistency edits before allowing a transaction to update interChange ❑ Tracking, reporting, and status of interfaces This document is the result of RV sessions with stakeholders. The technical design will include the following information that will be used to customize the interChange MMIS for the State: ❑ Subsystem Narrative Overview ❑ Subsystem Description ❑ Data Model ❑ Data Tables ❑ System Flow ❑ Subsystem Logic: Job Scripts, Programs, Browser Pages, Reports, Letters ❑ Internal and External Interfaces ❑ Requirements Matrix ❑ Change Orders ❑ Data element Dictionary ❑ Supplemental Documentation		

TITLE	Benefit Administration Technical Design		
VENDOR	EDS		
TYPE OF DATA	Technical	DATA RIGHTS	State Material
FREQUENCY DUE	When changed	1ST SUBMISSION DATE	07/22/2009
METHOD OF DELIVERY	Electronic—iTRACE		
EDS DESCRIPTION	This document describes the design of the interChange Benefit Administration capability for the State. Benefit Administration is a broad set functional capability that includes, but is not limited to, the following features: ❑ Benefit package assignment ❑ Benefit package processing ❑ Unlimited pricing and eligibility segments ❑ Online access to historical data ❑ Integrated rules allowing users to change benefit eligibility criteria ❑ System flexibility allowing users to customize benefit package reference data, such as audit limitations, service authorizations, and rates ❑ Consolidation of redundant systems ❑ Direct methods of claims processing for different payers and benefit plans ❑ True multipayer functions capable of supporting State plans outside Medicaid ❑ Service and coverage limitations ❑ Level of care required ❑ Assistance category ❑ Waiver program enrollment ❑ Provider restriction This document is the result of RV sessions with stakeholders. The technical design will include the following information that will be used to customize the interChange MMIS for the State: ❑ Subsystem Narrative Overview ❑ Subsystem Description ❑ Data Model ❑ Data Tables ❑ System Flow ❑ Subsystem Logic: Job Scripts, Programs, Browser Pages, Reports, Letters ❑ Internal and External Interfaces ❑ Requirements Matrix ❑ Change Orders ❑ Data element Dictionary ❑ Supplemental Documentation		

TITLE	Provider Technical Design		
VENDOR	EDS		
TYPE OF DATA	Technical	DATA RIGHTS	State Material
FREQUENCY DUE	When changed	1ST SUBMISSION DATE	05/02/2009
METHOD OF DELIVERY	Electronic—iTRACE		
EDS DESCRIPTION	This document describes the design of the interChange Provider functions for the Replacement MMIS. The interChange Provider module will offer the following features that will be customized for the State: ❑ Provider enrollment ❑ Provider maintenance and management ❑ Provider access by mail, telephone, and Web portal ❑ Workflow ❑ Data organized in tables using a relational database structure so that an update automatically populates the appropriate fields when a user accesses a new page for the same provider This document is the result of RV sessions with stakeholders. The technical design will include the following information that will be used to customize the interChange MMIS for the State: ❑ Subsystem Narrative Overview ❑ Subsystem Description ❑ Data Model ❑ Data Tables ❑ System Flow ❑ Subsystem Logic: Job Scripts, Programs, Browser Pages, Reports, Letters ❑ Internal and External Interfaces ❑ Requirements Matrix ❑ Change Orders ❑ Data element Dictionary ❑ Supplemental Documentation		

TITLE	Claims/Point of Sale Technical Design		
VENDOR	EDS		
TYPE OF DATA	Technical	DATA RIGHTS	State Material
FREQUENCY DUE	When changed	1ST SUBMISSION DATE	06/17/2009
METHOD OF DELIVERY	Electronic—iTRACE		
EDS DESCRIPTION	This document describes the design of the interChange Claims module that will allow North Carolina to perform the following functions: ❑ Capture ❑ Process ❑ Control ❑ Editing ❑ Auditing ❑ Final disposition This document is the result of RV sessions with stakeholders. The technical design will include the following information that will be used to customize the interChange MMIS for the State: ❑ Subsystem Narrative Overview ❑ Subsystem Description ❑ Data Model ❑ Data Tables ❑ System Flow ❑ Subsystem Logic: Job Scripts, Programs, Browser Pages, Reports, Letters ❑ Internal and External Interfaces ❑ Requirements Matrix ❑ Change Orders ❑ Data element Dictionary ❑ Supplemental Documentation		

TITLE	Third-Party Liability (TPL) Technical Design		
VENDOR	EDS		
TYPE OF DATA	Technical	DATA RIGHTS	State Material
FREQUENCY DUE	When changed	1ST SUBMISSION DATE	05/26/2009
METHOD OF DELIVERY	Electronic—iTRACE		
EDS DESCRIPTION	This document details the Third-Party Liability (TPL) functions of interChange. The TPL module provides the following capabilities to make certain that Medicaid is the payer of last resort: ❑ Private health ❑ Medicare ❑ Other third-party resources This includes the flexibility to configure and optimize third-party coverage data through easy-to-use browser pages, real-time access to information, and the automation of tasks including the following: ❑ Policy maintenance ❑ Accounts receivable (A/R) posting ❑ Rebilling, recovery notices ❑ Non-covered services bypass logic This document is the result of RV sessions with stakeholders. The technical design will include the following information that will be used to customize the interChange MMIS for the State: ❑ Subsystem Narrative Overview ❑ Subsystem Description ❑ Data Model ❑ Data Tables ❑ System Flow ❑ Subsystem Logic: Job Scripts, Programs, Browser Pages, Reports, Letters ❑ Internal and External Interfaces ❑ Requirements Matrix ❑ Change Orders ❑ Data element Dictionary ❑ Supplemental Documentation		

TITLE	Prior Approval (PA) Technical Design		
VENDOR	EDS		
TYPE OF DATA	Technical	DATA RIGHTS	State Material
FREQUENCY DUE	When changed	1ST SUBMISSION DATE	05/20/2009
METHOD OF DELIVERY	Electronic—iTRACE		
EDS DESCRIPTION	This document details the technical design of the PA functions within interChange. The PA module will provide the following capabilities: ❑ Process the PA request by validating member eligibility, provider eligibility, and service coverage based on predefined rules ❑ Generate PA records for pharmacy-related claims that meet customized rules related to the recipient ❑ Receive and process PA transactions from multiple input sources ❑ Allow providers to initiate PA requests through the Internet and inquire on PA requests to learn the decision status and the authorized units or dollar amounts ❑ Generate provider and recipient notification letters using combinations of fixed, variable, and free-text formats that are automatically triggered ❑ Treat letters containing protected health information (PHI) as secure documents ❑ Use Web pages to give authorized users various levels of access depending on their security levels ❑ Enable changes because of administrative review or appeals This document is the result of RV sessions with stakeholders. The technical design will include the following information that will be used to customize the interChange MMIS for the State: ❑ Subsystem Narrative Overview ❑ Subsystem Description ❑ Data Model ❑ Data Tables ❑ System Flow ❑ Subsystem Logic: Job Scripts, Programs, Browser Pages, Reports, Letters ❑ Internal and External Interfaces ❑ Requirements Matrix ❑ Change Orders ❑ Data element Dictionary ❑ Supplemental Documentation		

TITLE	Automated Voice Response System Technical Design		
VENDOR	EDS		
TYPE OF DATA	Technical	DATA RIGHTS	State Material
FREQUENCY DUE	When changed	1ST SUBMISSION DATE	06/05/2009
METHOD OF DELIVERY	Electronic—iTRACE		
EDS DESCRIPTION	This document describes the technical design of the interChange AVRS that will provide North Carolina with the following capabilities: ❑ Provider toll-free telephone number to access the MMIS ❑ Automated access to the MMIS data This document is the result of RV sessions with stakeholders. The technical design will include the following information that will be used to customize the interChange MMIS for the State: ❑ Subsystem Narrative Overview ❑ Subsystem Description ❑ Data Model ❑ Data Tables ❑ System Flow ❑ Subsystem Logic: Job Scripts, Programs, Browser Pages, Reports, Letters ❑ Internal and External Interfaces ❑ Requirements Matrix ❑ Change Orders ❑ Data element Dictionary ❑ Supplemental Documentation		

TITLE	Managed Care Technical Design		
VENDOR	EDS		
TYPE OF DATA	Technical	DATA RIGHTS	State Material
FREQUENCY DUE	Technical	1ST SUBMISSION DATE	06/26/2009
METHOD OF DELIVERY	Electronic—iTRACE		
EDS DESCRIPTION	This document describes the technical design of the interChange Managed Care module that will provide the State with capabilities that include, but are not limited to, the following: ❑ Online access to all recipient, provider, claims, and reference data related to Managed Care ❑ Process financial transactions regarding managed care ❑ Apply edit and audits to managed care cases ❑ Case notes tracking ❑ Track Managed Care statistics ❑ Auto-generate notices This document is the result of RV sessions with stakeholders. The technical design will include the following information that will be used to customize the interChange MMIS for the State: ❑ Subsystem Narrative Overview ❑ Subsystem Description ❑ Data Model ❑ Data Tables ❑ System Flow ❑ Subsystem Logic: Job Scripts, Programs, Browser Pages, Reports, Letters ❑ Internal and External Interfaces ❑ Requirements Matrix ❑ Change Orders ❑ Data element Dictionary ❑ Supplemental Documentation		

TITLE	Management and Administrative Reporting System (MARS) Technical Design		
VENDOR	EDS		
TYPE OF DATA	Technical	DATA RIGHTS	State Material
FREQUENCY DUE	When changed	1ST SUBMISSION DATE	06/30/2009
METHOD OF DELIVERY	Electronic—iTRACE		
EDS DESCRIPTION	This document describes the technical design of the interChange Managed Care module that will provide the State with capabilities that include, but are not limited to, the following: ❑ Extract data monthly from other functions of the MMIS and create extract files used to produce the monthly, quarterly, and annual MAR reports ❑ Summarize and maintain information from other functions for reporting data for current and historical time periods ❑ Run batch report jobs to create State and Centers for Medicare & Medicaid Services (CMS) reports ❑ Verify the accuracy of MAR reports through balancing processes ❑ Offer flexible desktop inquiry and reporting through parameter-driven Web pages This document is the result of Requirements Validation sessions with stakeholders. The technical design will include the following information that will be used to customize the interChange MMIS for North Carolina: Subsystem Narrative Overview ❑ Subsystem Description ❑ Data Model ❑ Data Tables ❑ System Flow ❑ Subsystem Logic: Job Scripts, Programs, Browser Pages, Reports, Letters ❑ Internal and External Interfaces ❑ Requirements Matrix ❑ Change Orders ❑ Data element Dictionary ❑ Supplemental Documentation		

TITLE	Data Entry Technical Design		
VENDOR	EDS		
TYPE OF DATA	Technical	DATA RIGHTS	State Material
FREQUENCY DUE	When changed	1ST SUBMISSION DATE	08/03/2009
METHOD OF DELIVERY	Electronic—iTRACE		
EDS DESCRIPTION	This document describes the technical design for managing data in the Replacement MMIS that includes, but is not limited to, the following capabilities: ❑ Capture ❑ Categorization ❑ Storage and retrieval ❑ Tracking ❑ Linking ❑ Printing and faxing This document is the result of RV sessions with stakeholders. The technical design will include the following information that will be used to customize the interChange MMIS for the State: ❑ Subsystem Narrative Overview ❑ Subsystem Description ❑ Data Model ❑ Data Tables ❑ System Flow ❑ Subsystem Logic: Job Scripts, Programs, Browser Pages, Reports, Letters ❑ Internal and External Interfaces ❑ Requirements Matrix ❑ Change Orders ❑ Data element Dictionary ❑ Supplemental Documentation		

TITLE	Reference Technical Design		
VENDOR	EDS		
TYPE OF DATA	Technical	DATA RIGHTS	State Material
FREQUENCY DUE	When changed	1ST SUBMISSION DATE	06/26/2009
METHOD OF DELIVERY	Electronic - iTRACE		
EDS DESCRIPTION	This document describes the design of the interChange Reference Data Maintenance System. This capability allows maintenance of data used by the MMIS to execute the following functions: ❑ Claims and adjustment processing ❑ Service ❑ PA ❑ TPL processing ❑ Reporting The Reference Data Maintenance System maintains the following logical data groupings: ❑ Benefit plan ❑ Diagnosis ❑ Drug ❑ Edit/Audit Criteria ❑ ICD-9-CM Procedure ❑ Modifier ❑ Procedure This document is the result of RV sessions with stakeholders. The technical design will include the following information that will be used to customize the interChange MMIS for the State: ❑ Subsystem Narrative Overview ❑ Subsystem Description ❑ Data Model ❑ Data Tables ❑ System Flow ❑ Subsystem Logic: Job Scripts, Programs, Browser Pages, Reports, Letters ❑ Internal and External Interfaces ❑ Requirements Matrix ❑ Change Orders ❑ Data element Dictionary ❑ Supplemental Documentation		

TITLE	Financial Technical Design		
VENDOR	EDS		
TYPE OF DATA	Technical	DATA RIGHTS	State Material
FREQUENCY DUE	When changed	1ST SUBMISSION DATE	07/27/2009
METHOD OF DELIVERY	Electronic—iTRACE		
EDS DESCRIPTION	This document describes the technical design of the interChange Financial modules that will provide the Replacement MMIS with the following capabilities: ❑ Funding Sources ❑ State Program Funding ❑ Payment Estimation Reporting ❑ Payment Holds ❑ Provider Payments ❑ Remittance Advice ❑ Liens/Levies ❑ Accounts Receivable (A/R) ❑ Returned Checks and Provider Refunds ❑ Financial Transactions ❑ Financial Cycle Balancing This document is the result of RV sessions with stakeholders. The technical design will include the following information that will be used to customize the interChange MMIS for the State: ❑ Subsystem Narrative Overview ❑ Subsystem Description ❑ Data Model ❑ Data Tables ❑ System Flow ❑ Subsystem Logic: Job Scripts, Programs, Browser Pages, Reports, Letters ❑ Internal and External Interfaces ❑ Requirements Matrix ❑ Change Orders ❑ Data element Dictionary ❑ Supplemental Documentation		

TITLE	Health Check – Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) Technical Design		
VENDOR	EDS		
TYPE OF DATA	Technical	DATA RIGHTS	State Material
FREQUENCY DUE	When changed	1ST SUBMISSION DATE	08/17/2009
METHOD OF DELIVERY	Electronic—iTRACE		
EDS DESCRIPTION	This document describes the design of the Health Check functions for the Replacement MMIS. This feature provides the following capabilities: ❑ Maintain the Health Check periodicity schedule ❑ Maintain online inquiry to all Health Check data with access by recipient ID and provider number ❑ Maintain each Health Check-eligible recipient, the current and historical screening results, referral, diagnosis and treatment, and immunizations, including the provider numbers and dates ❑ Identify paid and denied screening claims ❑ Identify abnormal conditions by screening date and whether the condition was treated or referred for treatment ❑ Update recipient Health Check data with screening results and dates and referral information ❑ Provide online, updateable letter templates for Health Check monthly notifications, standardized letters, and inserts ❑ Generate automatic monthly notifications to case heads for next screenings, screenings missed, and abnormal conditions not treated based on State criteria ❑ Maintain all notices sent, identifying case and recipient and date the notice was sent ❑ Maintain an online audit trail of all updates to Health Check data ❑ Web-based Health Check application that allows for the creation, update, and management of: Health Check information notifications, Monthly Accounting Activities Reports (MAAR) information, County Options Change Request (COCR) information, full-time equivalency (FTE) information, and Health Check recipient data ❑ Maintain an online audit trail of updates to Health Check data ❑ Perform the following functions using the Web-based application: search recipient data, enter comments, update notification suppression, send standardized notifications ❑ Calculate and system-generate Health Check Coordinator management fees ❑ Generate a monthly FTE report based on information received on the MAAR and COCR This document is the result of RV sessions with stakeholders. The technical design will include the following information that will be used to customize the interChange MMIS for the State:		

	❑ Subsystem Narrative Overview ❑ Subsystem Description ❑ Data Model ❑ Data Tables ❑ System Flow ❑ Subsystem Logic: Job Scripts, Programs, Browser Pages, Reports, Letters ❑ Internal and External Interfaces ❑ Requirements Matrix ❑ Change Orders ❑ Data element Dictionary ❑ Supplemental Documentation

TITLE	Drug Rebate Technical Design		
VENDOR	EDS		
TYPE OF DATA	Technical	DATA RIGHTS	State Material
FREQUENCY DUE	When changed	1ST SUBMISSION DATE	05/21/2009
METHOD OF DELIVERY	Electronic—iTRACE		
EDS DESCRIPTION	This document describes the design of the interChange Drug Rebate feature for the Replacement MMIS. This feature allows the State to maximize collections and create a flexible and effective process through the following features: ❑ Process CMS quarterly drug rebate tape and produce drug rebate invoices ❑ Maintain manufacturer contact information ❑ Post drug rebate payments ❑ Perform drug rebate dispute resolution ❑ Provide drug rebate reporting, collections, and follow-up ❑ Access drug rebate accounting and interest This document is the result of RV sessions with stakeholders. The technical design will include the following information that will be used to customize the interChange MMIS for the State: ❑ Subsystem Narrative Overview ❑ Subsystem Description ❑ Data Model ❑ Data Tables ❑ System Flow ❑ Subsystem Logic: Job Scripts, Programs, Browser Pages, Reports, Letters ❑ Internal and External Interfaces ❑ Requirements Matrix ❑ Change Orders ❑ Data element Dictionary ❑ Supplemental Documentation		

TITLE	Drug Utilization Review (DUR) Technical Design		
VENDOR	EDS		
TYPE OF DATA	Technical	DATA RIGHTS	State Material
FREQUENCY DUE	When changed	1ST SUBMISSION DATE	08/24/2009
METHOD OF DELIVERY	Electronic—iTRACE		
EDS DESCRIPTION	This document describes the design of the interChange Drug Utilization Review function for the Replacement MMIS. This feature provides the State with the following capabilities: ❑ Base information ❑ Grandfathering ❑ Age ❑ Primary diagnosis ❑ Secondary diagnosis ❑ Full taxonomy/specialty ❑ First/second line drug therapy ❑ Co-morbid diagnosis ❑ Linking This document is the result of RV sessions with stakeholders. The technical design will include the following information that will be used to customize the interChange MMIS for the State: ❑ Subsystem Narrative Overview ❑ Subsystem Description ❑ Data Model ❑ Data Tables ❑ System Flow ❑ Subsystem Logic: Job Scripts, Programs, Browser Pages, Reports, Letters ❑ Internal and External Interfaces ❑ Requirements Matrix ❑ Change Orders ❑ Data element Dictionary ❑ Supplemental Documentation		

TITLE	Enterprise Integration Services (EIS) Technical Design		
VENDOR	EDS		
TYPE OF DATA	Technical	DATA RIGHTS	State Material
FREQUENCY DUE	When changed	1ST SUBMISSION DATE	08/24/2009
METHOD OF DELIVERY	Electronic—iTRACE		
EDS DESCRIPTION	This document describes the design of the enterprise integration services that will be necessary to deliver a smooth user experience for the Replacement MMIS. EDS will use the BizTalk Server 2006 because of its ability to support various protocols and message formats. BizTalk Server 2006 provides the following adapters: ❑ Simple Object Access Protocol (SOAP) adapter ❑ BizTalk Message Queuing adapter ❑ File adapter ❑ HTTP adapter ❑ Simple Mail Transfer Protocol (SMTP) adapter ❑ Structured query language (SQL) adapter ❑ Base electronic data interchange (EDI) adapter ❑ FTP adapter This document is the result of Requirements Validation sessions with stakeholders. The technical design will include the following information that will be used to customize the interChange MMIS for NC: ❑ Subsystem Narrative Overview ❑ Subsystem Description ❑ Data Model ❑ Data Tables ❑ System Flow ❑ Subsystem Logic: Job Scripts, Programs, Browser Pages, Reports, Letters ❑ Internal and External Interfaces ❑ Requirements Matrix ❑ Change Orders ❑ Data element Dictionary ❑ Supplemental Documentation		

Transition

TITLE	MMIS System Documentation		
VENDOR	EDS		
TYPE OF DATA	Planning/Execution	DATA RIGHTS:	State Material
FREQUENCY DUE	When Changed	1ST SUBMISSION DATE	01/26/2010
METHOD OF DELIVERY	Electronic—iTRACE		
EDS DESCRIPTION	These documents detail the specifications for each of the interChange modules including, but not limited to, recipient, eligibility verification, provider, claims, PA, Health Check, and more.		

TITLE	Training Materials/Manuals		
VENDOR	EDS		
TYPE OF DATA	Planning/Execution	DATA RIGHTS:	State Material
FREQUENCY DUE	When Changed	1ST SUBMISSION DATE	04/22/2010
METHOD OF DELIVERY	Electronic—iTRACE		
EDS DESCRIPTION	Most training materials will be in the form of computer-based training (CBT) that will be managed within the interChange product itself.		

TITLE	Provider Documentation		
VENDOR	EDS		
TYPE OF DATA	Planning/Execution	DATA RIGHTS:	State Material
FREQUENCY DUE	When Changed	1ST SUBMISSION DATE	11/03/2009
METHOD OF DELIVERY	Electronic – Web Portal		
EDS DESCRIPTION	Provider documentation will be available through a provider Web portal. This documentation will provide guidance for interChange functions including, but not limited to, the following: ❑ Provider Enrollment ❑ Provider Maintenance and Management ❑ Claims Management		

TITLE	MMIS Certification Documentation and Presentation Materials		
VENDOR	EDS		
TYPE OF DATA	Planning/Execution	DATA RIGHTS	State Material
FREQUENCY DUE	When changed	1ST SUBMISSION DATE	03/20/2011
METHOD OF DELIVERY	Electronic—iTRACE		
EDS DESCRIPTION	EDS will lead generation, consolidation, and production of the documents and presentation materials necessary to obtain CMS certification for the Replacement MMIS.		

TITLE	Operations Management Plan (OMP)		
VENDOR	EDS		
TYPE OF DATA	Planning/Execution	DATA RIGHTS	State Material
FREQUENCY DUE	When changed	1ST SUBMISSION DATE	10/31/2008
METHOD OF DELIVERY	Electronic—iTRACE		
EDS DESCRIPTION	The Operations Management Plan strategically describes how the Fiscal Agent will successfully deliver and support operational services. The plan should clearly document the Vendor's approach to operations and communicate an understanding of how it operates a Medicaid Fiscal Agent Contract. Roles and responsibilities of the Fiscal Agent and the State should be clearly delineated. The following areas should be included in an Operations Management Plan, either by incorporating the topic in the document or referring to other standalone documents (duplication of information is not necessary): ❑ Strategic Plan for Operations ❑ Process Improvement ❑ Quality Management ❑ Performance Metrics ❑ Operations Management Reviews ❑ Change and Configuration Management ❑ Risk and Issue Management Plan ❑ Resource Management ❑ Security Plan ❑ Disaster Recover/Continuity of Operations Plan ❑ Training Plan ❑ Communications Process and Procedures (between Fiscal Agent, the State, providers, and citizens)		

TITLE	Operations Manuals		
VENDOR	EDS		
TYPE OF DATA	Planning/Execution	DATA RIGHTS:	State Material
FREQUENCY DUE	Annually or more frequently	1ST SUBMISSION DATE	04/08/2010
METHOD OF DELIVERY	Electronic—iTRACE		
EDS DESCRIPTION	This document details the regularly scheduled operational processes, escalation procedures, and contact information for partners and vendors. The document comprises the following sections: ❑ **Systems Operating Procedures Manual Overview—**Provides a brief overview of the System Operating Procedures manual and includes a description of the intended audience for this manual ❑ **Processing Schedules—**Provides details on the daily, weekly, quarterly and monthly processing schedule ❑ **Operational Processes—**Explains the regular operational processes, including EDI, cycle balancing, and cycle reports ❑ **Problem Escalation Procedures—**Explains incident and emergency response procedures ❑ **Trading Partners List—**Lists trading partners working with EDS on the Replacement MMIS project ❑ **Vendor Interface Connection Listing—**Lists vendor interfaces for the Replacement MMIS		

TITLE	Special Contingency Plan		
VENDOR	EDS		
TYPE OF DATA	Planning/Execution	DATA RIGHTS	State Material
FREQUENCY DUE	When Changed	1ST SUBMISSION DATE	12/03/2009
METHOD OF DELIVERY	Electronic—iTRACE		
EDS DESCRIPTION	Given the extensive system, user acceptance, parallel, and operation readiness testing that interChange has undergone, the probability of systems issues serious enough to require a reversion to the Legacy system are extremely small. Close attention will be paid to production interChange results by comparing them to expectations established during the "Large Parallel" testing. If interChange operates within these tolerances, any minor systems issues will be addressed in the interChange environment. In the unlikely event that North Carolina decides to revert to the Legacy MMIS+, this deliverable documents the steps required to execute this contingency. The action items for each of the following MMIS components are detailed: ❑ Communications ❑ Mainframe ❑ Paper claims ❑ Member ❑ Provider ❑ Claims ❑ BBS ❑ Prior Authorization (PA) ❑ Interim Decision Support System (DSS) ❑ EDS ❑ Desktop PC As a part of the special contingency plan, a Microsoft Project schedule estimates the level of effort required for each task.		

Testing

TITLE	Master Test and Quality Assurance Plan (MTQAP)		
VENDOR	EDS		
TYPE OF DATA	Planning/Execution	DATA RIGHTS	State Material
FREQUENCY DUE	When changed	1ST SUBMISSION DATE	11/04/2008
METHOD OF DELIVERY	Electronic—iTRACE		
DESCRIPTION	This plan applies the processes for testing and quality assurance from the Software Development and Systems Engineering Methodology to this project to include specific test and quality assurance activities and results required for success. The plan should identify key events and their objectives, along with roles, responsibilities, and resources needed for these events to be successful. The MTQAP adds detail to items in the IMP related to testing and quality assurance.		

TITLE	Integrated Structured Testing (IST) Results		
VENDOR	EDS		
TYPE OF DATA	Technical	DATA RIGHTS	State Material
FREQUENCY DUE	When Changed	1ST SUBMISSION DATE	09/28/2010
METHOD OF DELIVERY	Electronic—iTRACE		
EDS DESCRIPTION	This document summarizes and details the results of integrated system tests run against the systems within the Replacement MMIS.		

TITLE	Parallel Test Results		
VENDOR	EDS		
TYPE OF DATA	Technical	DATA RIGHTS	State Material
FREQUENCY DUE	When Changed	1ST SUBMISSION DATE	10/26/2010
METHOD OF DELIVERY	Electronic—iTRACE		
EDS DESCRIPTION	This document summarizes and details the results of parallel system tests run against the Legacy MMIS+ and Replacement MMIS.		

TITLE	Volume/Stress Test Results		
VENDOR	EDS		
TYPE OF DATA	Technical	DATA RIGHTS	State Material
FREQUENCY DUE	When Changed	1ST SUBMISSION DATE	10/07/2010
METHOD OF DELIVERY	Electronic—iTRACE		
EDS DESCRIPTION	This document summarizes and details the results of volume stress tests run against the Replacement MMIS. For example, this test will run many claims against the Replacement MMIS to determine its performance.		

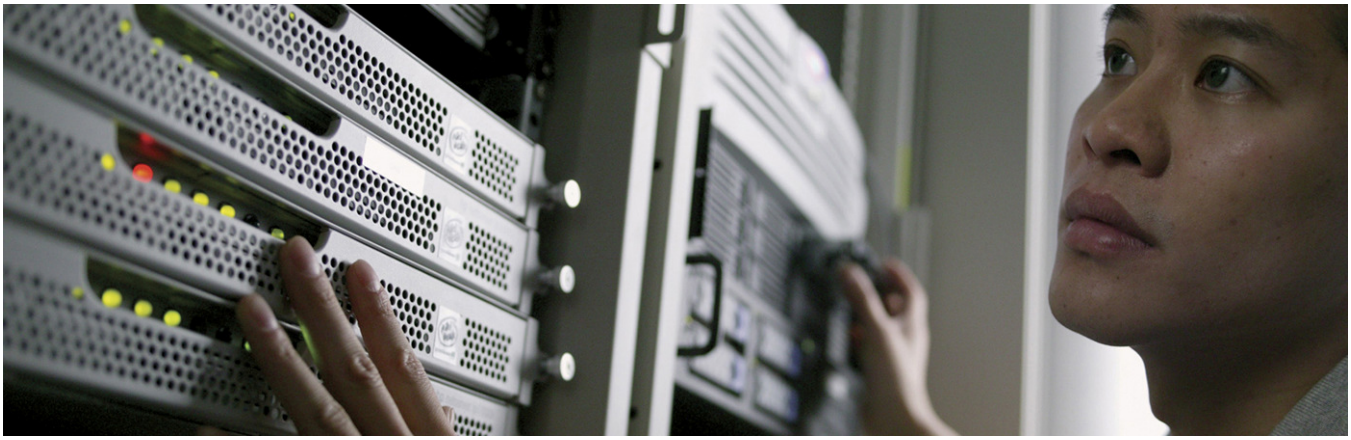
Conversion

TITLE	Data Conversion and Migration Plan		
VENDOR	EDS		
TYPE OF DATA	Planning/Execution	DATA RIGHTS	State Material
FREQUENCY DUE	When changed	1ST SUBMISSION DATE	12/12/2008
METHOD OF DELIVERY	Electronic—iTRACE		
DESCRIPTION	This document describes a comprehensive plan to convert and migrate all required data from the Legacy MMIS+ to the Replacement MMIS. It must include strategies and activities required to support development, testing, certification, and long-term operations. The plan must document processes and activities to include analysis of the conversion and migration requirements; design and construction of solutions; testing of these solutions; identification of documentation required to support conversion and migration activities; and the processes that will actually be used to convert and migrate the data. The plan must clearly identify the data to be converted, the specific methods to be applied to these data (both automatic and manual), data cleansing and validation, data security, and the strategy to make certain that the data are converted and migrated in a timely fashion to support testing and implementation. Additionally, the plan shall describe the roles and responsibilities of the parties involved in these activities. The IMP shall identify key events, accomplishments, and criteria for data conversion and migration that are supported by this plan.		
EDS DESCRIPTION	This document will outline the procedures and standards that will apply to conversion data. The Global Conversion Plan will comprise the following information: ❑ Conversion objectives ❑ Roles and responsibilities ❑ Description of the conversion process, including process and environment diagrams ❑ Status reporting standards ❑ Statistical and error-reporting standards ❑ Procedures for notification, tracking, and correcting conversion problems ❑ Conversion preparation task outline ❑ Procedures for verifying the integrity and accuracy of the converted files, including quality control and sampling verifications ❑ A narrative and plan for the management of the conversion effort, including strategies for dealing with delays, a backup plan, backup personnel, and any significant issues ❑ Conversion support requirements, including use of the system, policy issues, and hardware		

	❑ List of conversion tools ❑ Procedures to handle manual conversion and data-cleanup activities ❑ Conversion data volume considerations, including the size of the database and the amount of data to be converted ❑ Development schedule ❑ User work and delivery schedules and time frame for reports ❑ Conversion deliverable outlines

TITLE	Preliminary Conversion Test Results		
VENDOR	EDS		
TYPE OF DATA	Planning/Execution	DATA RIGHTS	State Material
FREQUENCY DUE	When changed	1ST SUBMISSION DATE	11/11/2010
METHOD OF DELIVERY	Electronic—iTRACE		
EDS DESCRIPTION	After creating a detailed conversion plan, EDS tests the plan on non-production data and analyzes the results. The detailed conversion plan will be updated as necessary. The Preliminary Conversion Test Results is comprised of the following: **Overall Findings and Recommendations:** ❑ Summary of the conversion plan results and status of the conversion software ❑ Identification of any significant outstanding deficiencies or limitations ❑ Effect of any outstanding deficiency on the remainder of the conversion schedule and recommended solutions for correcting the deficiency ❑ Assessment of how the test environment may differ from the operational environment and how this may affect the test results ❑ Recommendations for improving the design, operation, or testing of conversion software **Detailed Test Results** ❑ Results of the conversion testing formatted as defined in the conversion plan and approved by the State ❑ Completion status of each test case of the testing plan ❑ Identification of test cases where the result was not as expected, an explanation of the problem that occurred, and the procedure in which the problem occurred ❑ Chronological record of the testing covered by the conversion test results report, including dates, times, and locations of testing ❑ Identification of the hardware and software configurations used for testing ❑ Log of dates and times of testing activity, including the individual performing the testing Before final conversion, the State will approve conversion for each functional area. State sign-off will indicate that the test plan and preliminary conversion for a specific functional area are complete and accurate. This will be documented in the sign-off section of the status report.		

TITLE	Final Conversion Test Results		
VENDOR	EDS		
TYPE OF DATA	Planning/Execution	DATA RIGHTS	State Material
FREQUENCY DUE	When Changed	1ST SUBMISSION DATE	12/13/2010
METHOD OF DELIVERY	Electronic—iTRACE		
EDS DESCRIPTION	This document will provide the following information post-conversion: **Detailed Test Results** ❑ Results of the conversion formatted as defined in the conversion plan and approved by the State ❑ Completion status of each conversion case of the conversion plan ❑ Identification of conversion cases where the result was not as expected, an explanation of the problem that occurred, and the procedure in which the problem occurred ❑ Chronological record of the conversion results report, including dates, times, and locations of conversion ❑ Identification of the hardware and software configurations used for conversion ❑ Log of dates and times of conversion activity		



50.2.8 Section H—Security Approach

RFP Reference: 50.2.8 Section H—Security Approach, Page 281; 10.9 Software and Systems Engineering Objectives, Paragraph 8, Page 10; Security Plan CDRL, Pages 261-262

Our security approach is a foundational element in our Replacement MMIS' operation and reflects our years of experience in this arena and our recognition that security is an ongoing pursuit, not a one-time task.

The security approach described in this section will be codified in our security plan, which will be submitted in the early stages of the implementation. This plan will meet the requirements identified in the RFP's Security Plan CDRL.

Principles of Our Security Approach

EDS is committed to preserving the confidentiality, integrity, and availability of the sensitive information we manage for our clients. The North Carolina Department of Health and Human Services (the State) requires a secure MMIS that protects data from anticipated threats and hazards and limits its availability to appropriate staff members and other designated individuals and organizations using standardized system applications and data security capabilities. To meet your requirements for security and confidentiality, we will apply EDS' fundamental values and our team's personal diligence in working with sensitive State information every day.

We practice and apply our values at every level of the organization. These same values are directly reflected in the EDS Code of Business Conduct, which states the following:

> "We must maintain the confidentiality of confidential information entrusted to us by the company or our customers, except when disclosure

> is authorized or legally mandated. Confidential information includes all nonpublic information that might be … harmful to EDS or its customers, if disclosed.
>
> "A critical element in our relationship with customers is our promise to keep our knowledge of their private business affairs in strict confidence. When using and managing confidential customer information, we must follow the specific rules and obligations as set forth in the written agreement we reach with our customers."

Every year, EDS employees must certify that they have read and will adhere to this code of conduct.

As a provider of MMIS solutions across the United States, EDS also recognizes the additional responsibility for managing confidential protected health information (PHI), as well as other State data. The EDS Health Insurance Portability and Accountability Act (HIPAA) Security Policy states the following:

> "To be compliant to the HIPAA regulations, both security and privacy solutions must be considered. EDS shall implement standards in accordance with the Security Rule to ensure: confidentiality, integrity, and availability of electronic health information with effective administrative, physical, and technical safeguards. [EDS will implement] security solutions to address the organization's infrastructure requirements to ensure secure and private communication and storage of confidential electronic PHI."

Our security structure is an integral part of our interChange solution. Using our industry-leading framework and the secure, HIPAA-ready nature of interChange, we provide security solutions that protect the data managed within the system against threats and hazards. We understand the North Carolina Office of Information Technology Services is responsible for setting policies, standards, and guidelines for technology in North Carolina state government. EDS will work with the State to meet information and communication processing security as spelled out in the State's policies and standards and will be an active participant in a joint security management team.

As one of the first steps in the DDI Phase, we will implement system security processes that will include the following measures:

- Physical site security and protection
- System access security
- Data security
- Application security
- Compliance with HIPAA security standards

With a variety of mechanisms designed to maximize the safety and reliability of the systems and data under its control, the Replacement MMIS will provide the State with a benefit that goes beyond the purely technical details—the peace of mind that comes with knowing the Replacement MMIS data is well protected.

Given the interrelated nature of the RFP's security requirements and procedures, to improve clarity and reduce redundancy we have included next to each section of our response the CDRL items corresponding with it, as follows:

- Security Officer Role (CDRL Bullet 2)
- Security Policies, Processes, and Standards Approach (CDRL Bullet 2 and Bullet 7)
- Physical Security (CDRL Bullets 1-3)
- Application Security (CDRL Bullets 1-4)
- Network and Data Security (CDRL Bullets 1-4)
- Security Monitoring, Reporting, and Awareness Measures (CDRL Bullets 2, 3, 5, and 7)
- Penetration Testing (CDRL Bullets 2, 3, 5, and 7)
- Security Plan Delivery (CDRL Bullet 2)
- Disaster Recovery (CDRL Bullet 6)

Security Officer Role

EDS will provide an experienced security leader with a background in healthcare, HIPAA, and CMS security requirements to serve as the Replacement MMIS security officer through Operations. This individual will serve a critical role, given the need to balance the user community's desire for ease of use and access to the system versus the need to prevent access by unauthorized entities. The security officer will be responsible for the following:

- Developing, reviewing, and maintaining security policies and procedures
- Implementing and educating EDS staff on the security policies and procedures
- Serving as security liaison with the State
- Coordinating assessments of security vulnerabilities, penetration testing, and so forth, as directed by the State
- Investigating, documenting, and reporting security incidents
- Participating in the development, testing, and maintenance of the disaster recovery and business continuity plans, providing security perspective and input

- Developing and maintaining the security plan, with input from the State
- Participating in security-related workgroups and organizations

Security Policies, Processes, and Standards Approach

EDS has developed comprehensive policies, procedures, and standards necessary for complying with security and privacy requirements to maintain confidentiality. The EDS Enterprise Security Policies and Standards (ESPS) framework is used as a guide. As discussed in greater detail below, ESPS is maintained by the EDS Security and Privacy Office and combines privacy and security best practices and expertise from around the globe to deliver the policies, requirements, control standards, and implementation procedures necessary for a complete privacy and security solution. The basics of this security structure already have been incorporated into interChange. Specific implementation details will be reviewed with the State as part of the system security procedures. These procedures will be put into place as part of the Design and Development Phase of the contract.

EDS understands that we must also comply with the applicable North Carolina Office of Information Technology Services (ITS) policies and standards in addition to federal regulations such as HIPAA, and we will work with the State to address any disparities.

EDS Chief Security & Privacy Office

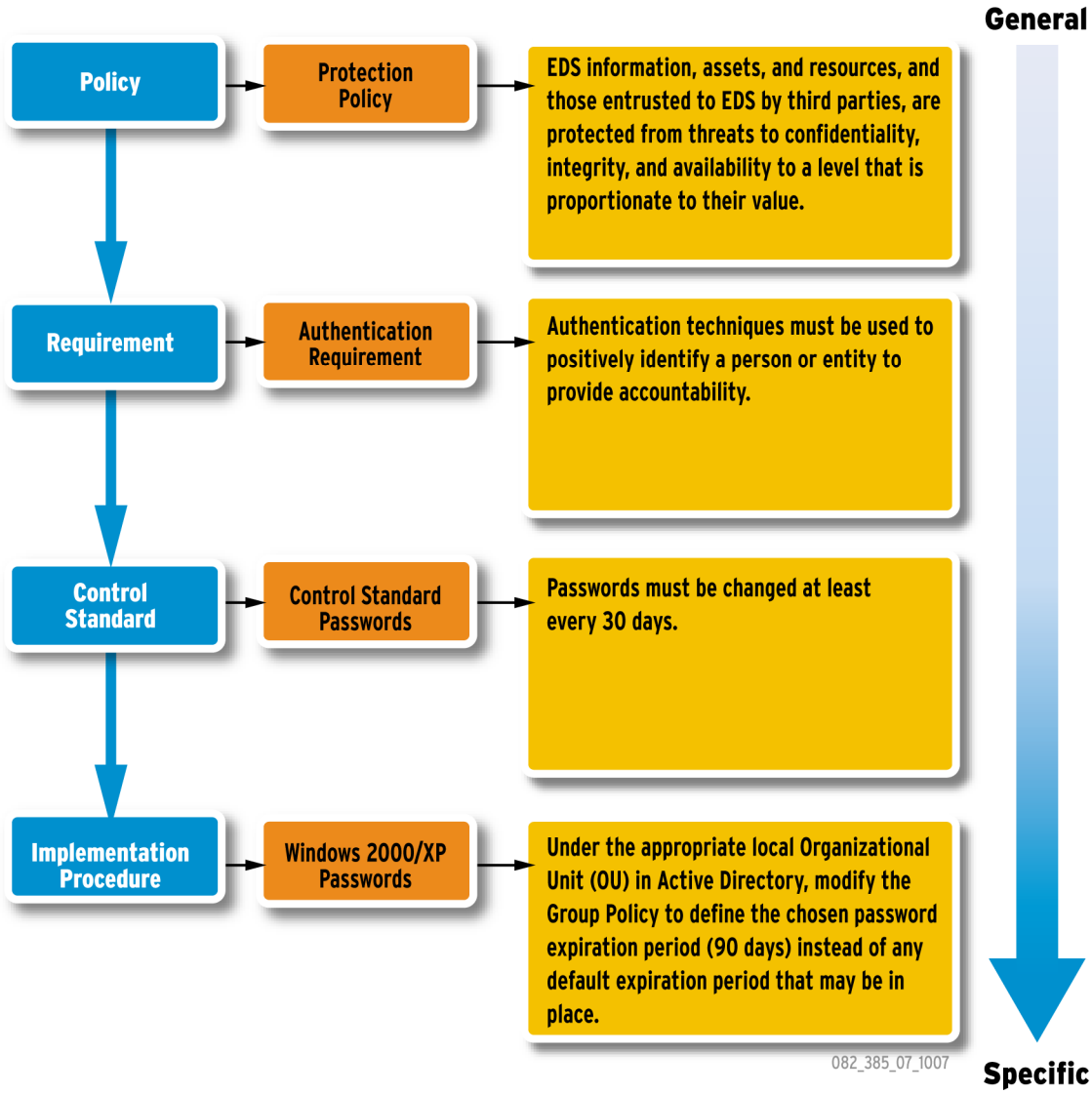
In keeping with EDS' commitment to data protection, the EDS Chief Security & Privacy Office (CSPO) was established for the purpose of development, communication, and governance of EDS' enterprise security and privacy policies, strategy and direction. This team interacts with organizations and contacts across EDS to minimize information security risk by providing a single point of coordination for expertise that blends regulatory insight, security knowledge, and experience. CSPO is a valuable resource to local accounts, providing information from a proactive and preventive perspective, as well as serving as a focused knowledge resource in the event a need arises to react to a particular security situation.

EDS Enterprise Security Policies and Standards

EDS has developed extensive system security processes for the Replacement MMIS using the EDS Enterprise Security Policies and Standards (ESPS) framework as a guide. ESPS is a comprehensive set of security policies and

standards maintained in a hierarchical structure, as shown in the following exhibit, EDS Enterprise Policies and Standards Hierarchy.

EDS Enterprise Policies and Standards Hierarchy



ESPS is a comprehensive set of security policies and standards maintained in a hierarchical structure.

Policies

An ESPS policy is comprised of a statement of a business principle, governing decisions, and courses of action. Our corporate enterprise security plan includes a number of policies, including the following:

- Acceptance policy
- Access policy
- Assessment policy
- Awareness policy

- Legal/regulatory compliance policy
- Protection policy
- Responsibility policy

Requirements

At the next level, a requirement is a statement of a specific, high-level security need. Requirements are statements of what must happen for the policy to be implemented. For example, one of the requirements that supports the protection policy is the following authentication requirement: "Authentication techniques must be used to positively identify a person or entity in order to provide accountability."

Control Standards

Each requirement is supported by one or more control standards that map to one or more policies. A control standard is a statement that defines a value, set of values, or procedure to be used to measure compliance with a requirement. EDS has more than 300 detailed control standards, and each control standard is linked to at least one requirement. The following are examples of ESPS control standards:

- "Password changes for user identifiers must be forced automatically at least every 30 days."
- "Security incident procedures must be followed immediately on detection or suspicion of a security incident and reviewed annually to check that the procedures are current and accurate."
- "Malicious code detection software and signature files must be maintained at the latest vendor levels."
- "Sensitive and critical equipment must be placed in a secure location and protected to reduce the risks from environmental threats and unauthorized access."

Where applicable, each standard has associated with it a security profile detailing the levels of confidentiality, integrity, and availability (high, medium, or low) to which the standard applies. Control standards are representative of industry best practices.

Implementation Procedures

Each control standard is supported by one or more implementation procedures that allow the control standard to be accomplished. An implementation procedure occupies the lowest level of the security hierarchy and describes how a control standard is achieved on a specific technology.

An example of an implementation procedure that supports the password change control standard is as follows: "Under the appropriate local Organizational Unit (OU) in Active Directory, modify the Group Policy to define the chosen password expiration period (30 days), instead of any default expiration period that may be in place."

HIPAA Considerations

To enhance HIPAA security compliance, EDS has integrated the HIPAA security rule standards into established EDS security standards. This integration is accomplished through the Enterprise Security Information System (ESIS), an automated Web-based tool that maintains corporate policies, requirements, and control standards. Each HIPAA standard has been mapped to relevant EDS corporate policies and applicable requirements and control standards. The ESIS tool provides the framework for establishing procedures that support existing EDS policies and other relevant federal and state security requirements, including HIPAA.

Compliance With State and Federal Regulations

We understand that state Medicaid departments face many challenges in their efforts to comply with HIPAA regulations. EDS has a thorough understanding of the final HIPAA requirements for transactions, code sets, privacy, security, and provider identifiers. Through our involvement in standard-setting organizations and other industry groups, we are often able to anticipate future changes to HIPAA requirements. We have assisted more than 24 states and other healthcare organizations in analyzing the impact of HIPAA on their systems and operations and developing and implementing appropriate compliance solutions that meet their strategic needs.

The Replacement MMIS is able to receive and process HIPAA-mandated electronic transactions in the versions approved for use by the State. EDS closely monitors pending HIPAA legislation and will continually provide feedback on this legislation and the potential impact to the State and the Replacement MMIS.

When a new version of a required HIPAA transaction has been or is likely to be promulgated by the federal government, we will take the following actions, upon direction by the State:

- **Prepare a formal gap analysis, plan, and proposed schedule for implementing the new version—**EDS will carefully review the legislation and identify the systematic and operational impacts. Based on these impacts, we will develop detailed implementation plans that prepare the State, the system, and other stakeholders (such as providers) for the change. The analysis and planning related to new transaction sets is not

new to EDS. We have successfully worked through large system remediation efforts such as Year 2000 and HIPAA, and we will use that experience for the State's benefit.

- **Prepare the system requirements and technical design documents for approval by the State—**Using our Systems Life Cycle, Version 3 (SLC 3) process, EDS will formalize the requirements and develop formal business and technical design documents. The requirements and technical design documents will be reviewed with the appropriate State staff members to receive final approval.
- **Implement the new version—**As approved by the State, EDS will execute the implementation plan, including system changes and any required training. We will develop a detailed test plan for approval by the State and execute test cases for that plan. We will review the test results with the State. When the change is fully tested, it will be promoted to the production environment.
- **Continue to receive the previously authorized version—**EDS, through our previous system remediations, understands that providers may be allowed a grace period to adopt new standards. As part of the gap analysis and implementation plan, we will document the grace period and account for it during system modifications. When the changes are promoted to production, we will accept older versions of the transaction through the State-approved date.

Throughout the implementation and operation period, EDS will continue to participate in industry organizations that track HIPAA and will keep the State informed of new developments as they occur. EDS will work with the State to develop cost-effective strategies to comply with current and future regulations to protect the health information of the State's healthcare recipients. Enhancement work will be performed by the Modernization team.

Physical Security

The following subsections describe our approach to the security of work sites, data centers, communications switches and network components, and storage areas.

Safe and Secure Work Site

With employees worldwide, EDS understands that security measures are vital to providing a safe work environment for our staff. The issuance of card-keys for physical access to the Raleigh facility and the Herndon, Va., backup site will be controlled through a request and approval process. Requests for card-keys for EDS and State staff will be submitted to a physical access coordinator, specifying access zones with specific justification. The appropriate authorizing manager

must grant approval for each zone requested. After approvals are obtained, EDS Security can issue the access card-key. Security personnel will issue access cards for new employees based on manager requests. Approvals must be obtained from the appropriate zone managers through electronic user ID stamp or signature before the request can be validated and the access card issued.

Entry doors into the facilities, with the exception of the main lobby, are protected by security card-key readers. EDS staff members in the North Carolina Replacement MMIS facility will be issued proximity-based ID badges to gain entrance. An additional four-digit security code must be used to gain entrance after business hours. Every visitor to the facilities is required to sign in, wear a visitor's badge, be escorted within the building throughout the duration of the visit, and sign out and return the visitor's badge at the end of the visit. The Herndon backup facility also uses security guards to patrol the premises.

On employee termination, access cards will be turned in and automatically deactivated. Quarterly reviews of access levels, including temporary passes, will be performed to make sure terminations and separations have been properly removed.

Data Center Security

EDS takes several precautions to protect its data centers, including our local MMIS facilities. As noted above, all staff members must use ID badges to gain entrance to the facility. Access to the Raleigh data center itself requires a higher security clearance, granted through approval by the data center manager, to only those staff members requiring direct access to the data center equipment.

The Raleigh data center will use the following additional protective measures:

- Raised floor
- Dual Liebert air conditioning units to maintain appropriate temperature
- Uninterrupted power supply (UPS)
- Diesel generator
- Sprinklers, smoke alarms, fire alarms, and fire extinguishers
- Server room is located within the inner core of the facility to protect against unauthorized electronic surveillance

The Herndon backup facility uses the following additional protective measures:

- 18-inch raised floors
- Dual redundant diesel generators
- Dual diverse commercial power links
- Automatic HFC-227 fire suppression system

- Uninterrupted power supply (UPS)
- 24x7 security, live facility surveillance, and compliance with Government Trusted Access Clearance Requirements
- Server room located within the inner core of the facility to protect against unauthorized electronic surveillance

Access to Communications Switches and Network Components

EDS understands the necessity of protecting the communication switches and network components for the State, which is why these switches and components will reside in the physically and environmentally controlled data center on site in the Raleigh office. The Raleigh facility will have security staff that is responsible for processing physical security access requests and producing the proximity badges for preapproved EDS staff members.

Gaining access to the local data center for maintenance, for example, will require the preapproved vendor representative to follow the visitor guidelines mentioned in the previous section for signing in and gaining a visitor badge. The vendor representative will be escorted and monitored during the repair process and then escorted back to the main lobby for the sign-out process.

Access to the local data center will require additional card-key control and can only be issued to a list of staff members preapproved by the State or EDS. Our computer and control rooms house computer equipment, operational documentation, master control consoles, peripherals, and communications equipment. The wiring closets, telecommunications rooms, uninterruptible power supply (UPS) systems, and battery backups are located within separate key-locked areas.

The revalidation of a person's access authority for a restricted space is an ongoing and auditable responsibility of EDS employees serving as authorizers for a restricted space. Where any individual is determined to no longer have the business need for access to the restricted space, the authorizer will advise EDS Security to revoke that individual's access immediately. The revalidation process is a check-and-balance to the perpetual responsibility of sponsors and authorizers to immediately revoke the access of any personnel whose business need to access the restricted space ceases.

Secure Climate-Controlled Area for Storage

Climate-controlled storage will maintain the condition of archived paper files received by EDS. The documents will be stored at the Raleigh facility in accordance with applicable retention periods.

Application Security

The following subsections describe how we will maintain strict security for the Replacement MMIS applications.

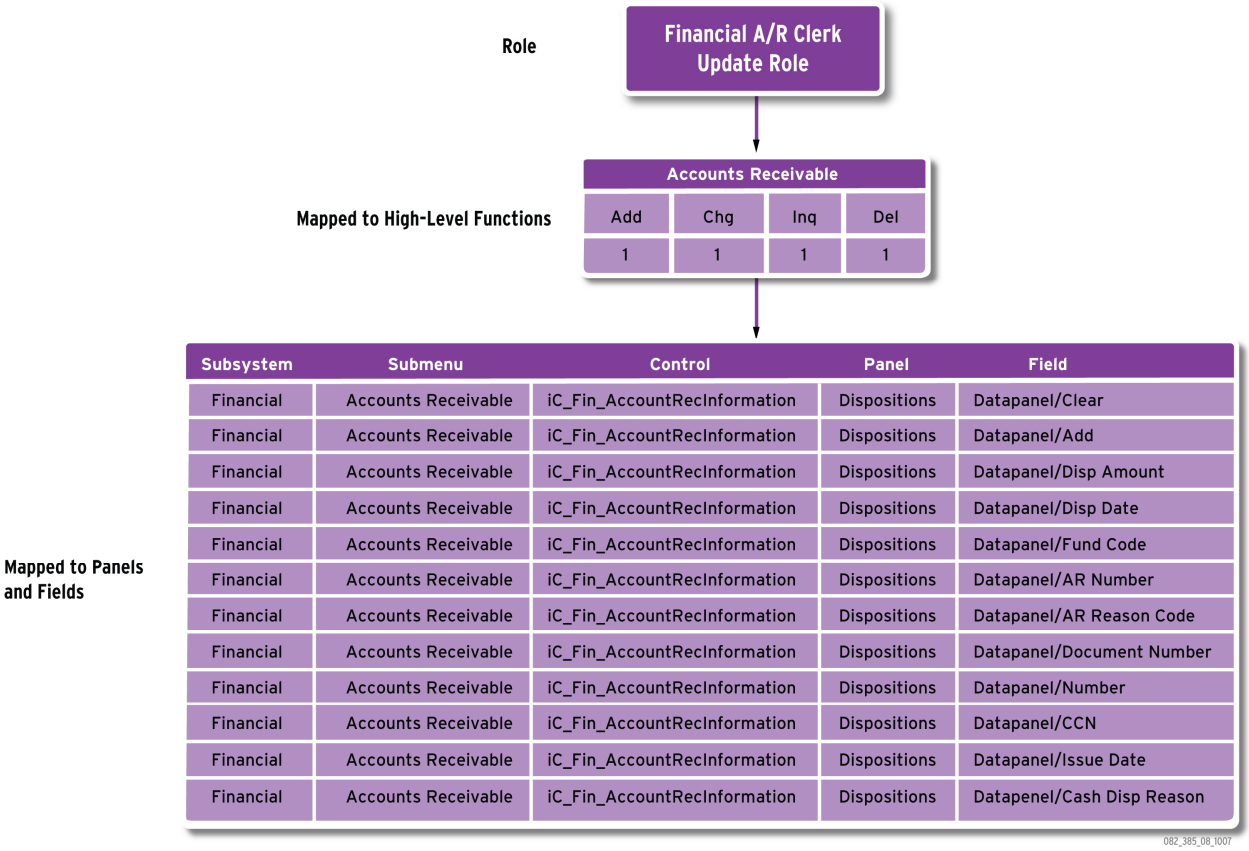
Table-Driven Field-Level and Role-Based Security

The Replacement MMIS will provide table-driven field-level and role-based multi-level security that allows only authorized users to see the information necessary to perform their jobs efficiently and effectively. This granular role-based security will allow security to be applied to a specific State program or job category for an individual or group of individuals. The role-based security is controlled through a federated directory service.

The Replacement MMIS will allow us to build profiles that allow users to have a combination of inquiry and update capability dependent on the data they will need to work. For example, financial clerks may need to inquire on claims payment information but only need to be able to update specific fields as per their job role.

User- and role-based security will be assigned according to minimum necessary standards as defined by HIPAA. User- and role-based security also will be assigned for specific applications and data, including access restrictions to protected and confidential information, in accordance with HIPAA privacy and security requirements. These roles will be defined during the implementation process and mapped within the system. An example of this mapping process is shown in the following exhibit, Example Role Mapping.

Example Role Mapping



User- and role-based security will be assigned for specific applications and data, including access restrictions to protected and confidential information.

Each user will have a unique logon ID to access the system. Users will receive their IDs after EDS receives appropriate authorization from designated State management staff. The individual user will be allowed to access applications on the system only after entry of a password that matches the user's ID. At regular and configurable intervals, passwords for users will expire and users will be prompted to create new passwords that meet the minimum password criteria as required by the State. The default expiration period will be set to 30 days but can be customized to meet the State's requirements.

Designated systems administrators, authorized by the project or account manager, may remove individual access as needed. The systems administrators will take these actions only when authorized by appropriate management personnel.

Restrictions will exist for each application and function within an application to specific logon IDs. System security features will allow the systems administrators to specify the applications or functions that are accessible by users.

Because the Replacement MMIS will be a technologically advanced system based on Internet protocols and the interChange provider and recipient Web portals will be accessible from any location connected to the Internet, other appropriate auditing data will be captured in the Web logs, such as IP address and other identifying information.

The Replacement MMIS will allow users to inquire, add, change, and delete transactions with the appropriate security levels assigned to each user at the menu, module, file, record, Web page, and field levels.

A role can specify the following permissions:

- **Grant and revoke access to menu items—**The access for a menu item is edit, read-only, or none.
- **Grant and revoke access to navigator items of a menu item—**The access for a navigator item is edit, read-only, invisible, or none.
- **Grant and revoke access to fields of a navigator item or menu item—**The access for a field is edit, read-only, invisible, or none.
- **Grant and revoke access to buttons on a navigator item or menu item—** The access for a button is enabled, disabled, or none.

Password Protection and Management Capability

EDS is offering the State a system and process that will provide strong password protection and password management capability. Prior to implementation, we will review with the State our procedures to maintain, add, change, delete, and modify user logon accounts, and profiles and reset passwords.

At regular intervals, passwords for users will expire and users will be prompted to create new passwords. The default expiration period is 30 days but can be adapted to meet the State's needs.

EDS uses Microsoft Active Directory Federated Services (ADFS) as the enabling technology. ADFS uses Active Directory for its user store; therefore, password protection will be configured to support strong password protection and password management capabilities. The creation or denial of a generic or shared password is an administrative task. EDS' policy is to not allow generic or shared passwords; therefore, we will solicit State approval for exceptions to this policy.

interChange Single Sign-On Solution

EDS uses our workflow-based interChange Single Sign-On solution to administer users, roles, and user IDs and passwords. interChange Single Sign-On will provide the flexibility and control necessary to administer access security to the State's data. This system, which also allows portions to be controlled by the State,

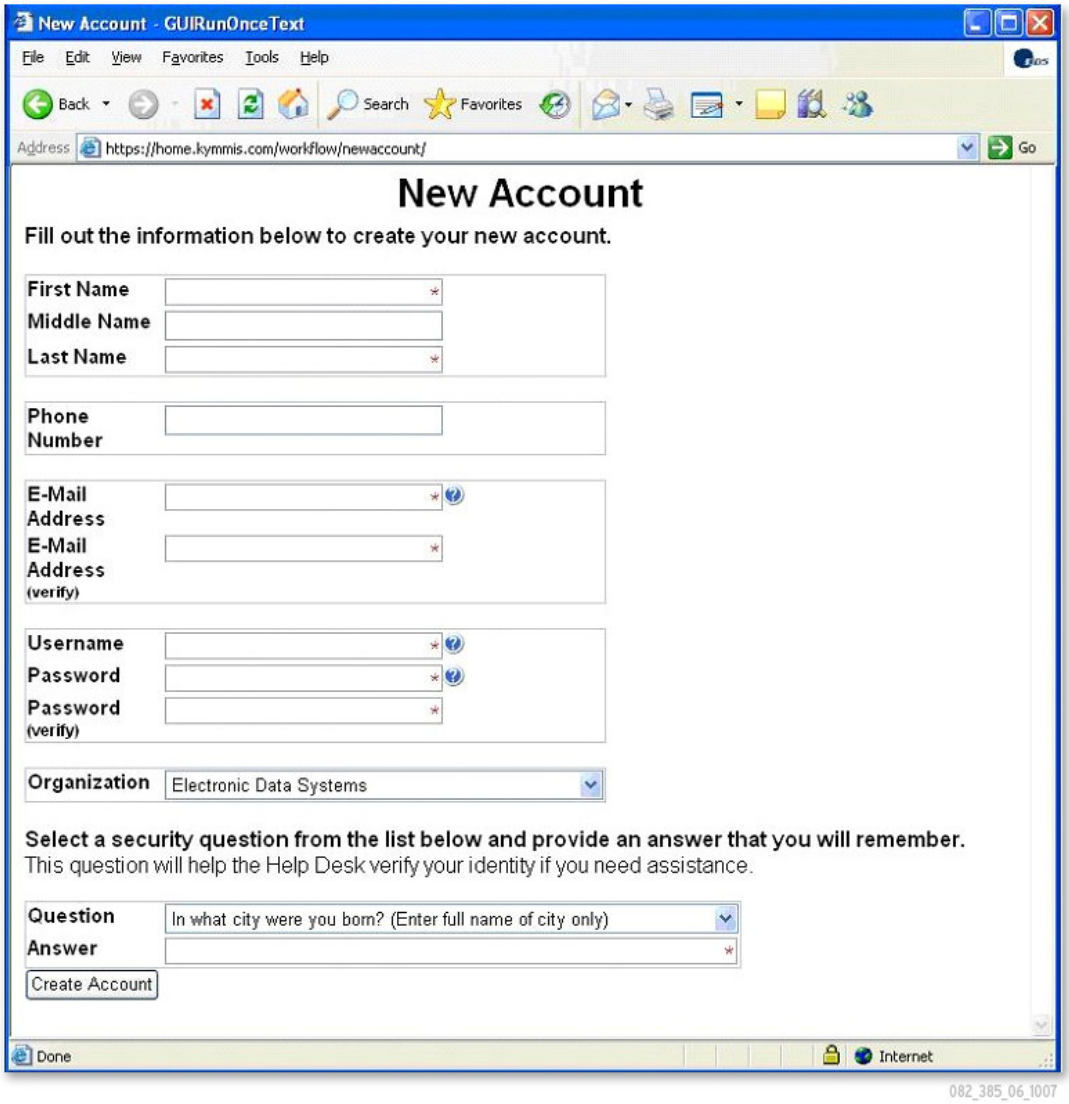
logs unauthorized attempts to access the MMIS and applications under its control.

interChange Single Sign-On will prompt users to accept the State's security policy before they can proceed into the portal. EDS will use the logon and security policy language dictated by the State, which will be used in the pop-up security acceptance panel. Users' responses are logged for audit purposes.

EDS will work with the State security staff to determine the rules for unsuccessful logon attempts, password timeouts, session timeouts, activity timeouts, and other security items as appropriate and implement the agreed-on parameters.

On registration in interChange Single Sign-On, users will be prompted to fill out a page like the one shown in the following exhibit, Sample User Registration Page. This kicks off the workflow through which a user can finalize the selection of access and receive final approval for the access.

Sample User Registration Page



Users are required to fill out a registration form when first accessing the system.

Users must complete the necessary information and create a password that conforms to the State's requirements, such as the following:

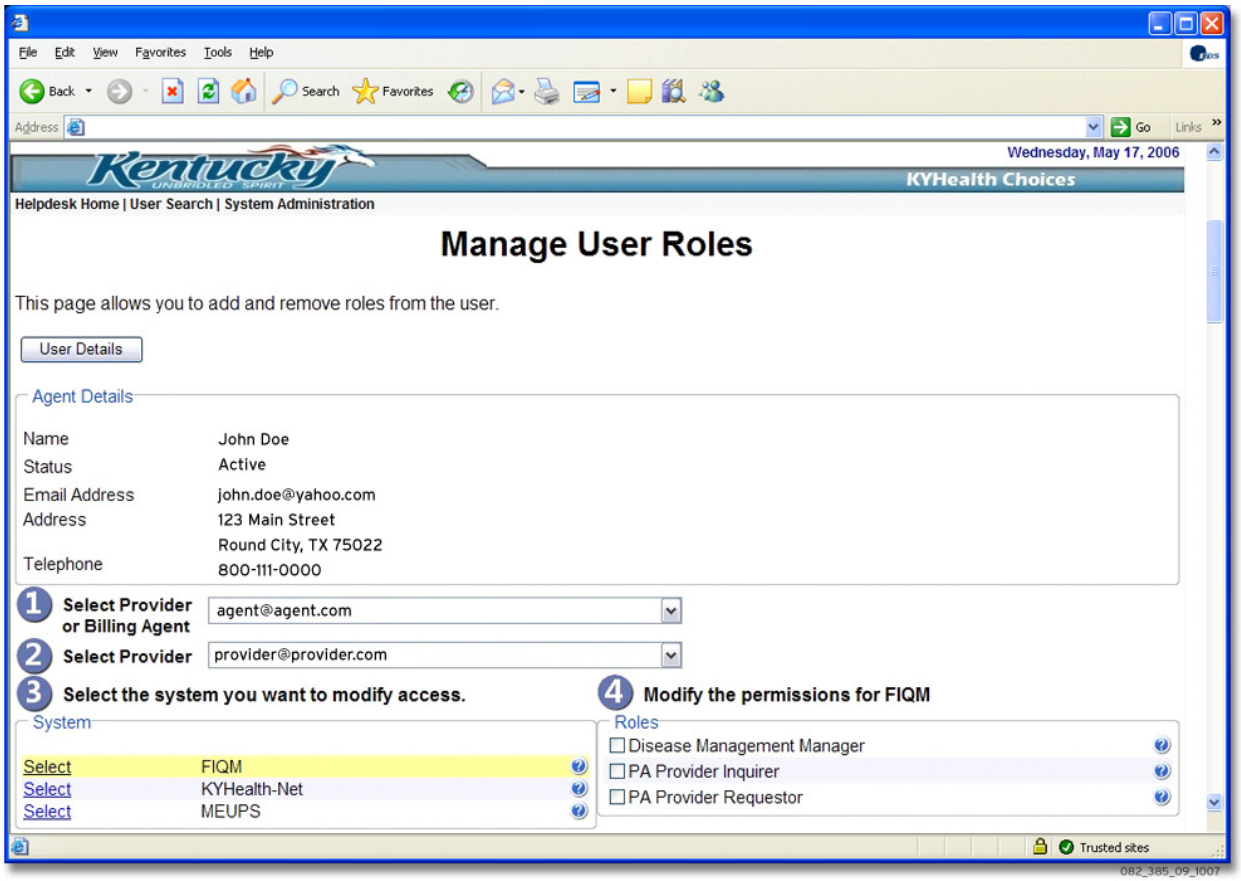
- Must be at least eight characters in length
- Must contain at least one upper- and one lowercase letter
- Must contain at least one number

Users may choose to answer one of five secret questions, which will be used to help identify the user, such as for automated password reset features. On successful creation of the account, users can manage their accounts in the following ways:

- Update basic user information, such as address, telephone number, and security question and answer
- Change password
- Request access to applications
- Access previously approved applications
- Sign out

After an account is created, the account is mapped to a role. The following exhibit, Sample User Mapping Page, shows a user mapped to a role within the system.

Sample User Mapping Page



Users are mapped to roles set up previously in the system.

Confidentiality of Passwords and IDs

interChange Single Sign-On stores passwords in encrypted form and does not display the password at any time. It is EDS' policy not to share user IDs or passwords. Incidents of suspected ID or password sharing that come to the

attention of systems administrators will be reported to the appropriate management for investigation and appropriate resolution.

User ID and Password Recovery

interChange Single Sign-On will provide password management and recovery capability to State users by providing a link for user verification and password resets. The system will interface with the NC ID process. From the primary logon page, a user can click the "Forgot Password" link, which will prompt the user for his or her user ID and e-mail address. When the user enters information that matches the information on file, our system will send the user an e-mail with a one-time-use link. After using this link, the user will be prompted to answer a security question to which only the user could know the answer. After correctly answering the security question, the user will be asked to enter a new password twice.

Security Administrative Rights

We will provide security administrative rights to designated State security administrators for the purpose of adding, updating, and deleting State staff security access. The State will have the authority to grant access to any system performing MMIS-related functions.

Access for New State and EDS Staff

EDS will follow the required security checks and protocols to process logon requests from the approved managers of new users so that new State and EDS staff members are provided with the appropriate access. After State authorization has been given for an individual, EDS will maintain the individual's access until notification and approval is given to terminate the access.

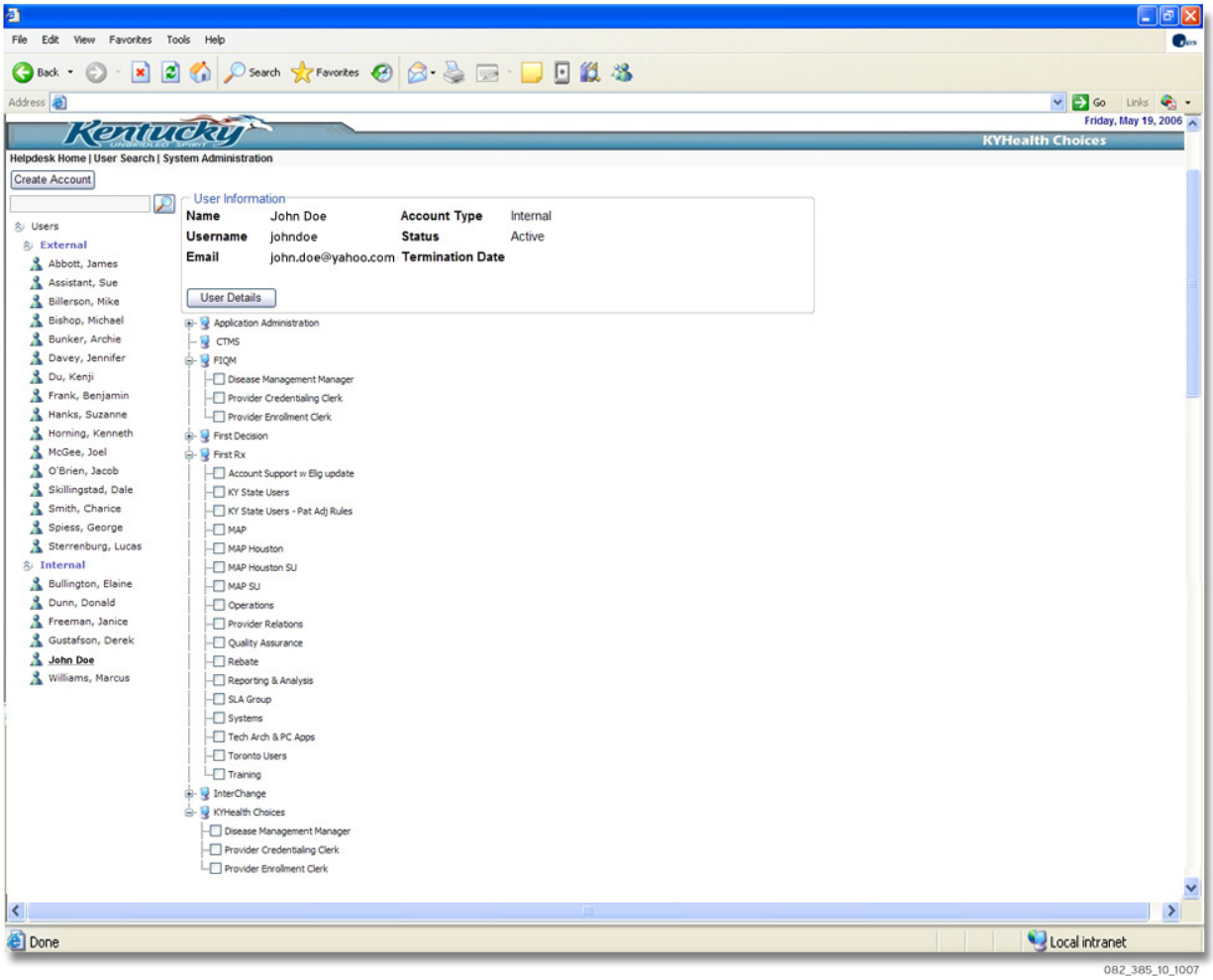
The method for accomplishing this task is through interChange Single Sign-On. New users will be able to access a Web page where they can request access to the systems and functions needed to perform their jobs. An authorized manager can also create this request on behalf of an individual. This request will be automatically forwarded through a predetermined approval process that is based on the user's department, organization, and the type of request. After the various approvers have confirmed their approval, the user is granted access and is automatically notified of the status of the request. Each step of this process will be tracked and archived for auditing purposes. The State approving authority will have the ability to electronically view and approve requests as necessary.

Terminating Access for Staff No Longer Supporting the State

Using interChange Single Sign-On, an authorized state employee may immediately remove access for a terminated or resigned staff member. This process is performed through a browser-based page. Notifications of termination and role removal will be sent to the appropriate individuals as determined in the interChange Single Sign-On workflows for the organization and affected applications. If the State requests from EDS to have an individual's access removed, EDS will do so by the end of the individual's last business day and within four hours of notification by the State for State-designated staff.

The following exhibit, Sample Authorization Manager Page, shows a sample of the administration of internal users.

Sample Authorization Manager Page



Authorization managers can control system access.

Automatic Termination of Users Who Have Not Accessed the System

Our solution can automatically terminate access to systems under its control within a configurable number of days. The Replacement MMIS also will terminate access to a specific application if that application has not been accessed through the security Web portal within a configurable time period that is unique for each system environment.

Management of Application Development and Change Controls

EDS recognizes the criticality of quality control and security protection with appropriate segregation of duties for enabling the smooth and traceable promotion of code and data management processes. We describe the procedures for this in proposal section 50.2.5.8 Change Management Approach.

Network and Data Security

The following subsections describe our approach to the security of claims transmission, e-mail, network links, desktop and laptop computers, and data.

Secure Transmission of Claims

For secure electronic transmission of claims, we will provide technical specifications and individualized support to the State and its business partners that will allow providers to process batch claim submissions, real-time eligibility verification transactions, and other related electronic transactions. Providers will be able to send HIPAA-formatted electronic batch claims or transactions through modem or Internet connections.

We will provide a secure Internet-based system for uploading and downloading information. This system will facilitate the access and exchange of information with a Web site that is secure and easy to use and can exchange information between multiple users.

Transactions can be submitted to the Replacement MMIS by uploading over the Web by a dedicated telecommunications link between the State and its business entities.

EDS will use Cisco's virtual private network (VPN) Advanced Integration Module (AIM) for Secure Socket Layer (SSL) on the wide area network (WAN). Files will be transmitted to the State using secure file transfer protocol (FTP).

Secure E-Mail for Staff

We will provide an e-mail security solution for EDS personnel supporting the Replacement MMIS who will be sending PHI or other sensitive correspondence using e-mail. This solution will not be dependent on the receiver having an encrypted e-mail solution. The receiver will only need to have e-mail and Internet access to reach the Web site to retrieve the secure e-mail.

Secure e-mail will maintain the safety of outbound e-mail communication and support compliance with HIPAA regulations.

Desktop and Laptop Protection

EDS employee and supporting staff desktops and laptops used for the Replacement MMIS business will be secured through the deployment of Pointsec Data Encryption software, CA eTrust antivirus, and Integrity Flex firewall applications. Pointsec security meets Common Criteria standards for the United States, Europe, and Australia, plus Federal Information Processing Standard (FIPS) 140-1 in the United States and Canada.

Security of State Data

EDS' Replacement MMIS and supporting systems will be dedicated to fulfilling the requirements of the State's business only. No other client will have access to the Replacement MMIS or the State's data and files, nor will the State have access to other EDS client data and files.

EDS will use a backup system written to StorageTek tape system library, using LT04 tape technology with built-in encryption.

The Replacement MMIS will support encryption and decryption of data while in transit and in a stored state. The system will be browser-based and will only require a Web browser that is protected by 128-bit SSL and ActiveX controls. Interfaces that access individual health information and related data will require appropriate authentication. We will provide secure transmission of batch and all other HIPAA-compliant or data content–compliant claims and encounters. Data transmissions will take place over secure hypertext transfer protocol (HTTPS) and secure file transfer protocol (SFTP) connections. SFTP requires EDS, the submitter, and the receiver to use encrypting routers.

We will provide further data protection by restricting access to the production data to authorized users through the application and tools required to maintain the database. We will not permit users to connect to the database with a Microsoft Open Database Connectivity (ODBC) or Java Database Connectivity (JDBC) driver. We will only allow authorized users within the server operating system to access the database.

Security Monitoring, Reporting, and Awareness Measures

The following subsections describe our approach to security monitoring, reporting, and awareness.

Traffic and Network Monitoring Software and Tools

EDS provides the following services for the traffic and network monitoring of the Replacement MMIS:

- Anti-Spam Services
- Intrusion-Detection Services
- Anti-Spyware Services
- Anti-Virus Services
- Traffic-Monitoring Services

Anti-Spam Services

Our anti-spam services consist of the detection, blocking, and labeling of unsolicited bulk, or "junk," e-mail before delivering to the e-mail system. This service incorporates the following attributes:

- Blocks to eliminate spam at the perimeter
- Content filtering of known spam tags
- Removal of e-mail identified as spam
- Tagging of e-mail identified as likely to be spam
- Individual control of user-level white-listing
- Corporate white-listing by IP address
- Ability to white-list senders

EDS uses multiple technologies to make sure most spam is caught. There is no silver bullet anti-spam technology, but EDS recognizes that different filters are effective against different types of spam. With multilayer solutions, spammers must avoid each layer.

Intrusion-Detection Services

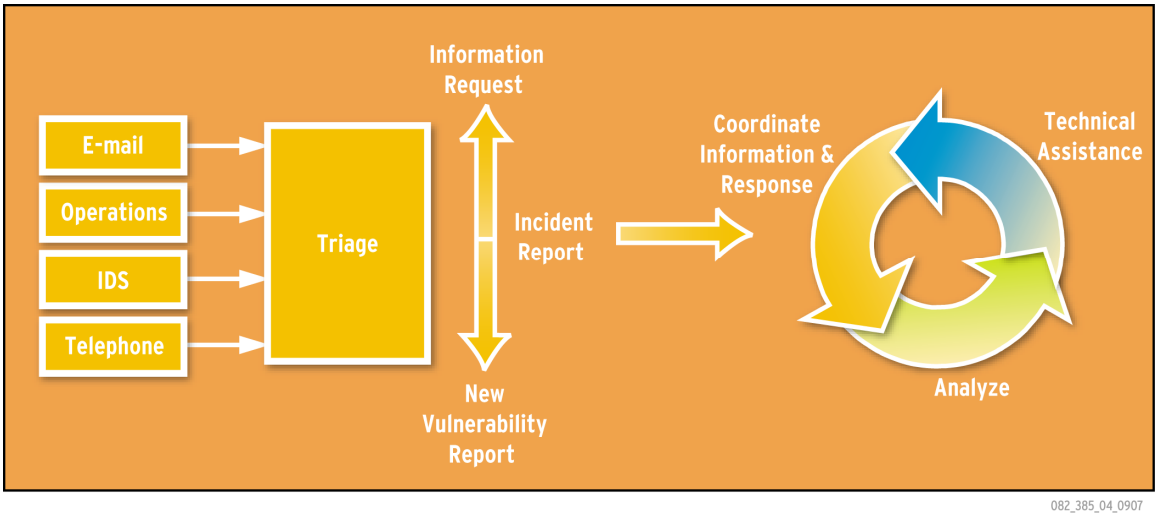
The EDS Threat and Vulnerability Management Group will provide our Intrusion-Detection Services (IDS) to make sure our networks and host systems are protected and remain operational. Our managed service capability includes host- and network-based solutions.

This team will provide a complete solution, which will include the following components:

- Design
- Installation and testing
- IDS fine-tuning process
- Monitoring of high alerts 24 hours a day, 7 days a week
- Alert analysis using CIRT resources
- Version control of IDS tools
- Steady state and production support operations

The Threat and Vulnerability Management Group and the Account Network team will use template processes and procedures for each of the above activities, as illustrated by the following exhibit, IDS Process Flow and Overview, to maintain the consistent delivery of our IDS capability.

IDS Process Flow and Overview



Our IDS service capability includes host- and network-based solutions.

Anti-Spyware Services

EDS will use standard monitoring tools to monitor the deployed anti-spyware protection service and receive alerts on events, errors, and services. The EDS solution will include the following anti-spyware protection services:

- Anti-spyware protection monitoring
- Anti-spyware protection fault management
- Anti-spyware protection configuration management
- Anti-spyware protection performance management
- General reporting capabilities

Anti-Virus Services

EDS will provide its staff with anti-virus software and support to filter infected e-mail from the e-mail server before posting to the e-mail users. EDS uses best-in-class software for virus detection and control. The software is configured to notify the recipient upon detection of an infected e-mail.

When a virus is detected, the anti-virus software will attempt to clean the message (removing the virus.) If this cannot be done, the virus file will be deleted and the recipient will receive the message with a notification that a virus has been detected and the attached file was deleted. If a virus is cleaned, no notification is provided to the recipient.

EDS' Consistent Office Environment Support provides access 24 hours a day, 7 days a week to malicious code professionals who will answer inquiries, resolve problems, and troubleshoot the supported anti-virus product for EDS-owned equipment. The support team applies knowledge of established procedures to research and resolve questions or request and assist in the resolution of moderately complex problems.

In the event of a catastrophic malicious code incident, EDS will provide the action plans and resources to mitigate the risk to environments while assisting in remediation of affected areas.

EDS release management teams will be responsible for creating and updating standardized builds for specific anti-virus applications. The standardized builds are designed to support Windows-based standard workstation and server platforms and EDS' leveraged exchange environment. The solution will allow for further local customization using packaged solution processes and anti-virus software policy management consoles.

Traffic-Monitoring Services

EDS will use a proactive approach to monitor bandwidth usage and to identify, report, and correct bottlenecks that impede performance. Using industry-standard monitoring thresholds, we will perform a root cause analysis of performance issues and use that information to correct any problems and avoid repeat performance issues.

Active, Ongoing Protection

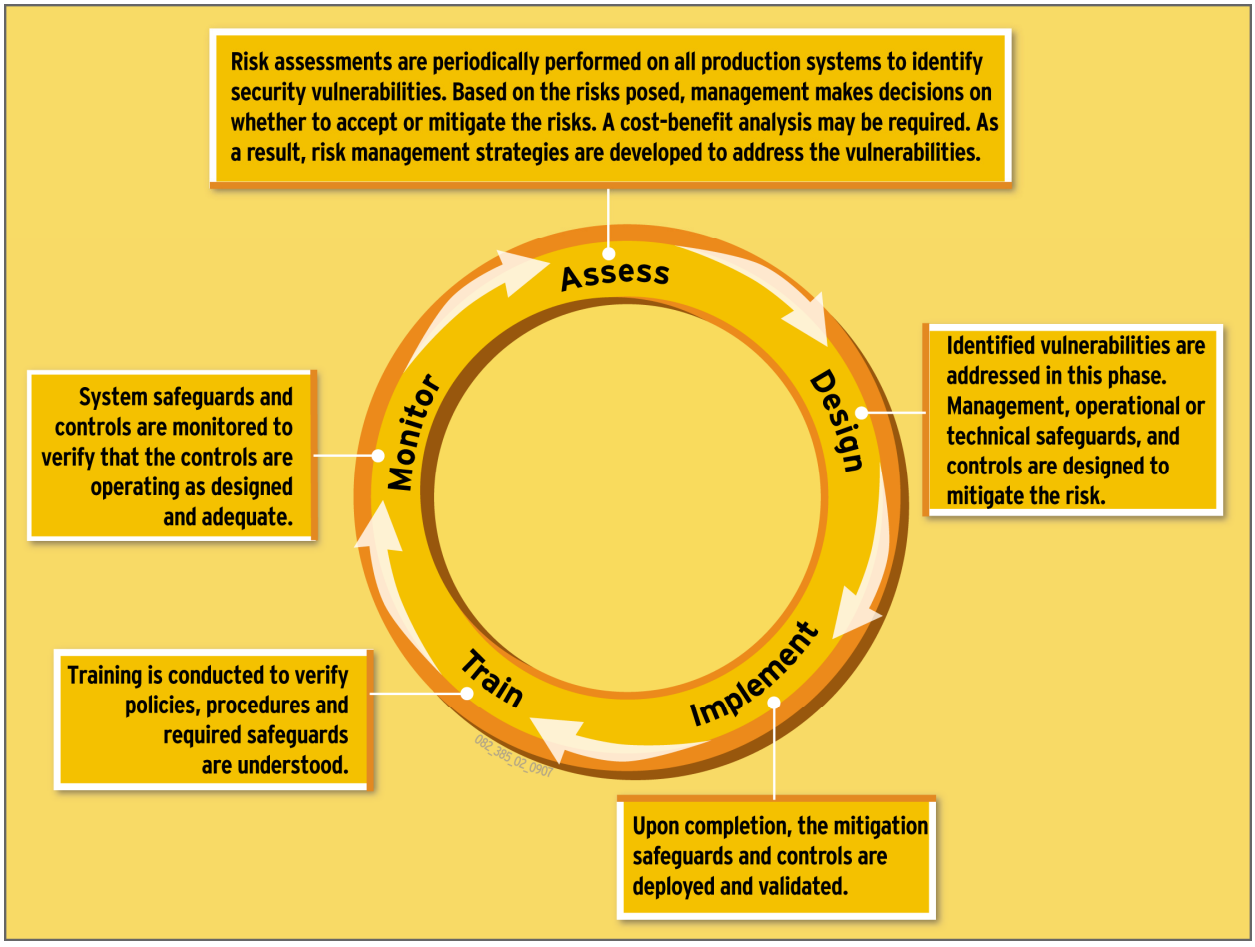
Besides the local monitoring provided by the intrusion detection tools of interChange, the State will benefit from the global EDS enterprise commitment to security and privacy. The EDS Security and Privacy Group sends timely vulnerability alert notification e-mails to systems administrators and privacy and security officers, listing known security issues in many common products. This notification lets security teams know about vulnerabilities of which they might not otherwise be aware, giving them a chance to address these issues before they

can be exploited against the systems we protect. In addition, special high-priority messages are sent to warn of new, high-profile, and especially serious vulnerabilities.

The EDS Government Office of Information Security also has established a privacy and security work group consisting of members from the EDS Medicaid, Medicare, and commercial healthcare accounts. The work group meets monthly to share information and discuss existing and emerging privacy and security issues. The group works under the tutelage of a privacy and security steering committee, whose charge is the development and dissemination of privacy and security best practices so that internal solutions can be shared across the EDS Medicaid accounts.

To support the State at the local account level, we will use EDS corporate resources to verify that privacy and security best practices are incorporated into the Replacement MMIS management and operation practices to support the contract requirements. We will work with the State to implement the five-step continuous improvement process shown in the following exhibit, Privacy and Security Management Model.

Privacy and Security Management Model



EDS uses a five-step continuous improvement business model.

Each of these five interrelated steps comprises a discrete set of activities and outputs that feed the next step in the process.

In consultation with the State's Privacy and Security team, we will identify which activities will be conducted and at what frequency. This will verify that our polices, procedures, and activities conform to the State's privacy and security policies and procedures.

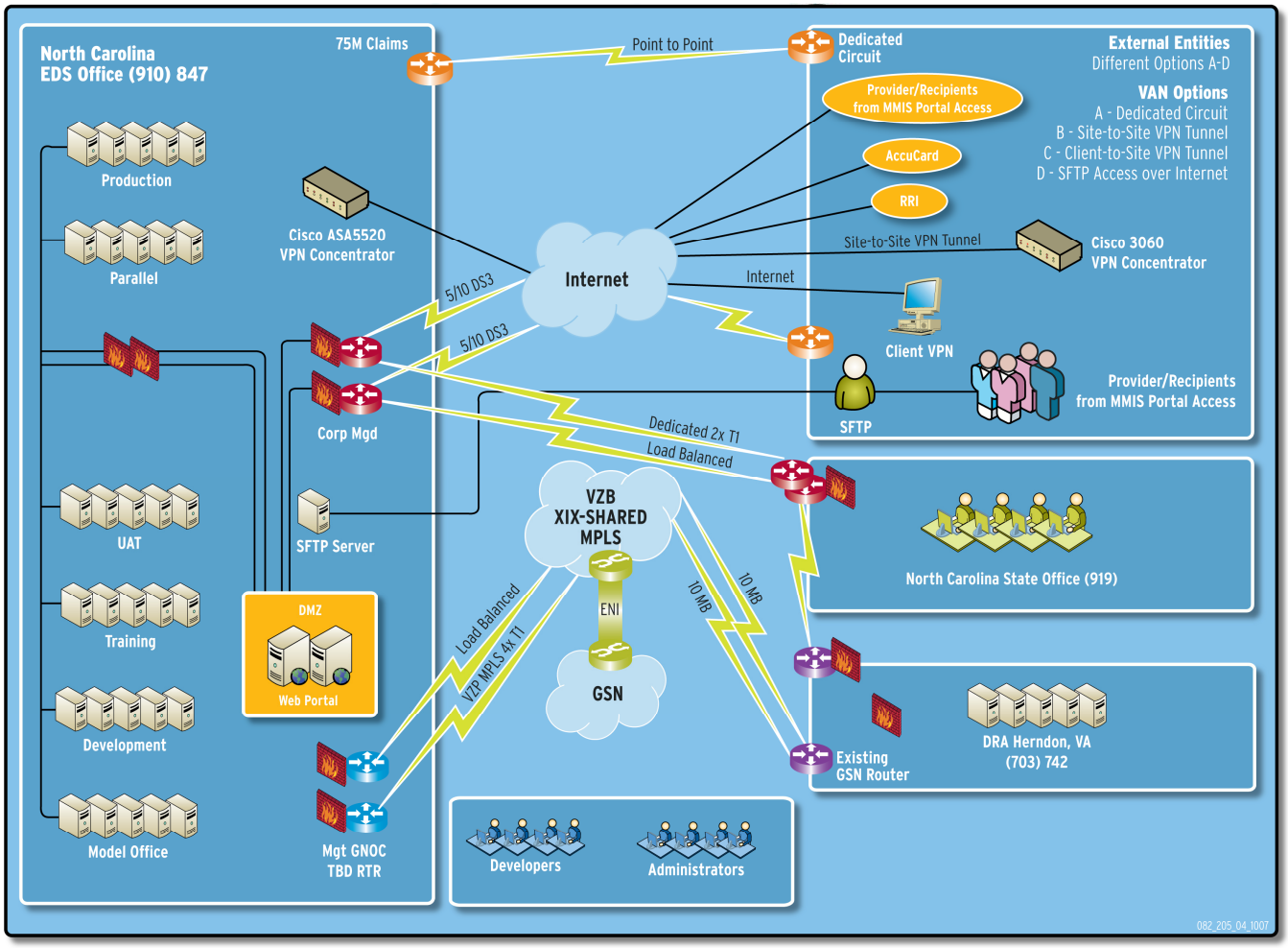
Security Over the Internet

Security over the Internet is foremost on the minds of Internet users today. With the sensitivity of the information that will be available through the secured Web portal for the Replacement MMIS, security architecture is our paramount design consideration.

The data contained within the enterprise is protected from unauthorized access with identity management and access management tools that handle user authentication, authorization, access control, data encryption, and SSL 3.0/TLS, which meets or exceeds HIPAA privacy and security regulations.

The following exhibit, Systems Communications and Connections Model, represents the various system connections and communication links, described in greater detail in proposal 50.2.4 Section D—Proposed Solution Details.

Systems Communications and Connections Model



EDS will work with the State to establish protocols for access to the State's non–public-accessible networks, systems, applications, databases, or devices that will meet the State's requirement to enable logical and physical access to the equipment, network connectivity, and availability of services.

Complete Control and Accounting of Data

As EDS accepts data, batch jobs will date and time stamp the event that accepted and processed the data. Results of these batch transactions will be stored in job logs, which control and account for the data received, stored, used, and transmitted.

Audit Reports

EDS can generate security audit reports from its SQL Server database for the purpose of tracking users and associated security groups, roles, settings, passwords, and duplicated IDs. Reports can be available by user ID and can show their defined permissions, history of changes to the account, and which applications were accessed from the primary security landing page.

Penetration Tests

EDS offers logical penetration testing that identifies known and potential network vulnerabilities using the most sophisticated techniques available. While some organizations understand the benefits of and request periodic testing and scanning services, they fail to recognize the importance of an ongoing effort that is scheduled at prescribed intervals. It is critical that organizations continually test their systems.

We will schedule annual logical and physical penetration tests and compare those to the overall costs for performing these tests. Some of these costs will vary when determining the complexity of the tests—potentially as complex as total environmental system shut-downs to trigger penetration events.

EDS offers its services 24 hours a day, 7 days a week, using automated tools and a team of professional security experts. EDS is prepared to meet the demands of assessing the State's systems and applications and providing insightful mitigation recommendations. External scanning is performed from one of EDS' Penetration Testing Labs.

Security Plan Delivery

Within six months of contract inception, the security officer will deliver a security plan to the State, addressing the following topics:

- Physical site security and protection
- System access security
- Data security
- Application security
- Compliance with HIPAA security standards
- Incident reporting and logging procedures

The security plan will be updated to reflect mutually agreed-on policy or procedural changes made by the State or EDS. As with other aspects of security monitoring and maintenance, we will review this plan at regular intervals to make sure it remains in compliance with HIPAA and other applicable regulations, and takes into account changing technologies.

Disaster Recovery

Access to the Replacement MMIS and related systems is vital to enable the State to continue to provide services to providers and recipients. We understand our key role in protecting and maintaining the availability of the systems, data, and processes that make up the Replacement MMIS solution. We describe our approach to and capabilities for disaster recovery and business continuity in proposal section 50.2.6.3 Business Continuity/Disaster Recovery Approach.

Additional Security and Confidentiality Capabilities

We have experience and knowledge in security management from our past implementations and years of Medicaid experience gained from North Carolina and other states, as well as from being a leader in the development of security and privacy applications across a broad range of industries, including the U.S. Homeland Security, U.S. Department of Defense, and military healthcare systems. As the security infrastructure is defined and technology emerges, EDS develops and provides enterprisewide security and privacy policies and standards to maintain the confidentiality, integrity, and availability of EDS assets and, where applicable, those entrusted to us by our clients. We are interested in discussing these technological advances with the State as they become available.

The following table, Key Security Features and Benefits, demonstrates how our security approach will benefit the State.

Key Security Features and Benefits

Feature	Benefit
EDS Enterprise Security Policies and Standards (ESPS)	A security framework in which HIPAA requirements have already been mapped to existing corporate security policies and standards
Communication of potential vulnerabilities throughout EDS, from global divisions to local teams	Enterprisewide commitment to security and communication
Established, proven security processes during implementation and operational phases	Minimal disruption to provider and recipient operations through a low-risk, high-value solution
An established system with HIPAA-ready security, with features such as encryption tools and role-based security	Flexible, efficient, and automated protection

50.2.9 Section I—Turnover Approach

RFP Reference: 50.2.9 Section I—Turnover Approach, Page 281; 40.15 Contract Data Requirements List, Page 254; 10.12.2 Deployment/Rollout and Turnover, Page 15, Turnover Plan CDRL, Page 263

With professional delivery, proven plans, and automated processes, our Replacement MMIS will be a well-documented system that will enable an incoming vendor to take over with less guidance. Our approach will provide timely delivery of services with minimal disruption to providers, recipients, and the North Carolina Department of Health and Human Services (the State).

The turnover approach described in our response to RFP section 50.2.9 is a vital component of our service to the State. We prepared this section using the RFP's Turnover Plan CDRL as a guide. This section addresses the following areas:

- Turnover Activities
- Turnover Roles and Responsibilities
- Workflow Between EDS and New Fiscal Agent
- High-Level Time Line for Turnover
- High-Level Contingency Plans
- Warranty Period

EDS looks forward to providing a high level of service and continuing our long relationship with the State. Along with the commitment to support the Replacement MMIS, we also are committed to serving the State in conducting a smooth transition to the successor fiscal agent if the State chooses to contract with another fiscal agent. We will strive diligently for the transition to be undetectable to system users, providers, and recipients. Recent experience demonstrates this dedication to the State, as shown during the transition to another fiscal agent, in which EDS' commitment to service and delivery for the

State remained unwavering. EDS strongly desires to maintain this solid reputation and leave the door open for future and further work with the State.

We will support an orderly, controlled turnover of contract operations by defining and communicating our activities, roles, and responsibilities. We will assist the State in preventing service disruption to the provider, recipient, and user communities and other stakeholders. We will facilitate continuous claims payment and related fiscal agent services for smooth operation of the State's programs until turnover is successfully completed.

Turnover Activities

Whether turning over the reins of a system to our own operations group, the client, or another vendor, EDS consistently follows a formal and documented approach. We have successfully planned, executed, monitored, and controlled system turnovers for a wide range of clients and technologies under myriad circumstances.

EDS has assumed and turned over operational responsibility from and to incumbent contractors, state departments, and successor vendors. This experience has enhanced our understanding of the perspective of the parties involved in turnovers. Our current methodology and processes build on lessons learned and proven practices in working with such parties.

EDS does not approach turnover as an afterthought. We regard it as paramount in importance to all other phases of the project life cycle—design, development, planning, and implementation—and in serving as the bridge to the Operations Phase. In the event of a turnover, our experienced team will provide proven plans, automated processes, and professional delivery.

For a successful turnover, it is critical that the Replacement MMIS be a well-documented, automated system. The cornerstone of our orderly approach to turnover and a key competitive advantage over other vendors lies in the information Tracking Repository And Collaboration Exchange (iTRACE), our browser-based project information repository. iTRACE is an online, real-time documentation and information management system with centralized, online storage. It is a robust and fully integrated tool that connects to each functional area within the interChange environment.

iTRACE takes advantage of its integration with interChange to produce and update required manuals, hard copies, online copies (soft copies), or help links. Through iTRACE, time-consuming, costly rework is minimized by the publication of quality, current software version documents. iTRACE conveniently links related information together, providing the user with a more comprehensive understanding of the requirements, modifications, testing, and current system status.

Working with knowledgeable members of our Operations team, led by Account Manager Melissa Robinson, using proven project management tools and standards established through our Program Management Office (PMO) throughout the life of the contract, and following a proven knowledge transfer process, we will coordinate the following turnover activities to meet the State's objectives:

- Planning turnover with the State
- Planning turnover with the successor
- Developing the turnover plan
- Executing and managing the turnover phase
- Communicating turnover activities
- Turning over materials
- Producing final turnover reports
- Reconciling financials

EDS and the State will jointly review and approve each of these turnover activities, which are discussed in further detail in this section.

Planning Turnover With the State

We acknowledge the State's responsibilities for providing the work breakdown structure (WBS) information to the Centers for Medicare & Medicaid Services (CMS) during general planning if there is a turnover. We will track State and EDS activities associated with the turnover in the Replacement MMIS Microsoft Project work plan.

During our planning with the State, we will focus on open communication and full access to project records and status information. We will verify the work that must be done, provide the necessary staff, and develop the appropriate schedule. We will conduct project status meetings with the State to discuss turnover activities and the status of deliverables, tasks, milestones, resources, project risks, action items, progress, and issues.

We will maintain access to our required staff for the continued support to meet performance levels provided throughout the Operations Phase. EDS will provide access to the EDS operational management staff as needed to provide turnover of both the business and technical aspects to the subsequent fiscal agent.

Planning Turnover With the Successor

Our reputation is built on the proven professionalism of our EDS team, which has provided support to the State for more than 30 years. Our commitment to providing service excellence to our clients throughout each contract phase, regardless of the phase, has been demonstrated. EDS considers the end of a contract just as critical to our service commitment as its beginning, and we will work closely with the State and the new fiscal agent during the planning for the

Turnover Phase to provide uninterrupted service to the provider, recipient, and user communities and other stakeholders.

During turnover, the State will require our full cooperation and assistance to achieve a smooth transition of system operations to the State or its designated agent. During the most recent State turnover activities, EDS' team was responsive to the State's needs and proactive in the coordination of turnover tasks. During this transition period, each deliverable met the turnover requirements.

Our schedule of activities will prioritize, sequence, and time fiscal agent turnover tasks to provide a basis of communication and activities among the State, EDS, and the incoming fiscal agent to prevent disruption during the Turnover Phase. The turnover account manager will collaborate with the State and the incoming fiscal agent to direct the development of the schedule of activities for the Turnover Phase.

We will provide a schedule for each identified turnover item within each business area, based on the State's and the incoming fiscal agent's implementation plan. For each business area, we will set logical start and completion dates given its priority in the turnover, interdependencies, and resource constraints.

During the Turnover Phase, we will present the incoming fiscal agent with an overview of the Replacement MMIS technical and operational environment. This overview will inform the new fiscal agent of Replacement MMIS personnel, hardware, software, data storage, cycle processing, and operations support services that must be accounted for in turnover planning.

As part of turnover, the state will receive the current interChange code, which had been placed in escrow for North Carolina. The timing of this code release will be defined during the initial phase of turnover. Additionally, planning for the database UNIX servers, associated SAN space, and the production application Windows servers turnover will be performed at this time. The incoming fiscal agent will be responsible for operating system licenses, COTS software licenses, and system utilities. The incoming fiscal agent also will be responsible for its own WAN and connections to the State's divisions, VANs, and associated healthcare support locations for the multi-payer MMIS solution.

Developing the Turnover Plan

We understand the activities, time, effort, and risks associated with the turnover of an MMIS. We will use our experience to develop a solid plan for turning over the State's business and technical operations to another fiscal agent. The plan will identify turnover tasks and activities, their scheduled start and completion dates, their status, the assigned resource, and the responsible party.

Our turnover plan will include system and operations tasks for each Replacement MMIS functional area. We will provide the State with a project plan that contains an extensive set of turnover tasks such as the following:

- Determine transition approach
- Produce work plan for State approval
- Identify facilities turnover activities
- Establish communication processes to be used with stakeholders, the new fiscal agent, interface agents, and the user community
- Provide inventory lists
- Transfer toll-free telephone numbers
- Transfer post office boxes
- Supply provider written inquiries and provider manuals
- Supply iTRACE electronic documentation
- Define process for cutover of financial activities
- Provide claim, adjustment, and financial data
- Provide imaging files

We will provide accurate, current information regarding system and operations tasks. For each functional area, we will identify the system files, paper and electronic documents, processes, and procedures that must be delivered for turnover to the new fiscal agent. As noted earlier, the Replacement MMIS will be a well-documented, automated system that facilitates ease of turnover.

Executing and Managing the Turnover Phase

Our turnover account manager, Melissa Robinson, and the supporting account team will collaborate with the State, the incoming fiscal agent, and appropriate interfacing organizations during the turnover process, from development of the plan through final delivery. Our plan will track deliverables, tasks, milestones, and resources and will be organized as needed by the State and EDS to facilitate requirements traceability and simplify State resource availability. EDS will schedule walkthroughs of the plan and make agreed-on updates as required.

Melissa Robinson will adhere to standard project management processes and practices during the Turnover Phase to identify risks, assumptions, and constraints that could become issues. iTRACE will be the tool for tracking the identified issues, assumptions, and constraints and will be readily accessible by the State for viewing current information on these items.

We realize that project risks have the potential to become issues. As each potential risk is identified, it will be documented according to the risk and issue management plan, as discussed in proposal section 50.2.5 Section E—Project Management Plan. Project managers, team members, or the State can identify potential risks and issues at any time. Logs will be reviewed at weekly status meetings with State and EDS management. Proactively identifying and managing potential problems will enable team members to take corrective actions that will impact the Turnover Phase in a positive way.

Communicating Turnover Activities

We will support clear communication with the parties affected by turnover activities, including the following:

- The State and its agencies
- Interfacing organizations
- The new fiscal agent
- Provider and user communities
- Provider associations

We will work with the State to determine the most efficient and appropriate methods to communicate turnover activities and status to the affected parties. Our communication of turnover activities will be coordinated and approved by the State to maintain consistency and accuracy.

Turning Over Materials

The turnover schedule will include the turnover of the Replacement MMIS production data, libraries, and documentation. For each functional area, we will identify the system files, paper and electronic documents, processes, and procedures that will be delivered for turnover as agreed to by the State and EDS to the new fiscal agent.

Our experience in other states reinforces the importance of handling provider, recipient, and health information sensitively. We will aid in turning over to the State or disposing of hardware, software, and data in a method compliant with HIPAA rules and as agreed to by the State and EDS.

Archived records will remain archived and will be turned over to the State or its designee on the agreed-on turnover date in their existing format. Records that are not archived will be included in the turnover inventory if they are required to support continued delivery of services to eligible recipients and payment to eligible providers, as agreed on with the State.

As part of turnover, the State will receive the current interChange MMIS code, which had been placed in escrow for North Carolina. Additionally, the database UNIX servers, associated SAN space, and the production application Windows servers will be turned over. The incoming fiscal agent also will be responsible for

renewing operating system licenses, COTS software licenses, and system utilities. The incoming fiscal agent will have to procure and set up all network connections for the Replacement MMIS.

Producing Final Turnover Reports

Within 30 days of the conclusion of the contract, Melissa Robinson, the turnover account manager, will deliver to the State the final report of turnover activities, which will include the following:

- Date on which each deliverable was transitioned
- Status of the deliverable
- Designated agent who accepted the deliverable
- Final fiscal agent financial reconciliation
- Turnover issues log
- Outstanding system design requests in place at time of turnover

Reconciling Financials

We understand that financial management accountability is critical for healthcare funds to be available to meet the needs of our clients. It is important that fiscal agent service reconciliations be completed routinely during operations, and it also is critical that a final accounting at closure of the contract confirms the integrity of the fiscal agent accounting records for the contract.

EDS will perform a final fiscal agent financial reconciliation. Our financial professionals bring extensive knowledge and experience to support accurate and timely financial reconciliation for the Replacement MMIS fiscal agent services supporting the State. The EDS Financial Operations team will continue to be responsible for the transaction recording, tracking, and reporting requirements related to performing fiscal agent duties for the State during the Turnover Phase when these responsibilities are held by EDS.

Timely and accurate reporting is essential for the State's confidence in the turnover of multiple agencies. We will use consistent procedures to guide our financial staff in final fiscal agent reconciliation of banking and fund management processes during the Turnover Phase.

The final financial reconciliation will include the following:

- **Replacement MMIS bank accounts for which EDS was responsible during the Operations Phase of the contract—**No later than three months after turnover, we will direct the bank to void any remaining outstanding checks, after which we will close the bank accounts and refund any residual balance to the State.
- **Outstanding financial transactions in the bank accounts—**The completion of the final Replacement MMIS financial cycle will conclude

our responsibility for provider payments. Subsequent payments to providers, whether claim-specific or non–claim-specific, will be the responsibility of the State or its designee. Any payments subsequently returned or voided will be returned to or funded by the State or its designee.

- **Accounts receivable management activities—**These activities include identifying overpayments, processing adjustment transactions, setting up and recouping receivables, imposing payment holds or other provider sanctions, and reporting. This final accounts receivable reconciliation will be generated through Replacement MMIS reports of claim and system activity as part of the final Replacement MMIS payment cycle. Available supporting documentation related to accounts receivable also will be turned over to the State or its designee as either archives or work-in-progress inventory.
- **1099 data—**EDS will issue a final set of 1099s on payments made through the Replacement MMIS. We will work with the State and successor fiscal agent to turn over final 1099 data. CP2100 notice and withholding activities will be handled with the successor fiscal agent and the State to resolve and appropriately act on backup withholding in the successor fiscal agent MMIS.
- **Financial balance reconciliation reports and tax activities—**EDS financial staff members will work with the State and new fiscal agent to turn over and finalize the financial balance reconciliation reports and tax activities.

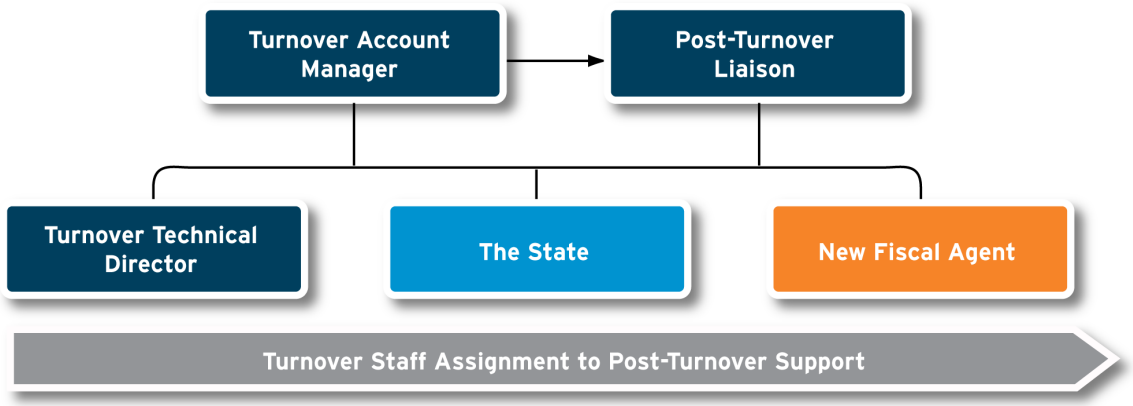
Turnover Roles and Responsibilities

Though the turnover process will involve every individual supporting the Replacement MMIS, EDS has identified the following three key leadership roles to work with the State and the new fiscal agent:

- Turnover account manager
- Turnover technical director
- Post-turnover liaison

The following exhibit, Turnover Roles, depicts the working relationship among the key turnover leadership roles. If the State decides to turn over the Replacement MMIS to a new fiscal agent, EDS' turnover account manager will initiate planning activities with the support of the turnover technical director and representatives of the State. As turnover comes to a close, the turnover account manager will transition responsibilities to a post-turnover liaison, who will continue to support the State and the new fiscal agent. Throughout the entire process, communication will be open and flow in every direction.

Turnover Roles



The turnover account manager, director, and post-turnover liaison will oversee the turnover process from beginning to beyond the contract end date.

Turnover Account Manager

We will provide experienced manager Melissa Robinson, with a background in healthcare and the Replacement MMIS, to serve as the turnover account manager. This is a critical role that will set a tone of professionalism, collaboration, and dedication to a smooth transition. The turnover account manager will be a key account member, and our staff assignment will demonstrate the importance we place in this role.

Melissa's responsibilities will include the following:

- Working with the State to develop the final turnover plan and schedule
- Establishing a communication plan with designated State or new fiscal agent personnel for the Turnover Phase
- Working with the State to confirm status reporting requirements for the Turnover Phase
- Overseeing turnover plan activities, as required
- Providing turnover status to the State or new fiscal agent
- Meeting with the State or the new fiscal agent
- Providing a smooth transition of system and operational responsibilities and deliverables to the State or successor fiscal agent to prevent disruption to the State, recipients, providers, users, and other stakeholders

Turnover Technical Director

We will provide experienced systems manager Tim Sullivan to serve as the turnover technical director. Tim will provide critical support and leadership in

the coordination of turnover activities. The turnover technical director will serve as liaison to the State, the new fiscal agent, and EDS operational teams to promote open and timely communication, effective status reporting, and the tracking of turnover tasks.

The responsibilities of the turnover technical director will include the following:

- Working with the State to develop the final turnover plan and schedule
- Monitoring progress on the delivery of turnover items according to project requirements
- Determining the turnover project approach and time line
- Serving as liaison for turnover activities between EDS and the State or the new fiscal agent
- Working with the State to establish priorities for operational resources
- Providing turnover status to the State or new fiscal agent
- Meeting with the State or the new fiscal agent
- Coordinating and maintaining the turnover plan in Microsoft Project
- Proposing a common naming convention for turnover deliverables

Post-Turnover Liaison

We will provide Anthony Perkins as the post-turnover liaison, with experience in leadership, healthcare, and the Replacement MMIS, to support the State for a period of time following the completion of the contract. Anthony will provide post-turnover support to the new fiscal agent for the period following the conclusion of turnover to address issues that might arise during this critical period and to minimize potential service disruptions.

The post-turnover support liaison will have access to EDS subject-matter experts and EDS North Carolina technical experts who are knowledgeable of the Replacement MMIS. Anthony will be responsible for escalating issues to these experts to answer questions from the State or the new fiscal agent.

Individual or Team From the State

We anticipate that an individual or team from the State will be designated to oversee turnover activities. We intend to closely coordinate the planning and execution of the turnover with this individual or team.

We look to the State to provide an individual or team to do the following:

- Serve as liaison between the current and incoming fiscal agents and other interfacing organizations, as appropriate
- Acknowledge, review, and approve the turnover tasks and deliverables

- Work with EDS regarding the development and finalization of the detailed turnover project plan
- Chair turnover status meetings
- Participate in turnover walkthroughs and delivery of turnover items
- Provide EDS with written notification of any turnover issues or risks that require action or correction by EDS

Workflow Between EDS and the New Fiscal Agent

We will cooperate with the new fiscal agent by providing the required turnover services as specified by the State in this RFP, including meeting with the new fiscal agent and devising work schedules that are agreeable to the State, EDS, and the new fiscal agent. As with every phase of our contract, it is EDS' desire to execute the Turnover Phase with quality. To enable clear communication and prioritization of activities, we will coordinate with the State regarding each turnover item to make sure it is delivered to the appropriate designated individual or team.

It is our experience that the involvement of the State in the exchange of turnover items is critical, as it allows the parties directly affected to remain aware of each item's current status. In support of this, we will plan to deliver turnover items directly to the State unless otherwise instructed by the State. If the State instructs us to deliver turnover items directly to the new fiscal agent, we will require the same delivery acknowledgment procedures that would be executed with the State. Such procedures will include a listing of the requirements for the turnover item, the deliverable contents, and signatures of both the delivering and receiving individuals.

Any issues or concerns with a turnover item must be communicated by the State to EDS as soon as possible to facilitate analysis and correction or clarification, as appropriate. Issues identified will be addressed promptly and documented using the issue management processes described in proposal section 50.2.5 Section E—Project Management Plan.

On review and acceptance of each turnover item, the State will provide EDS with sign-off of completion for that turnover task.

High-Level Time Line for Turnover

To enable the preparation of an effective turnover plan and supporting material, the State will notify EDS prior to the end of the current contract (or contract extension) of the State's intent to initiate turnover activities. We will commence the planning activities described above, resulting in the delivery of the EDS

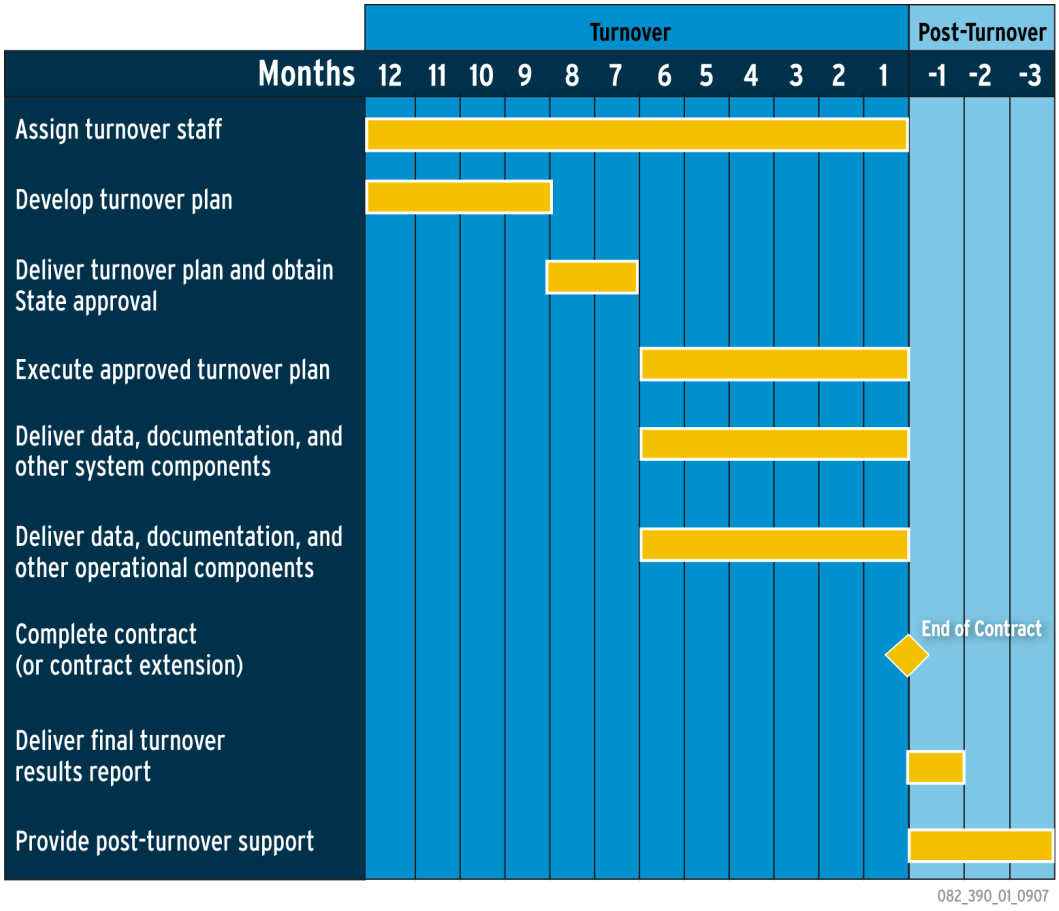
turnover project plan to the State no later than four months after the date of notification of the State's intent to initiate turnover activities.

We will review this plan with the State and other affected interfacing organizations to reach a mutually acceptable plan. We will execute that plan and complete turnover activities according to the requirements and schedule to meet the State's needs and EDS' operational obligations.

We will deliver a turnover results report presenting the final completion status and results of turnover to the State within 30 days of the completion of the contract. Turnover will be considered complete 10 days after the report is delivered, unless communication to the contrary is received from the State.

The time line illustrated in the following exhibit, Turnover Time Line Example, provides a representation of the timing of key turnover deliverables, activities, and milestones that will take place after the State notifies EDS of the turnover. The specific time frames and durations, however, will be determined by mutual agreement between EDS and the State.

Turnover Time Line Example



Our turnover schedule will provide timely and orderly completion of turnover activities.

We understand the major components of a turnover plan and can use previously developed, detailed plans as a base that can be easily modified to meet the specific needs of the turnover of the Replacement MMIS. Following are some of the specific tasks that fall under the "Execute approved turnover plan activity" in the preceding exhibit, Turnover Time Line Example:

- Generate the communication process and meet with the State and new fiscal agent according to the turnover schedule
- Provide turnover status reports
- Provide a resource requirements plan
- Complete and turn over final financial reporting and reconciliations
- Generate final Replacement MMIS 1099s
- Provide inventory lists and turn over inventoried items to the State or new fiscal agent
- Turn over hardware on agreed-on schedule after the Replacement MMIS is shut down
- Turn over software retained in escrow as required by the contract
- Establish cut-over data for paper document receipts and financial receipts and execute that transfer to the new fiscal agent

High-Level Contingency Plans

We will work with the State to establish contingency plans to be used if the new fiscal agent or the State is unable to assume the fiscal agent responsibilities. Because of our desire to prevent disruption of service to the State and the need to procure or retain appropriate resources to do so, our experience encourages us to recommend six months' notice prior to the end of the contract that the State intends to invoke such a contingency.

Resource Requirements

We will provide to the State a resource requirements document. This document will outline the possible types and numbers of resources required to maintain operation of the Replacement MMIS and fiscal agent services, focusing on personnel, technology, and facilities.

Personnel Resources

The resource requirements document will include an estimate of the number and type of personnel required to perform the functions of the Replacement MMIS and its supporting fiscal agent operational departments.

Technology and Facilities Resources

This list of resources will detail the technology and facilities resources needed to operate the Replacement MMIS, and it will include the following:

- Data processing equipment
- System and special software
- Leveraged equipment needs
- Other equipment
- Telecommunications circuits, hardware, and software
- Office space

We will base our resource requirements list on the inventory maintained in our system and on our experience in the operation of the Replacement MMIS. We will provide a detailed list of the interface and hardware requirements necessary to support the State's Medicaid services at that time.

Warranty Period

By the time we are conducting a turnover of the Replacement MMIS, the system will have been thoroughly tested and operating effectively for many years. Based on EDS' experience, we have established a 90-day period for turnover activities from the contract end date. This turnover period is sufficient because the Replacement MMIS will be fully documented, and the documentation will be readily available to the State and the new fiscal agent through the use of iTRACE.

Authorized State and EDS staff will be able to easily review requested system changes, the status of these change requests, and notes relating to the implementation of these changes. This information will provide the basis for understanding for the turnover to the new fiscal agent. Additionally, with State notification six months prior to contract end, EDS will work with the State and the new fiscal agent to implement based on the State's new MMIS implementation schedule. EDS will have inventory lists, hardware, and software in escrow and, based on the agreed-on schedule with the State, EDS will turn over all items necessary and within the established time frame. EDS will have expert staff on call to respond to questions or address issues for this turnover period following the end of the contract and will work to support the State.

Summary

Throughout turnover, your EDS team will provide the same level of professional service that you've come to know and expect. The turnover plan and approach will schedule all events required to turn over fiscal agent operations, and the Turnover team will make sure activities run smoothly. The remainder of the EDS team will perform contract tasks through the last day of operations—a further indication of our commitment to an efficient, professional turnover.

50.2.10 Section J—Corporate Capabilities

RFP Reference: 50.2.10 Section J—Corporate Capabilities, Pages 281-284

Corporate capabilities will be a critical factor in selecting the Replacement Medicaid Management Information System (MMIS) vendor. The value the North Carolina Department of Health and Human Services (the State) places on past performance, experience, and corporate capabilities is demonstrated in the proposal evaluation, where 25 percent of the score is focused on the capabilities described in the offeror's response to Section J. EDS brings a corporate commitment, an unmatched body of corporate capabilities, and relevant experience to this project. Demonstrated capabilities, proven systems and tools, and experienced personnel are the strongest promises of success that we offer the State.

Global Healthcare Organization

EDS has more than 250 healthcare clients in 21 countries, including government, private, and public organizations. To provide a sharper focus on our clients and their needs, EDS created the Global Healthcare Industry Group, combining our healthcare business, technical solutions and systems, and personnel from around the world into a single organization to deliver targeted services worldwide through industry-leading services and people. EDS clinical and administrative applications support 38.4 million patient visits per year, and our people and systems perform 2.4 billion healthcare transactions annually, including 1 billion in healthcare claims.

More than 9,000 EDS professionals are dedicated to supporting our healthcare clients around the world.

Proven interChange Baseline MMIS

interChange is already operating in five states and being implemented in seven more. This endorsement from your peers across the country is a powerful indicator of interChange's capabilities. EDS designed interChange specifically to meet the evolving needs of state Medicaid programs. We have a dedicated team of 244 people supporting the baseline interChange across the country.

Experience in North Carolina

With 30 years of experience with North Carolina state government, Medicaid policies, and the program's providers, knowledge transfer will not be an issue, learning the program will not be a problem, and getting to know each other will not be a challenge. Together, we—the State and EDS—have accomplished these tasks during three decades of serving North Carolina's Division of Medical Assistance (DMA) and Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (DMH) populations.

We understand that adding the Division of Public Health (DPH) and the Migrant Health Program in the Office of Rural Health and Community Care (ORHCC) creates new tasks, but we are already working with DPH on the immunization registry project and are looking forward to further supporting that division and the Migrant Health Program.

Proven Approaches, Strategies, and Plans

The benefits of a stable installed baseline system include a comprehensive set of baseline documentation, including system designs, training plans, work plans, and implementation plans. This documentation will be available to the State and will provide a solid foundation for the project's documentation and project management requirements.

In the following subsections, we illustrate our ability to collaborate with the State to meet your Replacement MMIS objectives, as set forth in the RFP:

- 50.2.10.1 Relevant Experience
- 50.2.10.2 Summary Information Listing the Offeror's Corporate Relevant Experience
- 50.2.10.3 Financial Stability
- 50.2.10.4 Replacement MMIS Account's Place in the Corporate Structure
- 50.2.10.5 Damages and Penalties Asserted

50.2.10.1 Relevant Experience

RFP Reference: 50.2.10.1 Relevant Experience, Page 281

Relevant experience with Medicaid programs across the country—including North Carolina—is the strongest indicator of success that we can offer to North Carolina.

EDS brings a demonstrated, long-term commitment to Medicaid and healthcare in the United States. This commitment began in the 1960s, not long after EDS was founded, and continues stronger than ever today. The following qualifications describe our achievement in Medicaid program support:

- Have provided Medicaid IT services to programs in 31 states
- Serve as the MMIS provider in 21 states, including fiscal agent contracts in 17 states
- Process more than 1 billion healthcare claims annually, receiving more than 85 percent of those claims electronically

We are the MMIS provider in 21 states and fiscal agent in 17, processing more than 1 billion healthcare claims annually. However, our most relevant experience comes from 30 years of service to North Carolina's Medicaid program and seven years of service to the Mental Health program, providing program and technology services that support the State.

State of North Carolina

For Medicaid programs across the nation, we have implemented leading-edge, Web-based capabilities to support claims processing, eligibility verification, claim status inquiries, prior approval (PA) requests, and fraud detection and prevention. In our response to Section 50.2.10.1, we describe the Medicaid and other healthcare experience—government, commercial, and in North Carolina—which is our most distinctive qualification.

On-the-Job Experience in North Carolina

The most relevant experience we bring is our 30 years of service to North Carolina. We have been your Division of Medical Assistance (DMA) Medicaid fiscal agent since 1977 and Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (DMH) contractor since 2001, providing program and technology services that have supported the programs' evolution. The Highlights of 30 Years in North Carolina table summarizes some of the key events in this history, when EDS was there to help make it a success.

Medicaid

As your long-term Medicaid fiscal agent, we have become a major employer in the Raleigh area. As can be seen in the Highlights of 30 Years in North Carolina table, we have provided technical and operations support for every step in the

Medicaid program's evolution. In doing so, our DMA and DMH fiscal agent operational team of more than 290 have become experts in program policy, procedures, and history. Our most dedicated personnel, many of whom have more than 15 years with EDS' North Carolina Medicaid office, are people recognized throughout DMA and DMH for their understanding of every aspect of program operations and procedures. Bringing this experience as well as established contacts with DMA, DMH, the provider community, healthcare associations, and other State stakeholders to the new contract eliminates the need for knowledge transfer of operating procedures and policy and the learning curve that a new vendor would have to face.

Mental Health

As previously mentioned, we successfully modified the Legacy MMIS+ to support the State's highly specialized definition of a multi-payer system. This experience with the North Carolina approach to multi-payer technology provides an understanding that comes only through supporting this additional project for seven years.

We worked with the State to develop and support the Legacy MMIS+ multi-payer system. The system processes Medicaid claims for DMA as well as non-Medicaid claims for DMH, a mental health payer. In 2001, we implemented the multi-payer functional capability in the MMIS for DMA. Later in the same year, we implemented the IPRS, and DMH became the second financial payer using the North Carolina system.

The multi-payer capability in North Carolina provides a single point of entry for claims, enabling the system to determine the best payer for each submitted service. Claims are routed to the appropriate financial payer based on criteria defined by the State. After claims are identified with a financial payer, they process separately, but largely through the same set of programs. Because system file structures and programs are shared, the reference and criteria files are set up for flexibility and to allow claim edits and audits to be similar or unique between payers. These and other key milestones in our work with the State are shown in the following table, Highlights of 30 Years in North Carolina.

Highlights of 30 Years in North Carolina

Year	Milestone
1978	The DMA is created. The DMA continues to have full responsibility for the State Medicaid program.
1984	EDS assumes responsibility for the Medicaid Pharmacy Program.
1990	DMA and EDS introduce the automated voice response system (AVRS) that allows providers to check recipient eligibility, checkwrite information, drug coverage information, procedure code pricing, and prior approval 24 hours a day. In 2001, this popular feature supported more than 1 million transactions.
1991	The drug rebate program begins. After April 1, the program covers drugs for only those manufacturers that had signed a rebate agreement. To date, North Carolina's Drug Rebate program has invoiced $2.86 billion and recovered all but 0.25 percent of that amount.

Year	Milestone
1991	Managed care comes to North Carolina Medicaid when DMA announces creation of Carolina ACCESS. This program, where recipients are assigned a primary care provider, was implemented in 12 counties over a two-year period.
1993	The Drug Utilization Review Program is implemented.
1994	The Vaccines for Children (VFC) program provides vaccines to public and private providers for eligible children from birth through 18 years of age.
1998	The North Carolina MMIS becomes Year 2000 (Y2K)—compliant. Providers are allowed to continue non—Y2K-compliant submissions through transition period.
1999	Optical scanning technology is implemented. Hurricane Floyd devastates North Carolina. EDS' Provider Relations team drives checks to the eastern parts of the State, where providers are especially hard hit by flooding.
2000	N'ABLE is implemented as a Web-based system giving users with multiple views of information easy navigation between various system components.
2001	EDS completes Integrated Payment and Reporting System (IPRS) modifications to the MMIS to support mental health claims processing.
2004	North Carolina Medicaid begins third-party cost avoidance with pharmacy claims for recipients who have other coverage for prescription drugs.
2004	Enhancements are made to the IPRS browser environment, allowing replication of similar attending provider records, decreasing time for LMEs to add attending providers, and increasing accuracy of enrollment data in IPRS.
2004	The MMIS is remediated for IPRS and Medicaid to be HIPAA-compliant, including modifications to process HIPAA-compliant transaction sets and elimination of local procedure codes while restructuring core processing to use a DB2 relational database.
2005	At DMA's request, EDS takes over, implements a system, and hires an Operations team to take over PASARR requirements within six weeks of start-up on December 1, 2005, with no disruption to the provider or recipient communities.
2006	Enhancements are made in IPRS to support new State Plan Amendment (SPA) consolidation for enhanced services and endorsed providers, which was approved by CMS in January 2006.
2006	Medicaid recipients with Medicare begin receiving their drugs through a prescription drug plan (PDP). Edit 2256 is created to deny claims for dual eligibles who are covered under Medicare Part D.
Future	The Replacement MMIS (interChange) revolutionizes the way work is performed by the DMA, DMH, Division of Public Health (DPH), and the Migrant Health Program in the Office of Rural Health and Community Care (ORHCC).

EDS created several additional programs specifically for IPRS to assist with the State's intricate requirements surrounding State budgets.

Because there is a significant amount of code shared by payers in North Carolina, the EDS teams that support each payer have developed an understanding of how actions made by one payer affect the other. This cross-functional knowledge has proven critical in the past so that modifications made for one payer can be used for the other, reducing costs and increasing efficiencies for the State.

Other State Programs

On December 1, 2005, the North Carolina team assumed responsibility for the pre-admission screening and annual resident reviews (PASARR). Within six

weeks, we achieved a smooth transition from the previous vendor. We review Level I preadmissions, Level II evaluations including annual resident reviews, and change of status reviews for mental illness, mental retardation and related conditions for nursing facility applicants and residents of Medicaid certified facilities.

For Level I reviews, healthcare providers submit the requisite Level I assessment form through ProviderLink to the EDS unit, where it is either approved and assigned a PASARR number or referred for a Level II review. If a Level II is required, we coordinate an on-site assessment of the recipient and complete a summary of findings.

The EDS PASARR staff continues to demonstrate knowledge and experience in the performance of PASARR reviews and is exceeding the client's service-level agreement. For example, Level II evaluations are conducted, and placement, treatment, and service recommendations for identified mental illnesses are forwarded to DMH within an average of two days—much faster than the contractual requirement of five State business days. We receive approximately 5,500 Level I requests each month and consistently provide the PASARR authorization or Level II referral within the required six hours.

A high priority for fiscal agent responsibilities is supporting cost containment. Since 1991, the EDS North Carolina Drug Rebate team has supported the State's drug rebate invoicing, collection, and dispute requirements. We have been recognized by the Centers for Medicare & Medicaid Services (CMS) and the Office of the Inspector General (OIG) for these outstanding efforts.

The North Carolina program received an Integrity Award in 1994 from OIG. In 2004, an audit of the 50 state Medicaid programs showed that North Carolina was one of only four states with no recommended changes in billing and collection of drug rebates. To date, EDS has invoiced $2.86 billion in drug rebate dollars, and we have collected more than 99.75 percent of those funds.

Experience with the Baseline System—interChange

Besides extensive experience with North Carolina, EDS also brings extensive experience with the baseline system—interChange—that we are proposing as the Replacement MMIS. Unlike other MMIS vendors, who may be supporting only one current Medicaid customer or who have not successfully implemented an MMIS in the past five years, EDS brings installation experience with the baseline system in 12 states! We have successfully implemented interChange in Kentucky, Kansas, Oklahoma, Pennsylvania, and Tennessee. We are in the process of implementing the system in Florida, Massachusetts, Oregon, Alabama, Connecticut, Ohio, and Wisconsin. Of these seven current implementations, six will be completed before the North Carolina DDI phase begins (the seventh implementation, in Ohio, is just getting started).

Why is this experience critical to North Carolina? The understanding and experience we bring with North Carolina and the intensive experience with the proposed baseline system means low risk and a high certainty of success.

A. MMIS Experience

EDS is here for the long term. We bring 40 years of commitment to Medicaid and to innovative MMIS technology. We are a consistent presence and a reliable collaborator in MMIS programs across the country.

EDS has 40 years of experience with MMIS solutions. In fact, we developed the first Medicaid system in the country in the late 1960s. Today, we operate or are implementing MMISs for 21 state Medicaid clients. We have proven to be a strong ally with states undergoing Medicaid reform. Our relationships with our state clients are part of the fiscal agent responsibility that goes above and beyond just providing information technology (IT) and operational services. With an array of government and healthcare clients and experiences, we are well positioned to add perspective and insights. Because we are not a provider, recipient, or legislator, we can provide a neutral viewpoint to the State.

Many of our clients have been with EDS more than 25 years, indicating our solid performance and relationship-building in those states, as demonstrated by the following table, EDS' Long-Term Continuous State Relationships.

EDS' Long-Term Continuous State Relationships

State	Start Date	Years
North Carolina	01/01/1977	30
Wisconsin	04/01/1977	30
Idaho	01/01/1978	29
Alabama	10/01/1979	28
Connecticut	06/24/1981	26
Vermont	07/01/1981	26
Arkansas	01/14/1985	22
New Hampshire	01/01/1985	22
California	10/01/1987	20
Delaware	11/01/1989	18
Indiana	03/01/1991	16
Pennsylvania	10/01/1992	15
Rhode Island	12/01/1992	15
Tennessee	09/10/1995	12

In the following exhibit, EDS MMIS Experience, we list the MMIS functional areas we support for our current, operational Medicaid clients.

EDS MMIS Experience

	Total	AL	AR	CA	CT	DE	ID	IN	KS	KY	NC	NH	OK	PA	RI	TN	VT	WI
Automated Document Management System	16	●	●	●	●	●	●	●	●	●		●	●	●	●	●	●	●*
Automated Eligibility	14	●	●	●		●	●	●	●	●	●	●	●		●	●	●	
Automated Fraud and Abuse Detection	7			●					●					●	●	●	●	●*
Recipient	16	●	●	●	●	●	●	●	●	●	●	●	●		●	●	●	●
Claims Processing	17	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Cost Containment	12	●		●	●	●	●	●		●			●	●	●		●	●
Drug Rebate	14	●	●	●	●	●	●		●		●		●	●	●	●	●	●
DSS (Ad Hoc Reporting)	15	●	●		●	●	●	●	●	●		●	●	●	●	●	●	●
Encounter Claims	13	●	●	●		●		●	●	●	●		●	●	●	●		●
EPSDT	17	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Family Planning	14	●	●	●	●	●		●	●	●	●		●	●	●		●	●
Financial	17	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Fiscal Agent	16	●	●	●	●	●	●	●	●	●	●	●	●	●	●		●	●
Imaging	17	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
MARS	16	●	●	●	●	●	●	●	●	●	●		●	●	●	●	●	●
Prior Authorization	16	●	●	●	●	●	●	●	●	●	●	●	●	●	●		●	●
Pro-DUR	12	●	●	●	●	●	●		●		●		●	●	●			●
Provider Relations	17	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Reference	17	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Retro-DUR	5			●		●			●						●			●
Sampling	3	●						●										●
SUR and Profiling	14	●	●	●	●	●	●	●	●	●			●		●	●	●	●
Third-Party Liability	16	●	●	●	●	●		●	●	●	●	●	●	●	●	●	●	●
Voice Response	17	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Web-Based Technology	16	●	●	●	●	●		●	●	●	●	●	●	●	●	●	●	●

999_02_MMIS_Experience_0907

* Service will be added with implementation of interChange (Expected completion–03/2008)

EDS offers an unmatched depth and breadth of MMIS and Medicaid operations experience.

B. Other Healthcare Claims Processing Experience

EDS has 40 years of Medicaid claims processing experience. However, we also bring extensive experience with claims processing for other government programs and commercial insurance, creating an unmatched body of claims processing expertise from government and industry.

Besides our many years of Medicaid experience, EDS also operates large claims and encounter processing systems for other healthcare clients, including clients in the Medicare industry as a contractor to the CMS and subcontractor to Part B

carriers, and to commercial insurance companies. We also developed, implemented, and operate one of the world's largest eligibility systems, the Defense Enrollment Eligibility Reporting System (DEERS), as one of our projects for the U. S. Department of Defense (DoD). Our experience in these areas is described in the following subsections.

Medicare Experience

Among the U.S. federal government programs we support is the claims and encounter function of the Medicare Program run by CMS. Our Medicare Operations group has direct contracts with CMS and works with other Medicare contractors as a subcontractor. The core competency of Medicare operations is our Medicare Part B physicians' claims and encounter processing expertise.

In November 2006, we were awarded the One Program Integrity task order supporting anti-fraud activities for CMS where we consolidate data warehousing and analytics for contractors and others responsible for detecting fraud and abuse related to CMS programs. As part of this effort, we developed and are implementing a data repository where we will load state Medicaid data; implement analytics solutions to present the data to users; and develop and implement a Web portal to allow users convenient and secure access to the data. Our Web portal and analytics also will support access to CMS' integrated data repository, which houses Medicare data.

Medicare Part B Standard System Maintenance

In 1997, the federal government awarded EDS a contract to provide the standard Medicare Part B system and the associated ongoing user support, production support, system maintenance, and special projects. With the award of this contract, EDS' Multi-Carrier System (MCS) became the standard system that carriers must use to process Medicare Part B workloads. EDS was tasked with transitioning any carrier to this system that was not among the Medicare carriers already using the system.

The Part B workloads were transitioned to the MCS platform in August 2005. EDS delivers 18,000 hours of system changes per quarter and provides production and user support for 14 carriers who process claims and encounters in 44 jurisdictions.

CMS Medicare Claims Data Center

On January 3, 2002, EDS was awarded a blanket purchasing agreement (BPA) from CMS to provide services under the General Services Administration (GSA) IT Schedule. In support of the Medicare Claims Data Center (MCDC2) contract, EDS operates the MCS for the chosen carrier, Palmetto GBA, to administer the Ohio and West Virginia workload, which includes more than 40 million claims and encounters annually.

Medicare Business Solutions

EDS Medicare Business Solutions (MBS) supports 11 independent subcontracts with Medicare contractors, provides the principal support to the EDS MCDC2 direct contract with CMS, and provides internal support to the EDS Medicare Program Safeguard Contract (PSC). EDS MBS operates under subcontracts to the following Medicare Part B carriers:

- **National Heritage Insurance Corporation (NHIC)—**Data center hosting, EDI general support, print and mail, and telecommunications. Additionally, NHIC provides general support for three Part B production environments processing five Medicare B workload jurisdictions or states.
- **HealthNow, Inc. (BCBS of Western New York)—**Data center hosting, EDI general support, print, telecommunications, and general support for one Part B production environment for one Medicare B workload jurisdiction. Additionally, EDS MBS provides general support, EDI general support, and print services for the HealthNow Durable Medical Equipment Regional Contract (DMERC). We support this contract in one production DMERC environment running in a non-EDS data center that includes the workload of 10 Medicare Part B DME jurisdictions or states.
- **Noridian Administrative Services (BCBS of North Dakota)—**Data center hosting and general support for two Part B production environments processing five Medicare B workload jurisdictions or states. Additionally, EDS MBS provides general support for two Noridian Part B production environments processing the workload of six Medicare Part B jurisdictions or states in a non-EDS data center.
- **Wisconsin Physicians Service—**Data center hosting, print and mail, telecommunications, and general support for three Part B production environments processing three Medicare B workload jurisdictions or states. Additionally, EDS MBS provides general support for one additional Part B production environment processing the workload of one additional Medicare Part B jurisdiction or state in a non-EDS data center.
- **First Coast Service Options (FCSO or Blue Cross Blue Shield of Florida)—**EDS provides general support for one Part B production environment processing the workload of one Medicare Part B jurisdiction or state in a non-EDS data center.
- **Empire, Inc (Blue Cross Blue Shield of New York)—**Empire, Inc. provides general support for a client/server application for one Part B production environment processing the workload of one Medicare Part B jurisdiction or state.

- **Verizon, Inc.—**As needed, provides general support for six Part B production environments processing the workload of six Medicare Part B jurisdictions or states.
- **Palmetto GBA (BCBS of South Carolina)—**Palmetto GBA provides general support for two Medicare Part B production environments processing the workload of three Medicare Part B jurisdictions or states. Additionally, EDS MBS provides general support for a separate Palmetto application that processes Office of Personnel Management claims and encounters.

Through these contracts, the EDS MBS team oversees the processing of approximately 200 million Medicare Part B claims annually in an EDS data center and provides support in processing an additional 40 million Part B Medicare claims annually that are processed in other facilities.

Experience With Commercial Accounts

We have specifically included Medicaid and Medicare client development projects to demonstrate our ability to handle large-scale development projects within the parameters typical of government projects.

EDS also provides systems for claims and encounter processing to several commercial healthcare insurance clients, including Blue Cross Blue Shield of Massachusetts (BCBSMA) and Blue Shield of California (BSC).

BCBSMA, an EDS client for more than 30 years, is the leading health insurer in Massachusetts with 2.4 million members. Members are either individual recipients, such as members enrolled in Medicare supplemental, or members of employer groups, such as the Federal Employees Health Benefit Plan and John Hancock Insurance.

Coverage offerings are provided in multiple product lines such as HMO and POS models. Since 1992, EDS has had a full facilities management services agreement with the combined Blue Cross Blue Shield plan and is under a renewal contract until December 2013. Under this contract, EDS provides Web development and hosting, desktop, mainframe, mid-range and wide area network (WAN) management services, application support, application development, and middleware and integration support.

EDS designed a secure, easy-to-use, customized Web-based portal to relieve doctors and medical staff of the administrative burden of claims and encounter management. EDS' solution integrated several systems into a single, user-friendly platform helping BCBSMA to improve healthcare service delivery to providers and members. The integration will significantly reduce the amount of time providers spend on claims and encounter management, allowing them to check patient eligibility, review claims status, view referral and authorization information while meeting Health Insurance Portability and Accountability Act

(HIPAA) requirements, and provide simplified and personalized access to content and information.

The portal supports a variety of provider processes such as medical policies and guidelines, administrative guidelines, fee schedules, Provider Reports (PIRS), downloadable forms, BCBSMA's newsletters, and other information. The portal directs healthcare provider e-mail communications to the proper BCBSMA area based on various criteria. Lastly, providers can use the portal to register for BCBSMA training and download training materials.

BSC has been an EDS client for more than 34 years. BSC is a market leader providing healthcare insurance services to more than 2.5 million Californians through HMO, POS, and PPO product offerings; direct purchase offerings to the self-employed or those not covered through their employer; and to the Medicare population through its supplemental offerings. EDS has had a full facilities management services agreement since 1969, renewed January 2001 for a 10-year period. Working with BSC's internal IT Direction team, EDS is responsible for BSC IT services.

EDS processes claims and encounters for numerous commercial insurance companies including the following in the United States:

- **Blue Cross/Blue Shield of Arizona—**EDS operates, maintains, and enhances multiple claims systems, plus provides on-site print center management, data warehousing, and support of some corporate system.
- **Blue Cross/Blue Shield of Massachusetts—**EDS provides core health insurance claims and membership systems, paying more than 34 million claims and encounters annually.
- **Blue Shield of California—**EDS supports integrated system and claim flow for claims and encounter adjudication, database administration, disaster recovery, and additional support for applications and platforms.
- **CIGNA Healthcare—**EDS provides claims and encounter processing systems and additional support since transferring the General Motors and Delphi mental health, substance abuse, and dental claims and encounters to our system.
- **National Account Services Company (NASCO)—**Under our facilities management contract with NASCO, EDS developed and operates a customized claims and eligibility system that consolidates and supports General Motors benefits plans.
- **Wellmark (Blue Cross Blue Shield of Iowa and South Dakota)—**Among our services to Wellmark are applications development and support services for core health systems, including claims and encounters, membership, and underwriting and actuarial.

C. Implementation and System Maintenance of Healthcare Transaction Replacement Systems

Implementing a complex healthcare transaction system, like an MMIS, requires 24 to 30 months of effort. Once implemented, these systems will require skilled maintenance to keep them running efficiently over the life of the contract. EDS technical and operational resources have risen to these dual challenges over and over again.

EDS holds the industry's best record of on-time implementation of new MMISs. Our clients in Delaware, Kansas, Oklahoma, Pennsylvania, Tennessee, and Kentucky have experienced EDS' ability to implement processes and procedures that mitigate risk and deliver an MMIS on time, without missing a checkwrite. Even where there have been issues or changes, EDS has never missed a claims payment. Besides these completed projects, EDS is implementing interChange MMIS for Alabama, Connecticut, Florida, Ohio, Massachusetts, Oregon, and Wisconsin.

Because we developed, implemented, and operationally maintain your current system, we are better positioned to minimize risk to stakeholders.

No other company can match EDS' MMIS implementation record over the past five years. We combine the talent and commitment of our people with best-in-class, repeatable DDI processes. Our carefully timed schedules of meetings, deliverables, plan submissions, and progress reports will help the State and EDS make certain that milestones are met on time and within budget. The Replacement MMIS project will be plan-driven, conforming to Institute of Electrical and Electronics Engineers (IEEE) Std 1058-1998, Standard for Software Project Management Plans (SPMP).

The processes, procedures, and templates used to manage each client's MMIS are designed using a standard set of organizational project management assets maintained by the EDS Global Health and Human Services Centre for Enabling Client Excellence (CECE) organization. We have used these project management tools successfully to create project plans for our existing MMIS projects, including the current implementations. Please refer to subsection H. Experience with Proposed Replacement System below for details on the implementation of the baseline MMIS in five states.

Once implemented, the systems must be maintained, which is a critical support factor during MMIS operations. We provide technical expertise to design, perform, and implement system maintenance and modification activities in response to changes resulting from new federal and state Medicaid policies as prioritized by our customers.

Each state has distinct needs and we provide operations and maintenance support accordingly. Because Medicaid experience is most relevant to this

procurement, we will provide case studies from two current Medicaid contracts, Pennsylvania and Tennessee, which are both using interChange.

For example, the Pennsylvania technical team supports both system maintenance and approximately 30,000 modification hours annually. The team that maintains the system and delivers the modification hours includes 66 people. This staff is primarily located on-site in our Camp Hill, Pa., location, with only 12 working remotely.

The Pennsylvania team monitors the system 24 hours a days to facilitate the timely completion of batch processes, tracking, and reporting on files submitted by managed care organizations. Additionally, they oversee the following key system processes:

- Weekly financial cycle and the monthly capitation cycle
- Software and hardware upgrades and expansions as necessary
- Data maintenance requests from the Department such as table updates that cannot be done using online Web pages or that are large in volume so systematic updates are more practical
- Monitoring of nearly 100 production hardware devices
- Tuning the system to facilitate optimal performance, problem resolution, and on-call support
- Supporting ongoing external auditor needs

Approximately 50 percent of the EDS technical team provides direct support to the Provider Reimbursement Operations Management Information System in electronic format (PROMIS*e*™) system, making certain that claims are processed accurately, and providers are paid on time.

Another example of our MMIS maintenance expertise is TennCare (Tennessee's Medicaid program), where a mix of on-site and off-site resources provide system maintenance. The majority—approximately 75 percent—of the staff is located on-site, with the rest at an EDS Solution Centre.

TennCare's maintenance tasks are mostly composed of research of state issues and questions, resolution of defects, minor system changes, ad hoc reporting, and file maintenance. The TennCare team provides 24 hours a day, 7 days a week cycle monitoring with a team of 54 systems engineers (SEs), 16 business administrators (BAs), and six people in production support.

Vice President East Region/Chief Operating Officer (COO) EDS Government Health and Human Services Kevin McFarling manages every MMIS implementation. He meets weekly with the delivery teams to discuss performance metrics and best practices, flag risks, and develop solutions.

D. Fiscal Agent Operations Experience

No other business model can adequately prepare an entity for the complex business model of a fiscal agent operation. Fiscal agent operations involve more than back office processing, more than system maintenance, and more than claims processing. Fiscal agent operations combine all these tasks and add many more to provide a comprehensive technological and operational solution. EDS brings extensive experience in fiscal agent operations that is directly relevant to the Replacement MMIS project. We bring a long history of fiscal agent experience and knowledge and are well versed in meeting the needs of the State's multi-payer fiscal agent operation.

A fiscal agent business operation is the most complex business model there is: combining automated business processes, manual procedures, interactive claims and adjustment processing performed and supported by experienced technical, professional, clinical, and clerical staff. Fiscal agent operations typically require training and outreach programs with a training and field representative staff to optimize the efficiencies and effectiveness of the state's MMIS

Fiscal agent services represent the operations side of Medicaid program functions. During the past year, as fiscal agent in 17 states, we have provided operational services to most of the functions listed in the following exhibit, EDS Fiscal Agent Experience. EDS employees serve as claims examiners, provider representatives, and clinicians. At our accounts, for example, we have more than 110 licensed clinicians—including registered and licensed practical nurses, dental hygienists, and pharmacists, medical doctors, and social workers.

EDS Fiscal Agent Experience

	Total	AL	AR	CA	CT	DE	FL	ID	IN	KS	KY	MA	NC	NH	OK	OR	PA	RI	TN	VT	WI
Accounting and Financial Management	18	●	●	●	●	●		●	●	●	●		●	●	●	●	●	●	●	●	●
Claims, Encounters, and Adjustments	19	●	●	●	●	●		●	●	●	●	●	●	●	●	●	●	●	●	●	●
Contract Management	19	●	●	●	●	●		●	●	●	●	●	●	●	●	●	●	●	●	●	●
Eligibility	19	●	●	●	●	●		●	●	●	●	●	●	●	●	●	●	●	●	●	●
Federal Compliance	19	●	●	●	●	●		●	●	●	●	●	●	●	●	●	●	●	●	●	●
Fraud and Abuse Case Review	3			●						●								●			
Cost Containment	18	●	●	●	●	●	●	●	●	●	●	●		●	●	●	●	●		●	●
Mailroom	18	●	●	●	●	●		●	●	●	●	●	●	●	●		●	●	●	●	●
Managed Care Administration and Outreach	3					●				●											●
Professional Review	11	●		●		●			●	●	●		●				●	●		●	●
Provider Relations	20	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Quality Management	17	●		●	●	●		●	●	●	●	●		●	●	●	●	●	●	●	●
Reference	20	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
State Compliance	18	●	●	●	●	●		●	●	●	●	●	●	●	●		●	●	●	●	●
Systems	19	●	●	●	●	●		●	●	●	●	●	●	●	●	●	●	●	●	●	●

999_06_Fiscal_Agent_Experience_0907

Besides our extensive MMIS experience, EDS has widespread fiscal agent experience.

E. MMIS and Other Healthcare System Experience

The next required topic listed in RFP Section 50.2.10.1 Relevant Experience is "MMIS and other healthcare system experience," which we detail throughout this proposal section.

F. Multi-payer Claims Processing Experience

The State's definition of a multi-payer MMIS is clear. For the Replacement MMIS, multi-payer means an MMIS with multiple payment sources and multiple programs for services that cross various lines of State business and can be paid from one claim. No other MMIS in operation today meets this definition. However, EDS has modified the Legacy MMIS+ to meet this definition and also brings additional experience with meeting the requirements for multi-payer and multi-program systems in other states.

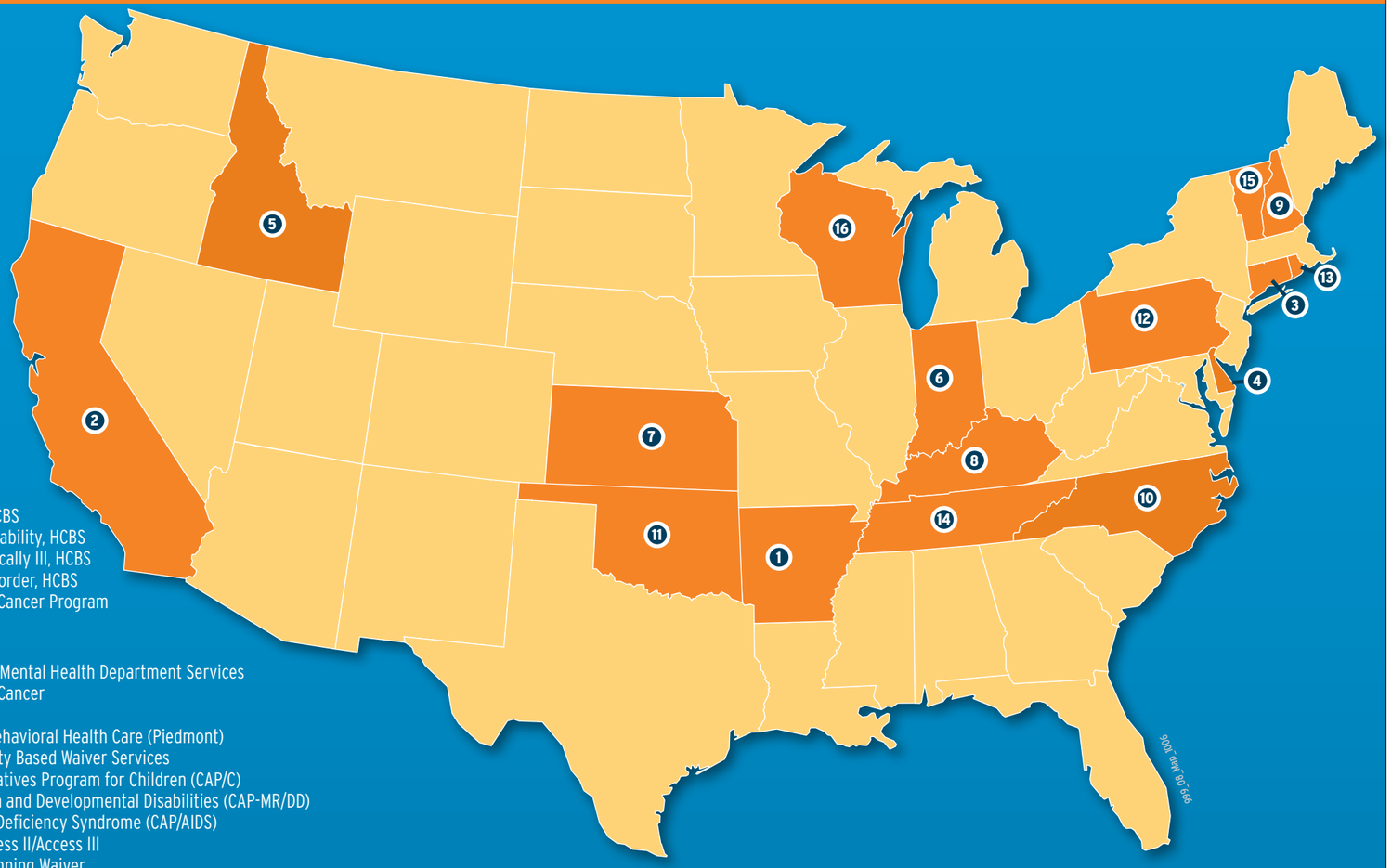
The State seeks a multi-payer capability that will support multiple services on one recipient's claim paid by various payers. EDS developed and supports the Legacy MMIS+ multi-payer system, and will customize interChange to meet the State's requirements.

We designed interChange to accommodate multi-payer claims processing and benefit packages. We have extensive experience supporting multiple program processing in areas such as waiver programs and mental health programs. These programs use different methods to contract with providers and plans, such as fee-for-service, primary care case management, and multiple capitated models. Our systems support multiple pricing capabilities and contractual differences and process claims and encounters for the same services under different benefit packages. Experience shows the expansion capabilities of this system are virtually unlimited in terms of multi-payer processing.

For example, in the Oklahoma interChange MMIS, the comprehensive multibenefit program structure allows the State to use the system to build combinations of programs, benefit packages, and funding sources that enable members to reimburse billers differently for the same services depending on the benefit package. Edits and audits can be created for each program, and providers can provide services to recipients in different programs with different benefit types, pricing indicators, and rate types.

The exhibit following this page, Multiprogram Participation, identifies the additional programs supported by our MMISs, affecting more than four million additional lives.

Multiprogram Participation



Arkansas (1)
- Tax Equity and Fiscal Responsibility Act (TEFRA)
- Children's Medical Services (CMS)
- DDS Arkansas—DDS Children's Services
- Arkansas BreastCare

California (2)
- Family Planning Access Care and Treatment
- Cancer Detection Program—Every Woman Counts
- Presumptive Eligibility
- Obstetrics
- Comprehensive Perinatal Services Program
- Breast and Cervical Cancer Treatment Program
- California Children Services
- Early Access to Primary Care
- Genetically Handicapped Persons Program
- Children's Health and Disability Program (CHDP)
- Local Education Agency (LEA)
- Adult Day Health and Counseling (ADHC)

Connecticut (3)
- ConnPACE
- CT AIDS Drug Assistance Program (CADAP)

Delaware (4)
- Delaware Cancer Treatment Program
- Delaware Prescription Assistance Program
- Chronic Renal Disease Program

Idaho (5)
- Children's Special Health Program (CSHP)

Indiana (6)
- Children's Health Insurance Program (CHIP)
- M.E.D. Works
- Hoosier RX
- First Steps Program
- Waiver programs

Kansas (7)
- Waiver programs: Home and Community Based Services (HCBS)
  - Frail Elderly, HCBS
  - Severely Emotionally Disturbed, HCBS
  - Head Injury, HCBS
  - Developmentally Disabled, HCBS
  - Physically Disabled, HCBS
  - Technology Assisted
- Presumptive Eligibility
- Presumptive Disability
- State Children's Health Insurance Program (SCHIP)
- Early Detection Works
- AIDS Drug Assistance Program (ADAP)
- Kansas General Assistance Program (MediKan)
- Tuberculosis Control Program
- Sixth Omnibus Reconciliation Act (SOBRA)
- Program of All Inclusive Care for the Elderly (PACE)
- Work Opportunities Reward Kansans (WORK) Program
- Non-Emergent Medical Transportation (NEMT) Program
- Enhanced Care Management (ECM)
- HealthWave Program
- Hospice Program

Kentucky (8)
- Consumer Directed Option (CDO)
- KCHIP
- Presumptive Eligibility
- Breast and Cervical
- Kentucky Patient Access Care (KenPAC)
- Family Planning

New Hampshire (9)
- Waiver Programs: HCBS
  - Developmental Disability, HCBS
  - Elderly and Chronically Ill, HCBS
  - Acquired Brain Disorder, HCBS
- Breast and Cervical Cancer Program
- CHIP

North Carolina (10)
- NC DDHS Division of Mental Health Department Services
- Breast and Cervical Cancer
- Drug Rebate
- Managed Care for Behavioral Health Care (Piedmont)
- Home and Community Based Waiver Services
  - Community Alternatives Program for Children (CAP/C)
  - Mental Retardation and Developmental Disabilities (CAP-MR/DD)
  - Acquired Immune Deficiency Syndrome (CAP/AIDS)
- Carolina Access/Access II/Access III
- Be Smart Family Planning Waiver

Oklahoma (11)
- Tax Equity and Fiscal Responsibility Act (TEFRA)
- SCHIPs
- Family Planning (Title V and Title XX)
- Oklahoma Cares—Breast and Cervical Cancer Treatment Program
- Oklahoma Employer Sponsored Insurance (O-EPIC) Program
- O-EPIC Individual Plan
- Homeward Bound Waiver

Pennsylvania (12)
- Waiver programs
  - Infants, Toddlers, and Families Waiver (Early Intervention)
  - Person/Family Directed Support Waiver (PFDS)
  - Consolidated Waiver
  - Office of Mental Retardation (OMR) Base Program
  - Early Intervention Base Services
  - Attendant Care Medicaid Waiver
  - Attendant Care State Funded Program (Act 150)
  - Community Care (COMMCARE) Waiver
  - Omnibus Budget Reconciliation Act (OBRA) Waiver
  - Independence Waiver
  - Michael Dallas Waiver
  - AIDS Waiver
  - Elwyn Waiver
  - Pennsylvania Department of Aging (PDA) Waiver
  - Bridge Program (PDA)
- Family Planning (Title V and Title XX)

Rhode Island (13)
- Pharmacy Management/Drug Rebate
- RI Pharmaceutical Assistance to the Elderly (RIPAE)
- RI AIDS Drug Assistance Program (RI ADAP)
- PA Program with Heritage
- Comprehensive, Evaluation, Diagnosis, Assessment, Referral, Re-evaluation (CEDARR)—Home Based Therapeutic Services
- Waiver Programs
- Connect CARRE (Disease Management)
- RIte Care/RIte Share Program
- Transportation Hot Line
- Transportation Bus Passes
- McKesson Claim Check
- Dental Benefit Management
- Drug Court
- Children with Special Health Care Needs
- GPA
- CHIP

Tennessee (14)
- Senior Services
- Commission for the Aged
- ADAPT
- Self-determination Waiver
- Mental Health Mental Retardation (MHMR) Waiver
- Statewide MR Waiver
- Arlington MR Waiver

Vermont (15)
- Long-Term Care (LTC) Waiver
- SCHIPs
- Breast and Cervical Cancer Treatment (BCCT)
- Ladies First
- HIV Drug Rebate
- General Assistance
- Community Residential Treatment (CRT)
- Primary Care Plus (PcPlus)

Wisconsin (16)
- Wisconsin Well Woman's Program
- Supplemental Security Income (SSI)
- Wisconsin Chronic Disease Program
- Immunization Registry

G. Other Relevant Projects

In addition to healthcare and claims processing projects, EDS also brings an extensive body of experience with human services systems and programs. These projects extend our commitment to state government beyond Medicaid and into related human services programs.

For state Medicaid programs and the Medicare program in the United States, we process more than 1 billion health claims annually. In fact, around the world EDS touches more than 200 million patient lives each day through our healthcare services and solutions. Few companies can deliver on large, complex government IT programs—EDS is a proven leader in this area.

We provide Medicaid services for 21 states. We process healthcare claims for Medicaid, Medicare, and commercial businesses. Due to strict page limits set forth in the RFP, we are not able to provide details of all of our relevant experience, but are providing a representative sample of our experience with the development and operations of large-scale data processing systems.

Defense Enrollment Eligibility Reporting System (DEERS)—Over the past 26 years, EDS has assisted the Defense Manpower Data Center (DMDC) in developing, operating, and fielding major automated information systems (AISs) that support individual members of the Department of Defense (DoD) and their families as well as other federal departments and agencies. The DEERS medical systems run at every military treatment facility throughout the world and verify the eligibility of DoD members.

Relevance to North Carolina: This project involves the design, development, and operation of a large-scale eligibility system for healthcare coverage, where we support more than 23 million military personnel records.

California Work Opportunity and Responsibility to Kids (CalWORKs) Information Network (CalWIN)—CalWIN is used to improve the way services are delivered to 40 percent of the social service caseload in California. More than one million individuals receiving assistance from human services programs, including Medicaid, food stamp, general assistance, and the California welfare-to-work program, are served by the positive benefits of updated technology.

Relevance to North Carolina: This project involves the design, development, and operation of a statewide human services and healthcare assistance system. CalWIN, the largest system of its kind in the country, replaced a 30-year-old legacy system that EDS had maintained since 1982. The new system verifies that benefits for 14 assistance programs are appropriately issued to more than 2 million California families. It supports the work of more than 31,000 county employees responsible for providing timely services to California's neediest citizens.

Pennsylvania Patient Safety Authority (PA-PSRS)—Within five months of its statewide deployment, PA-PSRS processed more than 50,000 reports of actual or potential patient harm.

Relevance to North Carolina: This project involves the design, development, and operation of a statewide healthcare utilization and reporting system. To date, more than 550,000 reports have been generated using the system's analytical tools to identify trends and patterns in the data.

Michigan Child Support Enforcement System application (MiCSES)—EDS' system linked the entire State to a single network while implementing a framework that enabled 14 separate vendor cultures to coexist.

Relevance to North Carolina: This project involves the design, development, and operation of a statewide human services system. The Michigan Department of Human Services works with almost 10 million residents to maintain the safety and security of every child.

H. Experience With Proposed Replacement System

EDS brings experience with the proposed Replacement MMIS in five states. CMS certification back to the first day of operations in four states (with the fifth state looking forward to the certification review and subsequent certification in 2008) is the best indicator of our success and our clients' satisfaction.

The State's expectation for vendor experience with its baseline MMIS is current or imminent (prior to contract award) deployment in at least one state. Some vendors may only have experience with one installation. Other vendors may be bidding personnel with no experience with the proposed Replacement MMIS. EDS, however, is proud to state that we have installed our proposed Replacement MMIS in five other states in recent years. interChange is currently operational in those five states, and we are implementing it in seven additional states.

Why is this successful base of installations important to North Carolina? We believe it is important for the following reasons:

- **Proven product—**The baseline MMIS we are proposing, interChange, is installed and working in other states, processing large volumes of claims and meeting client requirements.
- **Developed body of procedures, processes, and work plans—**During these installations, we have developed and fine-tuned processes and work plans that are proven to guide the implementations to successful conclusions.

- **Experienced people—**Our nationwide team of experienced technical personnel supports requirements validation, design, testing, and implementation.

The staffing plan for North Carolina provides a direct link with this recent history of interChange installations. Implementation Manager Dean Taunton and Senior Systems Architect Scott Lowry have just completed the installation of interChange for Kentucky, where they held equivalent positions.

Dean brings in-depth experience with North Carolina and with interChange implementations. He worked on the North Carolina Medicaid account for five years before supporting Kentucky's interChange implementation. He also supported the TennCare interChange implementation in 2003 and 2004.

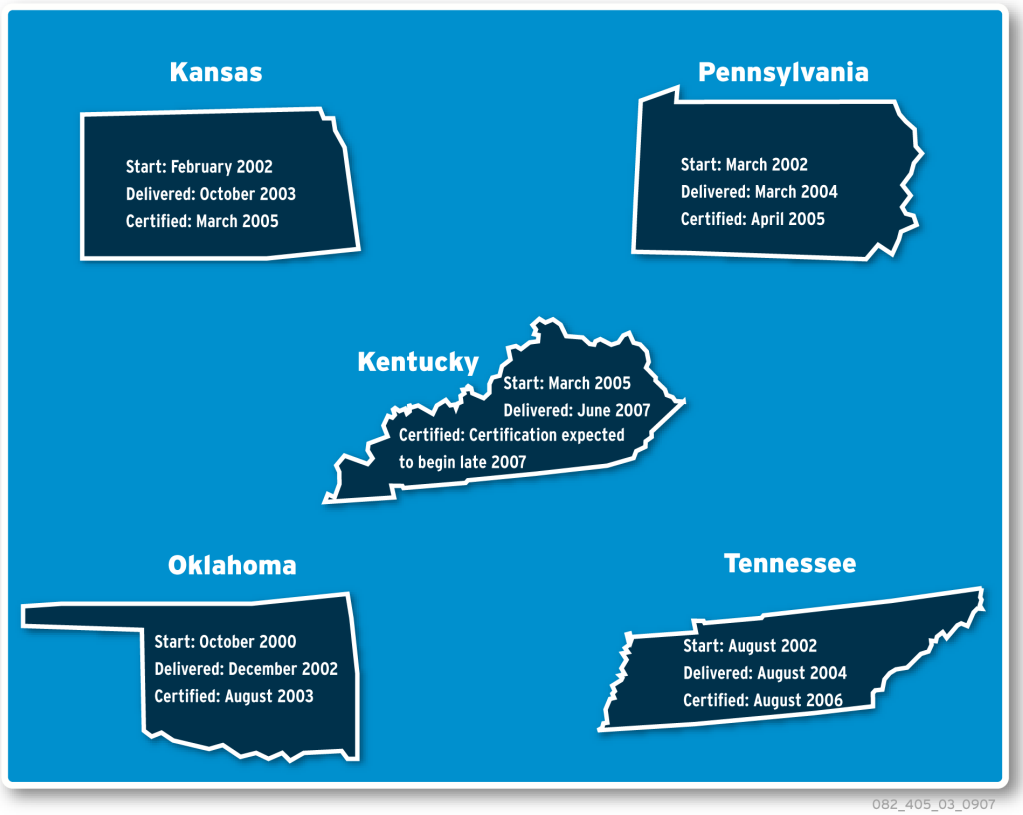
Dean and Scott will bring this experience and lessons learned to North Carolina. In fact, they were involved in the development of this proposal (including the system solution, work plan, and project management approaches) and are already contributing to a successful project.

In the following subsection, we illustrate our implementation and operations experience with interChange and business areas.

Implementation and Operations Experience With Replacement System and Business Areas

EDS has successfully completed interChange implementations for clients in Oklahoma, Kansas, Pennsylvania, Tennessee (TennCare), and most recently, Kentucky, as the following exhibit, interChange Clients, demonstrates.

interChange Clients



Peace of mind for the State: The baseline MMIS proposed by EDS is operational in five states.

Additionally, we are currently implementing interChange to update three current clients—Alabama, Connecticut, and Wisconsin—and four new clients—Florida, Massachusetts, Oregon, and our most recent MMIS contract in Ohio.

We are proud of our strong implementation record. Our newest interChange implementation, Kentucky, is expected to be certified in 2008. Our other four interChange states were certified retroactive to their initial "go-live" dates.

For our operating interChange systems, we have detailed our implementation experience in the following order, beginning with the most recent:

- Commonwealth of Kentucky Cabinet of Health and Family Services
- Tennessee Department of Finance and Administration, Bureau of TennCare
- Pennsylvania Department of Public Welfare
- Kansas Health Policy Authority
- Oklahoma Health Care Authority

Commonwealth of Kentucky Cabinet of Health and Family Services

In June 2007, EDS completed the interChange installation in Kentucky. The system allows real-time adjudication of claims and multiple benefit packages for eligibility categories. This is important because Kentucky recently received approval for a 1115 waiver from CMS. The waiver—known as the *KyHealth Choices*—allows the Commonwealth to provide different benefit packages according to the individual needs of the members. It was the first state to obtain such approval.

"It was a wonderful, wonderful transition. I really can't say enough about the team at EDS and the lengths they went to ensure the continuity. We literally flipped the switch."

—Shannon Turner, Commissioner of the Dept. for Medicaid Services within the Cabinet for Health and Family Services

We transitioned the existing Kentucky MMIS from the incumbent and operated it while implementing the new interChange MMIS. We supply a full suite of Medicaid fiscal agent services including mail room, data entry, provider training, financial services, system development and maintenance, decision support and data warehouse, and claims adjudication. We provide the Commonwealth with utilization review, PA support, provider education, user training, and quality management.

"We ran seven days' worth of claims (a little over 240,000) through interChange and we ran the same claims through our model office legacy system. The claims processed in a little over eight hours in interChange, so we were processing almost one day of claim volume per hour."

—Mark Noble, EDS Deputy Account Manager Commonwealth of Kentucky

The EDS Kentucky team completed more than 800 tasks during the transition project while meeting with the Kentucky Cabinet for Health and Family Services. We conducted weekly status meetings with the deputies and their team and daily meetings with their staff. We attended monthly status meetings with the secretary, and created and attended meetings with the scope control board—comprising EDS leaders and client executives—to discuss changes to the contract or additional project scope changes.

Kentucky expects to be the first to implement a comprehensive statewide waiver designed to create long-term stability for Medicaid, which will enable them to maintain its current coverage and benefit levels for its existing Medicaid population. Copayments and other program features will become more closely aligned with commercial plans, resulting in cost savings that will enable Kentucky to continue providing coverage for its most vulnerable citizens. We have provided more than 3,500 hours of training to 200 EDS staff members and more than 300 Commonwealth and other contractor users since November 1, 2005.

The *KyHealth Choices* program is part of Kentucky's Medicaid Modernization initiative, which has improved Medicaid's benefit and care management and technology infrastructure. *KyHealth Choices* is building on these new capacities

with the help of EDS. Kentucky expects to be the first state to implement a comprehensive, statewide waiver designed to create long-term stability for Medicaid.

Tennessee Department of Finance and Administration, Bureau of TennCare

In 2002, the Bureau of TennCare awarded EDS a contract to provide a replacement TennCare Management Information System (TCMIS). Tennessee's unique operating model required significant enhancements to the interChange system during the implementation. A smooth transition—with minimal disruption to provider and recipient communities—from the former TCMIS, which had operated for more than 30 years, to the replacement TCMIS was absolutely critical to the state and its constituents. In August 2004, the interChange system was implemented successfully. The 23-month implementation included the client's request for an addition of parallel testing and numerous change requests that were not part of the original RFP requirements.

EDS used the corporate change methodology of Systems Life Cycle, Version 3 (SLC 3) to support the integration of the system into Tennessee's TennCare program. During implementation, EDS facilitated requirements validation sessions (RVS), generated a detailed system design document, completed 191 project change requests (PCRs) that resulted in 1,651 change orders associated with the customization, tested nearly 20,000 test cases, and implemented the system successfully.

> "EDS has helped Tennessee implement new technology that not only supports our daily mission of providing and coordinating healthcare for our citizens, but also provides better access to the information needed to run our programs."
>
> *—Darin Gordon*
> *TennCare Deputy Commissioner*

Our SLC 3 methodology provides for extensive system testing on system changes. EDS performed validation testing on the system to verify that the software conformed to the agreed-on detailed system design. As part of SLC 3, a project test plan was developed. The test plan methodology included plans, schedules, and specifications for testing in unit test, systems or integration test, and user acceptance test (UAT). EDS executed more than 11,000 test cases during the project.

Extensive planning, consulting, and integration services were provided by EDS to successfully link the Medicaid program with the Department of Health and the Department of Human Services.

EDS created detailed system design (DSD) documents for each TennCare subsystem within interChange from the contract requirements, RVS, and input from the bureau. The DSDs were used as the "road map" for building the system to the user's specifications. The interChange system replaced paper forms with

Web entry forms—including multiple claim submission forms, eligibility verification, and claim status inquiries.

The EDS TennCare team processes fee-for-service (FFS) claims and encounters claims. Encounter claims account for 85 percent of the total claim volume, and processing is for capitated encounters and Admin Fee encounters. We perform capitation payments monthly with an average monthly payment of $14.4 million for MCOs and $35 million for BHOs.

Our alliance with Tennessee resulted in a successful, on-budget transition to the replacement TCMIS.

Pennsylvania Department of Public Welfare

EDS completed the interChange MMIS implementation for Pennsylvania in 2004. This MMIS was named the Provider Reimbursement Operations Management Information System in electronic format (PROMIS*e*) and replaced the Department of Public Welfare's (DPW's) 23-year-old legacy system, Medical Assistance Management Information System (MAMIS).

Using EDS' SLC 3 methodology processes and procedures, we performed a detailed application analysis and review of infrastructure components resulting in a more than 15,000-page comprehensive detailed design document for the new PROMIS*e* system.

"We have very good management on our EDS account. We have open lines of communication, and EDS has responded to the technical direction and approvals required by the Commonwealth."

—Sandra Patterson Bureau Director Bureau of Data & Claims Management, Office of Medical Assistance Programs, Pennsylvania DPW

As part of the information-gathering process, EDS met with multiple program offices within the DPW and the comptroller's office to validate how they used the prior MAMIS to accomplish daily work and understand any planned changes. We reviewed the functional specifications, design specifications, user requirements, and system documentation requirements for the new PROMIS*e* system.

We developed the new PROMIS*e* system based on the specifications approved in the detailed design document. Besides batch program development and creation or modification of more than 750 discrete online Web panels, the new PROMIS*e* system added a significant Web-based functional component for providers and users in the Commonwealth of Pennsylvania. Web functions include claim submission access for multiple claim types, claim status inquiry, recipient eligibility verification, self-service provider enrollment options, and direct access to user and provider Web-based training. These features are integrated with DPW's client information system, master provider index system, and the home and community services information systems.

We converted data from more than 300 separate source files to create the foundation for PROMIS*e* processing. This included seven years of claims history

totaling more than 512 million claim and encounter claim records. This also included more than 469,000 individual provider records.

EDS developed two comprehensive plans for training more than 67,000 medical service providers and more than 1,300 Commonwealth users of the new claims processing system. This approach combined statewide classroom-style training sessions, Web-based e-learning courses, teleconferences, and printed training aids.

PROMIS*e* went live on February 16, 2004, for the provider and reference areas; on February 19, 2004, for interactive pharmacy claims processing and eligibility verification; and on February 26, 2004 for PA and recipient lock-in. PROMIS*e* was fully live and in full production on March 1, 2004, the planned and scheduled implementation date.

Kansas Health Policy Authority (KHPA)

In 2002, KHPA awarded EDS the procurement for its HIPAA-compliant, replacement MMIS.

We used our proven project management approach and standard corporate methodologies, such as SLC 3 and PM 2. KHPA and EDS established a change control board to manage and document changes to requirements. Additionally, we formed an Integrated Testing team comprising state and EDS technical staff and subject-matter experts (SMEs).

In the month before implementing the new MMIS, Kansas experienced an unplanned development regarding the Medicare Intermediary and Carrier being HIPAA-compliant. The Medicare contractors were not ready to send HIPAA-compliant transactions. The technical ability of our team allowed for the development of a translator between the proprietary crossover format and the HIPAA-compliant format. While the new interChange MMIS began operation on time—in less than 90 days—the new MMIS could bring in the existing nonproprietary files to reduce the impact to providers. Based on the Oklahoma interChange, the new Kansas interChange MMIS includes the following:

- Enterprise workflow automation to improve efficiency and management
- Management reporting capabilities for prompt response to requests
- Imaging and document management providing electronic access to records to efficiently answer questions, solve problems, and manage system data

> "Kansas HPA is pleased to have collaborated with EDS in the development of a flexible system that will adapt to our rapidly changing needs. The ease of use for our staff and the improved access to data will be very beneficial to the management of our program."
>
> *—Christiane Swartz Administrator, Kansas Health Policy Authority*

- Interactive voice response system for providers to quickly obtain information using an automated telephone system, with fax-back capability for confirmation and documentation
- Enhanced claims bundling capability that increases benefit dollars, saving exponentially more than the previous mainframe MMIS
- Enhanced decision support system (DSS)
- Enhanced Internet application where providers can submit claims (interactively or in batch mode); inquire on eligibility and claims status; retrieve 835s; check coverage and allowed amounts on procedures, National Drug Codes, and revenue codes; and review bulletins and manuals

The Kansas implementation was on time and within the bid price. With the introduction of Kansas' interChange, program administration costs dropped from approximately 3 percent to 2 percent of benefit dollar expenditures, and claims processing occurred 85 percent faster than they did with the legacy system.

Oklahoma Health Care Authority

In 2000, the Oklahoma Health Care Authority (OHCA) awarded EDS a contract for the design, development, implementation, and operation of a new MMIS using our Indiana MMIS as the base system.

"EDS has worked with the state of Oklahoma to create a next generation MMIS that has become a model for system solutions within the Medicaid industry,"

—Mike Fogarty CEO of the Oklahoma Health Care Authority

We developed the new Oklahoma MMIS based on specifications approved in the detailed design document for each functional area. Besides batch program development and creation or modification of more than 700 online Web panels, the new Oklahoma MMIS added a Web-based functional component for the providers. Web functions include claim submission access for multiple claim types, claim status inquiry, recipient eligibility verification, PA submission and inquiry, and a function where providers can unload electronic data interchange (EDI) 837 transactions for processing.

Besides training users, EDS trained 3,493 providers at 11 different locations across the state. The curriculum was developed with seven different classes focused by claim type. The seven classes were Health Care Financing Administration (HCFA) 1500, transportation, UB92, long-term care, pharmacy, general, and dental.

Months before implementation, OHCA, EDS, and the previous contractor met to develop a transition plan. We held meetings to track the progress of each task. The transition plan established events such as the dates for when the previous contractor would execute the last financial cycle of the year, when EDS would take responsibility for the post office boxes for paper claims, and when the files needed for conversion would be available. Additionally, because the previous

contractor's information processing facility was in a state where weather delays might hamper the ability to deliver the final conversion files quickly, we developed a contingency plan.

Besides the collaborative plan with OHCA, EDS, and the previous contractor, we produced a detailed implementation plan listing the prerequisites to the implementation for each functional area, the production transition, and the final verification and post-implementation tasks. For each task in the plan, there was a scheduled start date, scheduled finish date, actual start date, actual finish date, assigned or responsible individual, activity or task description, responsible group, and contingency notes. An example of a task in the plan was "Create recipient cross-reference (Xref) conversion file for outside entities and transmit the file. The job to run is ELGJOC55."

The Oklahoma MMIS went live December 19, 2002, for pharmacy POS and eligibility verification processing. On December 23, 2002, the new Oklahoma MMIS online system was fully functional, and claim types were processed. The first financial cycle executed December 27, 2002.

DDI was expected to be completed December 31, 2002. However the implementation actually finished a couple weeks early, and claims processing began on December 19, 2002.

I. Lessons Learned

North Carolina is the beneficiary of all the experience described in our response to RFP Section 50.2.10.1. We have learned much from each of these implementations and will apply these lessons learned to the installation and operation of interChange in North Carolina.

The value of our experience is further demonstrated in lessons learned. EDS brings experience and lessons learned from our successful implementation and transition experience in Kansas, Oklahoma, Kentucky, and numerous other projects.

Lessons learned from recent interChange implementations include the following:

- **Apply sufficient resources to make sure you have correctly configured policy—**Configuration of policy is a major task. There should be a dedicated team of resources, business analysts (BAs) and systems engineers (SEs) under a benefit administration technical functional area lead that begins the policy research and documentation process as soon as the project starts. This will accomplish the following:
  - Start interaction with the client almost immediately
  - Facilitate the configuration of the system to prepare for the testing processes

The staffing plan and work plan we have developed for the Replacement MMIS recognize the complexity of configuring policy for not just Medicaid, but for the other three divisions as well.

- **Plan for efficient communications and connectivity from the beginning—**Providing rapid work space and connectivity using digital subscriber line (DSL) with virtual private network (VPN) and wireless networking can make temporary space productive almost immediately.
- **Supply the right numbers and types of personnel—**The State and EDS must plan for and provide the personnel who can complete and sign off on the early requirements validation (RV) sessions.
- **Use converted data in system testing—**The number of issues trying to use the user interface (UI) with converted data and run claims with converted data take significant time to troubleshoot and fix. Sufficient time must be included in the plan to correct data conversion issues and in preparing code for final conversion runs. Ideally, a time line would allow a pre-system test period for just testing the converted data through the user interface and initial claims processing.
- **Freeze system changes in the legacy system at the right time—**Last-minute policy changes and requests can cause too much flux during testing and go-live processes.

Because of our recent and ongoing interChange implementations, our cadre of implementation-focused experts share current, daily experiences—what works and what does not work. We will apply our lessons learned, along with our technical skill and program knowledge, to deliver the Replacement MMIS on time and within budget.

50.2.10.2 Summary Information Listing the Offeror's Corporate Relevant Experience

RFP Reference: 50.2.10.2 Summary Information Listing the Offeror's Corporate Relevant Experience, Pages 282-283

As a global corporation with healthcare clients in 21 countries, our proven experience is deep, with more than 40 years in this critical business area. We have focused the list of corporate relevant experience to highlight healthcare claims processing experience in the United States. In this section, we include an Appendix 50, Attachment E for the operational healthcare claims processing clients in the United States that we have served within the last five years. We have not included those that are new and in the very early stages of implementation. We present these clients in the order listed in the following table, EDS Healthcare Claims Processing Experience.

EDS Healthcare Claims Processing Experience

interChange MMIS States	Other MMIS States	Other Healthcare Claims Processing
• Kansas Health Policy Authority • Kentucky Cabinet of Health and Family Services • Oklahoma Health Care Authority • Pennsylvania Department of Public Welfare • Tennessee Department of Finance and Administration, Bureau of TennCare	• Alabama Medicaid Agency • Arkansas Department of Human Services Division of Medicaid Services • California Department of Health Services • Connecticut Department of Social Services • Delaware Health and Social Services • Florida Agency for Healthcare Administration • Georgia Department of Community Health • Idaho Department of Health and Welfare • Indiana Office of Medicaid Policy and Planning • Commonwealth of Massachusetts, Executive Office of Health and Human Services • New Hampshire Department of Health and Human Services • North Carolina Division of Medical Assistance • Oregon Department of Human Services • Rhode Island Department of Human Services • Texas Health and Human Services Commission • Office of Vermont Health Access • Wisconsin Division of Health Care Financing	• BCBS Arizona • BCBS Massachusetts • Blue Shield of California • Centers for Medicare & Medicaid Services (CMS), Medicare Part B and DME • CMS, MCDC2 • Coventry Health Care Inc. ("Coventry") and First Health Group Corp. • Wellmark

LISTING OF OFFEROR'S CORPORATE RELEVANT EXPERIENCE

Name of the Customer Kansas Health Policy Authority

Name of the Project Kansas Medicaid

Did the project involve claims processing specifically for either or all of the following?

- ☒ Medicaid
- ☐ Medicare
- ☐ Mental Health
- ☐ Other health care entity

Did the Offeror perform any of the following tasks on the contract?

- ☒ Claim processing (include whether fee for service, capitation, and/or encounters)
- ☒ Provider relations services
- ☒ Prior approval services
- ☒ Drug rebate services
- ☒ Point of sale processing and support services
- ☒ Electronic eligibility verification system processing and services
- ☐ Provider payment issuance and financial management
- ☒ Other

  During 2006, the EDS Kansas Medicaid team processed 19,413,845 fee-for-service claims, 2,268,398 encounters, and 1,994,644 managed

care capitation claims.

To better serve the state, beneficiaries, and providers, the team also:

- Supports bilingual (English and Spanish) beneficiaries' written and provider help desk inquiries
- Supports provider enrollment, outreach, and certification
- Supports provider relations and training
- Supports nonemergency travel for client
- Performs quality assurance
- Performs third-party liability recovery services
- Performs prior authorization services
- Supports data warehouse with history of 60 months
- Performs formulary management services
- Performs retrospective and prospective DUR
- Provides pharmacy benefits management
- Provides drug rebate services
- Performs audits related to retail pharmacies, prescriber, home infusion therapy, and durable medical equipment
- Produces and mails provider bulletins
- Performs managed care marketing and enrollment

Indicate whether the role Offeror had on the referenced contract was as a prime or a subcontractor

☒ Prime

☐ Subcontractor

Time period of the project during which the Offeror participated

First contract: 02/01/78 – 12/31/81
Second contract: 01/01/82 – 06/30/85
Third contract: 07/01/85 – 06/30/90
Fourth contract: 07/01/90 – 10/31/96
Fifth contract: 02/01/02 – 06/30/08
Option years: 07/01/08 – 06/30/09; 07/01/09 – 06/30/10; 07/01/10 – 06/30/11; 07/01/11 – 06/30/12; 07/01/12 – 06/30/13

Program size (number of beneficiaries and dollar amount of claims paid per year)

In 2006, the EDS Kansas Medicaid team served 260,000 beneficiaries

Dollar amount of claims paid in 2006: $1,858,453,840

Total number of providers served by program

2006 providers served: 27,460

Did the Offeror's overall responsibilities on the referenced contract include:

- ☐ Design, development, and implementation of a system with COTS?
- ☐ Design, development, and implementation of a system with COTS with modifications?
- ☐ Design, development, and implementation of a system with ground-up development?
- ☐ Design, development, and implementation of a system with a transferred system?
- ☒ Design, development, and implementation of a system with a transferred system with modifications?
- ☒ Design, development, and implementation of a system requiring CMS certification?
- ☒ Operations of a system?

☒ Maintenance and modification of a system?

☒ Any responsibilities for system turnover at the end of the contract?

☐ Any responsibilities serving as the systems integrator?

Did the referenced contract involve health care claims processing in a multi-payer environment?

☐ Yes

☒ No

Platform the system operates on

Hardware environment: Sun UNIX/Oracle backend. Windows with some Citrix front end, EDI

Software environment: PowerBuilder, C, ASP, .NET, MapMarker, Autosys, Sybase EDI

Programming languages: C, PowerBuilder, Oracle, ASP

Key technologies used in the implementation and/or operation of the system

The system uses the interactive technologies and transaction processing in a relational database environment to provide real-time claims processing and information retrieval. These technologies moved the client from a batch world into a truly real-time, interactive application.

Have damages or penalties been assessed during the last 5 years?

☐ Yes

☒ No

Customer reference (including name, address, and current telephone number of the responsible project administrator or manager who is familiar with the Offeror's performance)

Name	Ms. Christiane Swartz, Director, Medicaid Operations, Kansas Health Policy Authority
Address	900 SW Jackson, 9th Floor
	Topeka, KS 66612-1505
Telephone	1 785 368 6296

LISTING OF OFFEROR'S CORPORATE RELEVANT EXPERIENCE

Name of the Customer Commonwealth of Kentucky, Cabinet of Health and Family Services

Name of the Project Kentucky Medicaid

Did the project involve claims processing specifically for either or all of the following?

- ☒ Medicaid
- ☐ Medicare
- ☐ Mental Health
- ☐ Other health care entity

Did the Offeror perform any of the following tasks on the contract?

- ☒ Claim processing (include whether fee for service, capitation, and/or encounters)
- ☒ Provider relations services
- ☒ Prior approval services
- ☐ Drug rebate services
- ☒ Point of sale processing and support services
- ☒ Electronic eligibility verification system processing and services
- ☒ Provider payment issuance and financial management
- ☒ Other

  To best serve the Commonwealth, recipients,

and providers, EDS provides the following:

- Web claims submission
- System maintenance and modifications
- System and user documentation
- Automated eligibility verification
- Interactive voice response
- Provider call center
- User and provider training
- TPL
- SURS
- MARS
- EPSDT
- Case management
- Enhanced claims editing (ClaimCheck)
- Mail room
- Data entry
- DSS

Indicate whether the role Offeror had on the referenced contract was as a prime or a subcontractor

☒ Prime

☐ Subcontractor

Time period of the project during which the Offeror participated

03/28/2005 – 12/01/2010 (with two one-year option periods available)

Program size (number of beneficiaries and dollar amount of claims paid per year)

In 2006, the EDS Kentucky Medicaid team served 650,000 beneficiaries.

2006 dollar amount of claims processed: $100,939,128

Total number of providers served by program

2006 providers served: approximately 35,000

Did the Offeror's overall responsibilities on the referenced contract include:

- ☐ Design, development, and implementation of a system with COTS?
- ☐ Design, development, and implementation of a system with COTS with modifications?
- ☐ Design, development, and implementation of a system with ground-up development?
- ☐ Design, development, and implementation of a system with a transferred system?
- ☒ Design, development, and implementation of a system with a transferred system with modifications?
- ☒ Design, development, and implementation of a system requiring CMS certification?
- ☒ Operations of a system?
- ☐ Maintenance and modification of a system?
- ☒ Any responsibilities for system turnover at the end of the contract?
- ☒ Any responsibilities serving as the systems integrator?

Did the referenced contract involve health care claims processing in a multi-payer environment?

☐ Yes

☒ No

Platform the system operates on

Hardware environment: interChange (Sun)

Software environment: client/server – (Oracle database); data entry uses Captiva with image retrieval through OnBase; DSS uses BusinessObjects; McKesson ClaimCheck is used within interChange

Programming languages: Cobol, C, Java

Key technologies used in the implementation and/or operation of the system

- BusinessObjects 6.5 Reporter
- BusinessObjects 6.5 InfoView
- BusinessObjects 6.5 WebIntelligence
- McKesson ClaimCheck
- FileNet
- Captiva

Have damages or penalties been assessed during the last 5 years?

☐ Yes

☒ No

Customer reference (including name, address, and current telephone number of the responsible project administrator or manager who is familiar with the Offeror's performance)

Name	Mr. Sandeep Kapoor, Chief Technology Officer (CTO), Cabinet of Health and Family Services, Office of Information Technology
Address	275 East Main Street
	Frankfort, KY 40601-2321
Telephone	1 502 564 6479 x4176

LISTING OF OFFEROR'S CORPORATE RELEVANT EXPERIENCE

Name of the Customer Oklahoma Health Care Authority (OHCA)

Name of the Project Oklahoma Medicaid

Did the project involve claims processing specifically for either or all of the following?

- ☒ Medicaid
- ☒ Medicare
- ☐ Mental Health
- ☒ Other health care entity

Did the Offeror perform any of the following tasks on the contract?

- ☒ Claim processing (include whether fee for service, capitation, and/or encounters)
- ☒ Provider relations services
- ☒ Prior approval services
- ☒ Drug rebate services
- ☒ Point of sale processing and support services
- ☒ Electronic eligibility verification system processing and services
- ☒ Provider payment issuance and financial management
- ☒ Other

  Processed approximately 99,445 encounters in 2006 and 20,951 capitation payments. This account has been in place less than one year and

this is a six-month number.

Other tasks include the following:

- Automated fraud and abuse detection (neural network technology)
- Support for Clinical Case Management System
- Customer call center with call telephony integration (CTI)
- DSS (ad hoc reporting) with neural network fraud technology and predictive modeling
- Support for drug rebate
- Support for EPSDT
- Imaging
- MARS
- Support for SUR profiling and case tracking
- Secure Web-based technology
- Application development
- Data communications LAN/WAN
- Data center operations
- Information security
- Geographic Information System
- Management consulting

Indicate whether the role Offeror had on the referenced contract was as a prime or a subcontractor

☒ Prime

☐ Subcontractor

Time period of the project during which the Offeror participated

First contract: 10/5/00 – 12/31/07, with option years through 12/2010

Program size (number of beneficiaries and dollar amount of claims paid per year)

In 2006 the EDS Oklahoma Medicaid team served 600,000 beneficiaries.

2006 dollar amount of claims paid: $6,394,881,062

Total number of providers served by program

2006 providers served: 82,000

Did the Offeror's overall responsibilities on the referenced contract include:

- ☒ Design, development, and implementation of a system with COTS?
- ☒ Design, development, and implementation of a system with COTS with modifications?
- ☒ Design, development, and implementation of a system with ground-up development?
- ☒ Design, development, and implementation of a system with a transferred system?
- ☒ Design, development, and implementation of a system with a transferred system with modifications?
- ☒ Design, development, and implementation of a system requiring CMS certification?
- ☒ Operations of a system?
- ☒ Maintenance and modification of a system?
- ☒ Any responsibilities for system turnover at the end of the contract?

☐ Any responsibilities serving as the systems integrator?

Did the referenced contract involve health care claims processing in a multi-payer environment?

☒ Yes

☐ No

Platform the system operates on

SunFire 4810 (eight processors & 16 gb of memory)

Software environment: Solaris 8 and Oracle 9.2.0.3

Programming languages: C, Cobol, CSH Job Scripts

Key technologies used in the implementation and/or operation of the system

- Automated fraud and abuse detection (neural network technology)
- Support for Clinical Case Management System (ATLANTÉS)
- CTI-enabled customer call tracking system fronted by a speech recognition and text-to-speech enabled AVRS
- DSS (ad hoc reporting) including geographic information system and predictive modeling
- Imaging/OCR
- Support for SUR profiling and case tracking
- Secure Web-based technology

Have damages or penalties been assessed during the last 5 years?

☐ Yes

☒ No

Customer reference (including name, address, and current telephone number of the responsible project administrator or manager who is familiar with the Offeror's performance)

Name	Mr. Charles Brodt, Associate Director for Federal and State Health Policy
Address	4545 N. Lincoln Blvd., Suite 124
	Oklahoma City, OK 73105-3400
Telephone	1 405 522 7091

LISTING OF OFFEROR'S CORPORATE RELEVANT EXPERIENCE

Name of the Customer Pennsylvania Department of Public Welfare

Name of the Project Pennsylvania Medicaid

Did the project involve claims processing specifically for either or all of the following?

- ☒ Medicaid
- ☐ Medicare
- ☒ Mental Health
- ☐ Other health care entity

Did the Offeror perform any of the following tasks on the contract?

- ☒ Claim processing (include whether fee for service, capitation, and/or encounters)
- ☒ Provider relations services
- ☐ Prior approval services
- ☒ Drug rebate services
- ☒ Point of sale processing and support services
- ☒ Electronic eligibility verification system processing and services
- ☐ Provider payment issuance and financial management
- ☒ Other

EDS has been Pennsylvania's Medicaid system vendor since 1992. The replacement MMIS,

interChange, was certified in April 2005.

EDS transferred and modified the interChange MMIS from Oklahoma to Pennsylvania in March 2002. This MMIS was named the Provider Reimbursement Operations Management Information System in electronic format (PROMISe) and replaced the Department of Public Welfare's (DPW) 23-year old legacy system, Medical Assistance Management Information System (MAMIS).

EDS managed the 24-month implementation period, applying Project Management Methodology, Version 2 (PM 2) and Systems Life Cycle, Version 3 (SLC 3) operating principles. More than 420,000 hours of work, 3,927 discrete tasks, and 95 comprehensive deliverables were successfully delivered on time for a March 1, 2004 implementation date.

The current MMIS contract includes fiscal agent services; provider enrollment automation project (PEAP); Internet public portal for providers; Health Information Portability and Accountability Act (HIPAA) transactions; system maintenance, operation, modification, and enhancement; automated document management; automated eligibility; drug rebate; encounter claims; early and periodic screening, diagnosis, and treatment (EPSDT); financial processing; prior authorization (PA); reference; and Web-based technology.

In 2006, the EDS Pennsylvania team processed more than 38 million fee-for-service claims, totaling $6.6 billion in payouts to providers. Additionally, more than 68 million encounters were processed and $5.5 billion in capitation payments were made to managed care organizations.

Indicate whether the role Offeror had on the referenced contract was as a prime or a subcontractor

☒ Prime

☐ Subcontractor

Time period of the project during which the Offeror participated

First contract: (front-end claims processing only): 10/01/92 – 02/28/04

Current contract: (fiscal agent and MMIS): 03/01/04 – 10/31/07 with two option years exercised through 10/31/2009

Program size (number of beneficiaries and dollar amount of claims paid per year)

In 2006, the Pennsylvania Medicaid program served 1.9 million beneficiaries. The EDS team processed more than 120 million claims and encounters or nearly four claims per second and paid more than $6.6 billion in provider payments and $5.5 billion in capitation payments.

Total number of providers served by program

2006 providers served: 122,535 (unique service locations)

Did the Offeror's overall responsibilities on the referenced contract include:

☒ Design, development, and implementation of a system with COTS?

☒ Design, development, and implementation of a system with COTS with modifications?

☒ Design, development, and implementation of a system with ground-up development?

☒ Design, development, and implementation of a system with a transferred system?

☒ Design, development, and implementation of a system with a transferred system with modifi-

cations?

☒ Design, development, and implementation of a system requiring CMS certification?

☒ Operations of a system?

☒ Maintenance and modification of a system?

☒ Any responsibilities for system turnover at the end of the contract?

☒ Any responsibilities serving as the systems integrator?

Did the referenced contract involve health care claims processing in a multi-payer environment?

☐ Yes

☒ No

Platform the system operates on

Hardware environment: Sun 6900 Sunfire server, 15TB storage; Sun 4900 Sunfire, 9TB storage; Sun 440 Sunfire server; Unisys ES3040R and ES3020R servers; EMC CX300 arrays; Optical Jukebox; Dell 2850 servers and HP servers; Intervoice AVRS systems; Kodak scanners

Software environment: Sun Solaris 2.8, Microsoft Windows Server 2003, Microsoft Windows Server 2000, Nokia IPSO 3.7

Microsoft SQL Server 2000, Oracle 9.2

Programming languages: C; Microsoft Visual Studio and .NET; Sybase PowerBuilder

Key technologies used in the implementation and/or operation of the system

The interChange MMIS developed for Pennsylvania used the following key technologies and commercial of-the-shelf (COTS) packages:

- Web portal for claims submission and eligibility verification
- Optical character recognition/intelligent character recognition (OCR/ICR) technology for use with scanned documents
- ApertureOne from Impressions Technology, a Web-based image retrieval system from a third-party vendor
- Graphical user interface (GUI) developed with PowerBuilder
- BusinessObjects for fraud and abuse reporting
- UNIX, Solaris, and Windows operating systems

EDS supported application development, network architecture and infrastructure design and installation, automated document management integration, Web development, capacity and integration testing, and user transition support to bring the new system online for the client. Additionally, extensive planning, consulting, and integration services with all other departmentwide information technology (IT) projects were successfully provided through EDS' participation in cross-program IT project meetings.

EDS developed the new MMIS based on the specifications approved in the detailed design document. Besides batch program development and creation or modification of more than 750 discrete online windows, the new PROMISe system added a significant Web-based functional component for providers and users in the Commonwealth of Pennsylvania. Web functions include claim submission access for multiple claim types, claim status inquiry, recipient eligibility verification, self-service provider enrollment options, and direct access to user and provider Web-based training. This functional capability is integrated with the client's own client information system, master provider index system, and the home and community services information systems.

Have damages or penalties been assessed during the last 5 years?

☒ Yes

☐ No

Customer reference (including name, address, and current telephone number of the responsible project administrator or manager who is familiar with the Offeror's performance)

Name	Ms. Barbara Rupp, Bureau Director – Bureau of Data and Claims Management, OMAP
Address	225 Grandview Avenue
	Camp Hill, PA 17011-1712
Telephone	1 717 346 0091

LISTING OF OFFEROR'S CORPORATE RELEVANT EXPERIENCE

Name of the Customer Tennessee Department of Finance and Administration, Bureau of TennCare

Name of the Project Tennessee Medicaid Program (TennCare)

Did the project involve claims processing specifically for either or all of the following?

- ☒ Medicaid
- ☐ Medicare
- ☒ Mental Health
- ☒ Other health care entity

Did the Offeror perform any of the following tasks on the contract?

- ☒ Claim processing (include whether fee for service, capitation, and/or encounters)
- ☐ Provider relations services
- ☐ Prior approval services
- ☐ Drug rebate services
- ☐ Point of sale processing and support services
- ☒ Electronic eligibility verification system processing and services
- ☒ Provider payment issuance and financial management
- ☐ Other

Indicate whether the role Offeror had on the referenced contract was as a prime or a subcontractor

☒ Prime

☐ Subcontractor

Time period of the project during which the Offeror participated

08/12/02 – 06/30/07

Extension signed through 12/31/2008

Program size (number of beneficiaries and dollar amount of claims paid per year)

In 2006, the EDS TennCare team served 1,819,614 beneficiaries.

2006 claims paid: $844,291,294

Total number of providers served by program

2006 providers served: 55,000

Did the Offeror's overall responsibilities on the referenced contract include:

☐ Design, development, and implementation of a system with COTS?

☒ Design, development, and implementation of a system with COTS with modifications?

☒ Design, development, and implementation of a system with ground-up development?

☐ Design, development, and implementation of a system with a transferred system?

☒ Design, development, and implementation of a system with a transferred system with modifications?

☒ Design, development, and implementation of a

system requiring CMS certification?

☒ Operations of a system?

☒ Maintenance and modification of a system?

☒ Any responsibilities for system turnover at the end of the contract?

☐ Any responsibilities serving as the systems integrator?

Did the referenced contract involve health care claims processing in a multi-payer environment?

☒ Yes

☐ No

Platform the system operates on

The TennCare Management Information System (TCMIS) is supported by three Sun Microsystems multiprocessor servers (SunFire 4800s). Two of these support production and user testing environments while the third supports development. Data is stored on a Hitachi 9980 SAN providing over 70TB of online storage. Backups are written to LTO2 tapes on a Sun L700 tape library.

The primary application which comprises TCMIS software environment is EDS' proprietary MIS platform for Medicaid, interChange The TCMIS implementation runs on Sun Solaris version 9 of UNIX. Various other pieces of software support monitoring and management of this environment. Client applications for TCMIS are supported on Microsoft Windows desktops. Access to the client software is performed through Citrix.

The primary programming language used for server applications and PowerBuilder for client apps is C.

Key technologies used in the implementation and/or operation of the system

Oracle Financial Application—AP/GL component fully integrated with replacement system

Call Center Infrastructure—Seibel/Filenet covering call management application and workflow management

Document management—Document storage, archival and retrieval

Imaging component—Recognition Research, Inc. system processing documentation for storage as well as OCR for claims processing

Have damages or penalties been assessed during the last 5 years?

☒ Yes

☐ No

Customer reference (including name, address, and current telephone number of the responsible project administrator or manager who is familiar with the Offeror's performance)

Name	Mr. Brent Antony Chief Information Officer (CIO)
Address	310 Great Circle Road
	Nashville, TN 37243-1700
Telephone	1 615 507 6339

LISTING OF OFFEROR'S CORPORATE RELEVANT EXPERIENCE

Name of the Customer Alabama Medicaid Agency

Name of the Project Alabama Medicaid

Did the project involve claims processing specifically for either or all of the following?

- ☒ Medicaid
- ☐ Medicare
- ☐ Mental Health
- ☐ Other health care entity

Did the Offeror perform any of the following tasks on the contract?

- ☒ Claim processing (include whether fee for service, capitation, and/or encounters)
- ☒ Provider relations services
- ☒ Prior approval services
- ☒ Drug rebate services
- ☒ Point of sale processing and support services
- ☒ Electronic eligibility verification system processing and services
- ☒ Provider payment issuance and financial management
- ☒ Other

  In 2006, the EDS Alabama Medicaid team processed approximately 19,674,325 fee-for-service claims and 13,315 capitation payments.

To better serve the state, beneficiaries and providers, the team performs the following additional tasks:

- Maintained the Web site
- Maintained the automated voice response system (AVRS)
- Produced and mailed provider bulletins
- Supplied 224,119 plastic cards to beneficiaries
- Provided beneficiary training
- Enrolled 3,559 providers in 2002 through provider enrollment, outreach, and certification support
- Supported beneficiary and provider help desk and written inquiries
- Provided third-party liability recovery services recovering $106,054,618.24 in 2002
- Provided 600GB data warehouse containing 60 months of history

Indicate whether the role Offeror had on the referenced contract was as a prime or a subcontractor

☒ Prime

☐ Subcontractor

Time period of the project during which the Offeror participated

First contract: 10/01/79 – 09/30/82
Second contract: 10/01/82 – 09/30/85
Third contract: 10/01/85 – 09/30/88
Fourth contract: 10/01/88 – 09/30/93
Fifth contract: 10/01/93 – 09/30/99
Sixth contract: 10/01/99 – 09/30/04
Seventh contract: 10/01/04 – 09/30/07
with two option years available

Program size (number of beneficiaries and dollar amount of claims paid per year)

In 2006, the EDS Alabama Medicaid team served 1,002,578 beneficiaries
2006 dollar amount of claims paid: $2,509,650,249

Total number of providers served by program

2006 Providers served: 44,477

Did the Offeror's overall responsibilities on the referenced contract include:

- ☒ Design, development, and implementation of a system with COTS?
- ☒ Design, development, and implementation of a system with COTS with modifications?
- ☒ Design, development, and implementation of a system with ground-up development?
- ☒ Design, development, and implementation of a system with a transferred system?
- ☒ Design, development, and implementation of a system with a transferred system with modifications?
- ☒ Design, development, and implementation of a system requiring CMS certification?
- ☒ Operations of a system?
- ☒ Maintenance and modification of a system?
- ☒ Any responsibilities for system turnover at the end of the contract?
- ☒ Any responsibilities serving as the systems integrator?

Did the referenced contract involve health care claims processing in a multi-payer environment?

- ☐ Yes

☒ No

Platform the system operates on

Hardware environment: IBM mainframe, Tandem client/server, Sun E6500, and Dell Servers

Software platform: MVS, UNIX, Non-Stop SQL, Sun E650 and Dell Servers

Programming languages: COBOL, C, Visual Basic, Visual FoxPro, Java, Assembler, PowerBuilder

Key technologies used in the implementation and/or operation of the system

Automated Voice Response System (AVRS)

Automated Eligibility Verification and Claims Submission (AEVCS)

Decision Support System (DSS)

Have damages or penalties been assessed during the last 5 years?

☐ Yes

☒ No

Customer reference (including name, address, and current telephone number of the responsible project administrator or manager who is familiar with the Offeror's performance)

Name	Ms. Carol Steckel, Commissioner
Address	501 Dexter Avenue, PO Box 5624
	Montgomery, AL 36103-5624
Telephone	1 334 242 5600

LISTING OF OFFEROR'S CORPORATE RELEVANT EXPERIENCE

Name of the Customer Arkansas Department of Human Services Division of Medicaid Services

Name of the Project Arkansas Medicaid

Did the project involve claims processing specifically for either or all of the following?

- ☒ Medicaid
- ☐ Medicare
- ☐ Mental Health
- ☒ Other health care entity

  Public Health

Did the Offeror perform any of the following tasks on the contract?

- ☒ Claim processing (include whether fee for service, capitation, and/or encounters)
- ☒ Provider relations services
- ☒ Prior approval services
- ☒ Drug rebate services
- ☒ Point of sale processing and support services
- ☒ Electronic eligibility verification system processing and services
- ☒ Provider payment issuance and financial management
- ☒ Other

In 2006, the EDS Arkansas Medicaid team processed 27,847,331 and 8,585,430 capitation payments for ConnectCare, ARKids First, and .NET providers.

Other tasks performed by the EDS team include the following:

- Support a provider help desk and written inquiries
- Perform third-party liability checking, coordination and recovery services
- Provide 1.5TB data warehouse with weekly updates and seven years of history
- Provide cost avoidance and recoveries
- Use McKesson ClaimCheck and ClaimCheck dental auditing
- Provide Internet/Web access for provider inquiry
- Provide surveillance and utilization review (SUR)
- Provide prospective drug utilization review (Pro-DUR)

Indicate whether the role Offeror had on the referenced contract was as a prime or a subcontractor

☒ Prime

☐ Subcontractor

Time period of the project during which the Offeror participated

First contract: 01/14/85 – 12/31/89
Second contract: 01/01/90 – 12/31/93
Sole source additions:01/01/94 – 12/31/95; 01/01/95 – 12/31/96
Third contract: 03/01/96 – 12/31/03
Sole source additions: 01/01/03 – 06/30/04; 07/01/04 – 12/31/04
Fourth contract: 07/01/04 – 06/30/11 with all option years

Program size (number of beneficiaries and dollar amount of claims paid per year):

In 2006, the EDS Arkansas Medicaid team served 729,800 beneficiaries

2006 dollar amount of claims paid: $2,828,762,387

Total number of providers served by program

2006 providers served: 13,055

Did the Offeror's overall responsibilities on the referenced contract include:

- ☒ Design, development, and implementation of a system with COTS?
- ☒ Design, development, and implementation of a system with COTS with modifications?
- ☒ Design, development, and implementation of a system with ground-up development?
- ☒ Design, development, and implementation of a system with a transferred system?
- ☒ Design, development, and implementation of a system with a transferred system with modifications?
- ☒ Design, development, and implementation of a system requiring CMS certification?
- ☒ Operations of a system?
- ☒ Maintenance and modification of a system?
- ☒ Any responsibilities for system turnover at the end of the contract?
- ☐ Any responsibilities serving as the systems integrator?

Did the referenced contract involve health care claims processing in a multi-payer environment?

- ☒ Yes
- ☐ No

In addition to the main Medicaid program, the MMIS also adjudicates and pays claims for these additional Medicaid and other healthcare programs:

- ConnectCare (managed care program)
- ARKids First (CHIP)
- Breast and Cervical Cancer Control Program

- Developmentally Disabled Services
- Children's Medical Services

Platform the system operates on

IBM Mainframe MVS/TSO, HP Tandem

System software: COBOL for MVS and CICS

Programming languages: COBOL, CICS, EZTrieve, Powe-Builder, .NET

Key technologies used in the implementation and/or operation of the system

EDS also provides claims imaging, imaging more than 600,000 claims in 2002. Claims are imaged by Recognition Research Inc.

Automated Eligibility Verification and Claims Submission (AEVCS) system is a statewide point-of-sale (POS) system used by providers to verify eligibility and submit medical; early and periodic screening, diagnosis, and treatment; dental; inpatient; outpatient; long-term care; and pharmacy claims. Providers are reimbursed more quickly as a result of the reduction in average processing time from 15 days to under three days. In 2002, the ConnectCare program, supported by AEVCS, was recognized by the National Health Care Purchasing Institute for using its purchasing power to protect patient safety and improve healthcare quality. It also received a 1997 "Top Ten" Innovation in American Government from the John F. Kennedy School of Government at Harvard University. AEVCS was also an award winner from the National Association of State Information Resource Executives in 1995.

EDS designed, developed, and implemented the Arkansas Medicaid DSS. The overall data warehouse size is 1.5 TB. The system supports more than 125 users and more than 3,000 queries per month. The software tools used include EDS*Navigator* for the user interface, BusinessObjects, MapInfo, and Johns Hopkins ACG, ETC, and DSS*Profiler* for

data analysis. The data stored includes provider, recipient, TPL, claims, financial, and reference data.

EDS maintains the Arkansas Medicaid Web site from which providers are able to enroll, submit claims, maintain demographic information, and access and download forms, provider manuals, official notices, AEBCXS specifications, HIPAA information, and EDS Provider Electronic Solutions Software.

Have damages or penalties been assessed during the last 5 years?

☐ Yes

☒ No

Customer reference (including name, address, and current telephone number of the responsible project administrator or manager who is familiar with the Offeror's performance)

Name	Mr. Roy Jeffus, Director
Address	700 Main Street
	PO Box 1437
	Little Rock, AR 72201-1437
Telephone	1 501 682 8292

LISTING OF OFFEROR'S CORPORATE RELEVANT EXPERIENCE

Name of the Customer California Department of Health Services

Name of the Project California Medicaid Program (Medi-Cal)

Did the project involve claims processing specifically for either or all of the following?

- ☒ Medicaid
- ☐ Medicare
- ☒ Mental Health
- ☒ Other health care entity

  Public Health

Did the Offeror perform any of the following tasks on the contract?

- ☒ Claim processing (include whether fee for service, capitation, and/or encounters)
- ☒ Provider relations services
- ☒ Prior approval services
- ☒ Drug rebate services
- ☒ Point of sale processing and support services
- ☒ Electronic eligibility verification system processing and services
- ☒ Provider payment issuance and financial management
- ☒ Other

  The EDS California Medicaid team processed

64,582,363 encounters and 228M fee-for-service claims in the fiscal year that ended 2006.

In addition to the above-mentioned tasks, functions provided by the EDS California Medicaid team include the following:

- Produce beneficiary plastic ID card production and distribution
- Support beneficiary and provider help desk and written inquiries in 11 languages, handling more than 700,000 agent calls and 4 million automated responses.
- Administer provider outreach, including instructor-led seminars, workshops, on-site visits, inclusion in focus groups, beta testing, and surveys and outreach through the call center and Web site
- Develop, publish, and distribute provider manuals and bulletins in hard copy and on the Web
- Enhance and maintain the Medi-Cal Web site, including transaction services (such as claims, eligibility, and authorization)
- Perform quality analysis and process review and improvement
- Performed approximately 1,600,000 prior authorizations in 2002
- Provide quality assurance and management
- Provide Medicare drug pricing
- Provide NCPDP response file downloads
- Provide Breast and Cervical Cancer Treatment Program (BCCTP) enrollment
- Perform provider liaison services
- Manage a cost-containment unit that reviews policy and investigates possible fraudulent activities
- Enhance and maintain the MMIS and its pe-

ripheral systems

- Perform pharmacy services, including real-time claims processing, formulary file management, drug utilization review (DUR), and drug rebate
- Support the Family Planning Access, Care, and Treatment (PACT) project

Indicate whether the role Offeror had on the referenced contract was as a prime or a subcontractor

☒ Prime

☐ Subcontractor

Time period of the project during which the Offeror participated

First contract: 10/1/87 – 5/31/93
Second contract: 6/1/93 – 6/30/97
Contract extensions: 7/1/97 – 6/30/98; 7/1/98 – 6/30/99; 7/1/99 – 6/30/00; 7/1/00 – 6/30/03
Third contract: 7/1/03 – 6/30/08
Option years: 7/1/08 – 6/30/09; 7/1/09 – 6/30/10

Program size (number of beneficiaries and dollar amount of claims paid per year)

In 2006, the EDS California Medicaid team served 6,519,476 beneficiaries

2006 dollar amount of claims paid: $35,302,004,141

Total number of providers served by program

2006 providers served: 80,000

Did the Offeror's overall responsibilities on the referenced contract include:

- ☒ Design, development, and implementation of a system with COTS?
- ☒ Design, development, and implementation of a system with COTS with modifications?
- ☒ Design, development, and implementation of a system with ground-up development?
- ☒ Design, development, and implementation of a system with a transferred system?
- ☒ Design, development, and implementation of a system with a transferred system with modifications?
- ☒ Design, development, and implementation of a system requiring CMS certification?
- ☒ Operations of a system?
- ☒ Maintenance and modification of a system?
- ☒ Any responsibilities for system turnover at the end of the contract?
- ☐ Any responsibilities serving as the systems integrator?

Did the referenced contract involve health care claims processing in a multi-payer environment?

- ☒ Yes
- ☐ No

Platform the system operates on

70% ZOS Mainframe, Sun/UNIX, Intel, CISCO, HDS SANs, Overland Tape Silos

Tivoli Storage Manager 1 Server handled all backup/recovery, archiving, disaster recovery/planning

Sun server V480

CPU 4 @ 900 MHz each

Memory 8192 MB

EIMS hardware:

Development:

SUN V480, 4 CPU, 8GB RAM for DB2 and OnDemand

SUN V120, 1 CPU, 1GB RAM for web server

SUN V120, 1 CPU, 1GB RAM for portal + LDAP server

Test:

2 x SUN Fire 4800 domain (each 1 board with 4 CPUs, 16GB RAM), Veritas Cluster Server (DB2 & OnDemand)

2 x V210, 2 CPU, 1 or 2GB RAM for webservers

2 x V210, 2 CPU, 1 or 2GB RAM for portal servers

2 x V210, 2 CPU, 1 or 2GB RAM for LDAP servers

1 x Cisco load balancer (model 11005 I believe)

Production:

2 x SUN Fire 6800 domain (each 2 boards with 8 CPUs, 16GB or 32GB RAM total), Veritas Cluster Server (DB2 & OnDemand)

2 x V240, 2 CPU, 2GB RAM for Webservers

2 x V240, 2 CPU, 2GB RAM for portal servers

2 x V240, 2 CPU, 2GB RAM for LDAP servers

1 x Cisco load balancer

System software:

Z-OS, Solaris, Unix, Linx, Windows 2000 & 2003 server, Oracle, Informatica, SQL, Blue Pumkin(Workflow Mgmt), NICE(Voice Recording), RRI, Avaya's CentreVu Supervisor Software, IBM's On-Demand Product

Programming languages: COBOL, CICS, Java, HTML, VB, Forte, USOFT, Business Objects, Crystal, C++

Key technologies used in the implementation and/or operation of the system

Claim form intelligent character recognition and imaging—This system is capable of scanning and converting claims from providers into the format needed to process the claims on the mainframe. The character recognition can read typed or hand-written claims from providers. Once scanned, claims are processed through the SunGard Workflow Solutions (SWS) system and verified. The system is run on Microsoft-based technologies using software from SunGard. The system processes the claims scanned in from Kodak I840 machines

Automated Eligibility Verification Submission (AEVS) —This system allows providers to verify a recipient's eligibility over the telephone. This system will verify the provider entered valid recipient information and speak back whether the recipient is eligible or not. The system runs on Microsoft-based technologies. The voice application is Promexus VB Voice.

Automated Remittance Data Services (ARDS) downloads—Providers who have signed up to receive a more detailed report of their claims that were paid or denied have access to a system that allows them to download their information electronically. This claim information is more detailed than the existing HIPAA 835 transaction. Providers can download this information from our Web site Monday mornings electronically instead of waiting until Thursday to receive it on paper. This is Web-based technology running on Microsoft-based technologies.

Supplemental Eligibility Verification System (SAEVS) — SAEVS is a voice system that is used by providers to assist them with how to set up POS devices, understand pharmacy reject codes, receive temporary PIN numbers, and use their temporary PIN numbers to obtain share of cost or eligibility information on a recipient. This system is run on Microsoft-based technologies. The voice application is Promexus VB Voice.

Third-Party Liability (TPL) Imaging System—This system contains images of documents and correspondence used to recover dollars from carriers for claims processed through Medi-Cal. As caseworkers from the state open new cases, all correspondence on the case is imaged and stored. The system uses software developed by Imanage running on

Microsoft-based technologies. This is now a state-owned system.

Rebate Accounting and Information System (RAIS) — This is an accounting system to recover drug rebate dollars for all pharmacy claims adjudicated through Medi-Cal. This system produces invoices to drug manufactures on a quarterly basis. It runs on a SUN server, with Oracle for the database, which houses 10 years of pharmacy data. The accounting system was developed by Unisys using USOFT.

Online, real-time eligibility determination—This allows providers to verify eligibility of recipients through a POS network using their own software to dial into our network using Verifone devices. We also have a system for providers to obtain the same information through our Web site, which runs on Microsoft-based technologies.

Real-Time Internet Pharmacy (RTIP) —This system allows providers to submit pharmacy claims on the Web through the Medi-Cal Web site. Providers who use this system will know whether the claim will be paid or denied and how much they will be reimbursed for the service. This is a Web-based system running on Microsoft-based technologies.

Customer Relations Management (CRM) —This enables our call center and other support staff to more effectively respond to inquiries from beneficiaries and providers. The CRM can centrally manage customer profiles, develop and maintain a knowledgebase of service-related support information, and disseminate that knowledge through multiple communication channels, including Web-based self-service, e-mail, and telephone support. Key elements of the CRM system and the call center operation include the following:

- Quality monitoring and management accomplished through voice and screen recording
- Data collection and management, including the entire contact history by provider or recipient.
- Reporting individual provider level, across provider types, by types of calls, resolution, and so forth to develop training and outreach and monitor SLAs

- Online claim correction, allowing agents to correct claims on behalf of a provider
- Knowledge tools, including a robust repository of scripts, procedure manuals, reference documents, and the Medi-Cal Web site
- Workforce management for statistical calls volumes and related metrics to manage staffing levels
- Call queue monitoring available at the supervisor desktop
- Call routing, a standard component using the Automated Call Distributor (ACD) to route incoming calls, by skill set, to the next available operator

Have damages or penalties been assessed during the last 5 years?

☐ Yes

☒ No

Customer reference (including name, address, and current telephone number of the responsible project administrator or manager who is familiar with the Offeror's performance)

Note: This client has advised us that they are unable to comment on EDS' performance at this time due to a current procurement.

Name	Mr. Jerry Stanger, Chief, Payment Systems Division, DHS
Address	1501 Capitol Avenue, MS 4700
	Sacramento, CA 95814-5005
Telephone	1 916 319 8080

LISTING OF OFFEROR'S CORPORATE RELEVANT EXPERIENCE

Name of the Customer State of Connecticut Department of Social Services

Name of the Project Connecticut Medicaid

Did the project involve claims processing specifically for either or all of the following?

- ☒ Medicaid
- ☐ Medicare
- ☐ Mental Health
- ☐ Other health care entity

Did the Offeror perform any of the following tasks on the contract?

- ☒ Claim processing (include whether fee for service, capitation, and/or encounters)
- ☒ Provider relations services
- ☒ Prior approval services
- ☒ Drug rebate services
- ☒ Point of sale processing and support services
- ☒ Electronic eligibility verification system processing and services
- ☒ Provider payment issuance and financial management
- ☒ Other

  The EDS Connecticut Medicaid team processed 17,028,648 claims in 2006.

  Other tasks performed by the team to enhance

service to providers and beneficiaries include:

- Supplied beneficiary cards to Connecticut Pharmacy Assistance Contract for the Elderly and Disabled (ConnPACE) clients
- Supported ConnPACE beneficiary and all provider help desk and written inquiries
- Supported provider enrollment, outreach, certification, and training
- Performed third-party liability recovery services
- Provided pharmacy claims administration

Indicate whether the role Offeror had on the referenced contract was as a prime or a subcontractor

☒ Prime

☐ Subcontractor

Time period of the project during which the Offeror participated

First contract: 06/24/81 – 09/30/87
Second contract: 12/23/86 – 12/31/95
Contract extension: 12/31/95 – 12/31/03
Contract extension: 01/01/04 – 3/31/04
Contract extension: 04/01/04 – 6/30/08
Third contract: 11/29/05 – 11/28/14 with three additional one-year options

Program size (number of beneficiaries and dollar amount of claims paid per year)

In 2006, the EDS Connecticut Medicaid team served 381,890 beneficiaries.
2006 dollar amount of claims paid: $4,254,182,796

Total number of providers served by program

2006 providers served: 5,743

Did the Offeror's overall responsibilities on the referenced contract include:

- ☒ Design, development, and implementation of a system with COTS?
- ☒ Design, development, and implementation of a system with COTS with modifications?
- ☒ Design, development, and implementation of a system with ground-up development?
- ☒ Design, development, and implementation of a system with a transferred system?
- ☒ Design, development, and implementation of a system with a transferred system with modifications?
- ☒ Design, development, and implementation of a system requiring CMS certification?
- ☒ Operations of a system?
- ☒ Maintenance and modification of a system?
- ☒ Any responsibilities for system turnover at the end of the contract?
- ☐ Any responsibilities serving as the systems integrator?

Did the referenced contract involve health care claims processing in a multi-payer environment?

- ☒ Yes
- ☐ No

Platform the system operates on

Hardware environment: IBM Mainframe

Software environment: MVS or Z/OS

Programming languages: COBOL, Assembler, CICS, Report Writer, Eztrieve, Synsort/Vision 80

Key technologies used in the implementation and/or operation of the system

- Automated Eligibility Verification System (AEVS)
- Automated Voice Response System (AVRS)
- Prospective drug utilization review (ProDUR)
- Web applications, such as the ability to locate a specific type of provider within the state and online report access
- Claims scanning using ICR/OCR

Have damages or penalties been assessed during the last 5 years?

☐ Yes

☒ No

Customer reference (including name, address, and current telephone number of the responsible project administrator or manager who is familiar with the Offeror's performance)

Name	Ms. Marcia Mains, Director of Medical Operations
Address	25 Sigourney Street
	Hartford, CT 06106-5001
Telephone	1 860 255 3904

LISTING OF OFFEROR'S CORPORATE RELEVANT EXPERIENCE

Name of the Customer Delaware Health and Social Services

Name of the Project Delaware Medicaid

Did the project involve claims processing specifically for either or all of the following?

- ☒ Medicaid
- ☐ Medicare
- ☐ Mental Health
- ☐ Other health care entity

Did the Offeror perform any of the following tasks on the contract?

- ☒ Claim processing (include whether fee for service, capitation, and/or encounters)
- ☒ Provider relations services
- ☒ Prior approval services
- ☒ Drug rebate services
- ☒ Point of sale processing and support services
- ☒ Electronic eligibility verification system processing and services
- ☒ Provider payment issuance and financial management
- ☒ Other

  In 2006, the EDS Delaware Medicaid team processed 7,188,404 fee-for-service claims, 3,136,558 encounters, and 1,156,120 managed

care capitation payments.

To support the Delaware Medicaid program to the fullest, the team also performs the following tasks:

- Provides claims imaging using Optical Character Recognition (OCR)
- Produces and distributes plastic beneficiary cards
- Supports bilingual (English and Spanish) beneficiary and provider help desk and written inquiry responses
- Supports provider enrollment, outreach, certification, and training
- Performs quality assurance
- Collects premiums for the uninsured and CHIP population
- Supports Vaccines for Children program
- Supports Breast and Cervical Cancer program
- Provides enrollment broker services for the Diamond State Health Plan
- Provides member enrollment, education and outreach for the Delaware Healthy Children Program (DHCP) managed care program
- Provides member services in support of the Primary Care Case Management (PCCM) program
- Conducts application and enrollment processing for the Delaware Prescription Assistance Program

Indicate whether the role Offeror had on the referenced contract was as a prime or a subcontractor

☒ Prime

☐ Subcontractor

Time period of the project during which the Offeror participated

First Contract: 11/01/89 – 06/30/02
Second Contract: 07/01/00 – 06/30/12

Program size (number of beneficiaries and dollar amount of claims paid per year)

In 2006 the EDS Delaware Medicaid team served 146,992 beneficiaries.
2006 dollar amount of claims paid: $616,811,574

Total number of providers served by program

2006 Delaware providers served: 6,232

Did the Offeror's overall responsibilities on the referenced contract include:

- ☐ Design, development, and implementation of a system with COTS?
- ☐ Design, development, and implementation of a system with COTS with modifications?
- ☐ Design, development, and implementation of a system with ground-up development?
- ☒ Design, development, and implementation of a system with a transferred system?
- ☒ Design, development, and implementation of a system with a transferred system with modifications?
- ☒ Design, development, and implementation of a system requiring CMS certification?
- ☒ Operations of a system?
- ☒ Maintenance and modification of a system?
- ☒ Any responsibilities for system turnover at the end of the contract?

☐ Any responsibilities serving as the systems integrator?

Did the referenced contract involve health care claims processing in a multi-payer environment?

☒ Yes

☐ No

In addition to the main Medicaid program, the MMIS also adjudicates and pays claims for additional Medicaid and other health care programs including the following:

- Delaware Health Children Program (DHCP) managed care programs (CHIP)
- Delaware Prescription Assistance Program
- Vaccines for Children Program
- Breast and Cervical Cancer Program

Platform the system operates on

Hardware: UNIX mid-range, PCs (LAN with Windows 2003 operating system), point-of-sale (POS) terminals

Systems software: Solaris 10.0 and Windows XP workstation operating systems

Programming language(s): C/C++, COBOL

Key technologies used in the implementation and/or operation of the system *(see next page)*

- Fifty percent table-driven handling for provider payments
- Managed care pricing
- Encounter data processing and reporting
- Client enrollment and reporting system
- Automated file transfer capability between EDS and the state's system
- Web-based Clearing House Automated Payment (CHAP) - Delaware Healthy Children Program payments are accepted through EDS Pay
- Prior authorization
- National Drug Code (NDC) look up
- Online manuals, bulletins, and alerts

Have damages or penalties been assessed during the last 5 years?

☐ Yes

☒ No

Customer reference (including name, address, and current telephone number of the responsible project administrator or manager who is familiar with the Offeror's performance)

Name	Troy McDaniel Social Service Senior Administrator Division of Medicaid and Medical Assistance
Address	Information System Unit, Biggs Building
	1901 N. DuPont Highway
	New Castle, DE 19720-1100
Telephone	1 302 255 9775

LISTING OF OFFEROR'S CORPORATE RELEVANT EXPERIENCE

Name of the Customer State of Florida, Agency for Health Care Administration

Name of the Project Florida Medicaid (currently in the DDI Phase and scheduled to go live March 2008)

Did the project involve claims processing specifically for either or all of the following?

- ☒ Medicaid
- ☐ Medicare
- ☐ Mental Health
- ☐ Other health care entity

Did the Offeror perform any of the following tasks on the contract?

- ☐ Claim processing (include whether fee for service, capitation, and/or encounters)
- ☒ Provider relations services
- ☐ Prior approval services
- ☐ Drug rebate services
- ☐ Point of sale processing and support services
- ☐ Electronic eligibility verification system processing and services
- ☐ Provider payment issuance and financial management
- ☒ Other

  To best serve the Florida Agency for Health Care Administration (AHCA), Florida's Medi-

caid recipients, and providers, EDS provides the following:

- Recipient call center
- Choice counseling

Indicate whether the role Offeror had on the referenced contract was as a prime or a subcontractor

☒ Prime

☐ Subcontractor

Time period of the project during which the Offeror participated

05/16/06 – 02/28/13

Program size (number of beneficiaries and dollar amount of claims paid per year)

In 2006, the EDS Florida Medicaid team served 2.1 million recipients.
2006 dollar amount of claims processed: $2,509,650,249

Total number of providers served by program

2006 providers served: 90,000

Did the Offeror's overall responsibilities on the referenced contract include:

☐ Design, development, and implementation of a system with COTS?

☒ Design, development, and implementation of a system with COTS with modifications?

☐ Design, development, and implementation of a system with ground-up development?

☐ Design, development, and implementation of a system with a transferred system?

- ☐ Design, development, and implementation of a system with a transferred system with modifications?
- ☒ Design, development, and implementation of a system requiring CMS certification?
- ☒ Operations of a system?
- ☒ Maintenance and modification of a system?
- ☒ Any responsibilities for system turnover at the end of the contract?
- ☐ Any responsibilities serving as the systems integrator?

Did the referenced contract involve health care claims processing in a multi-payer environment?

- ☐ Yes
- ☒ No

Platform the system operates on

Hardware environment: Sun E20K, Sun V40Z, and Dell servers

Software platform: UNIX Solaris 10, Windows 2003

Programming languages: Microsoft C# and ASP.NET utilizing Microsoft .NET 2.0 framework; C with standard embedded SQL; C shell and Korn shell; Oracle 10g; SQLServer 2005;BizTalk 2005;CA Autosys; Oracle SOA Suite

Key technologies used in the implementation and/or operation of the system

Service-oriented architecture (SOA) to include Web services, workflow, and rules engine capabilities; Web-based user interface; and business activity monitoring including custom dashboards

Have damages or penalties been assessed during the last 5 years?

☐ Yes

☒ No

Customer reference (including name, address, and current telephone number of the responsible project administrator or manager who is familiar with the Offeror's performance)

Name	Ms. Angela Ramsey, Implementation Lead
Address	1669 Mahan Center Boulevard
	Mail Stop 56
	Tallahassee, FL 32308-5454
Telephone	1 850 413 8031

LISTING OF OFFEROR'S CORPORATE RELEVANT EXPERIENCE

Name of the Customer Georgia Department of Community Health

Name of the Project Georgia Medicaid

Did the project involve claims processing specifically for either or all of the following?

- ☒ Medicaid
- ☐ Medicare
- ☐ Mental Health
- ☐ Other health care entity

Did the Offeror perform any of the following tasks on the contract?

- ☒ Claim processing (include whether fee for service, capitation, and/or encounters)
- ☒ Provider relations services
- ☒ Prior approval services
- ☐ Drug rebate services
- ☐ Point of sale processing and support services
- ☒ Electronic eligibility verification system processing and services
- ☒ Provider payment issuance and financial management
- ☒ Other

  The EDS Georgia Medicaid team processed 61,767,129 claims in 2002 delivering payment to providers in 8.5 days on the average. The

team processed 11,154,060 capitation payments and 78,219,877 fee-for-service claim details.

Further tasks performed to enhance service to the state, beneficiaries and providers include the following:

- Supplied 8,640,000 paper cards to beneficiaries
- Supported beneficiary and provider help desk
- Supported provider enrollment, outreach and certification
- Supported provider relations and training
- Data entry with 98 percent accuracy, and electronic claim submission
- Identification and reporting of third-party liability (TPL)
- Security

Indicate whether the role Offeror had on the referenced contract was as a prime or a subcontractor

☒ Prime

☐ Subcontractor

Time period of the project during which the Offeror participated

First contract: 07/01/87-6/30/92
Second contract: 07/01/92-6/30/97
Third contract: 07/01/97-6/30/98
Fourth contract: 07/01/98-6/30/00
Fifth contract: 07/01/00-06/30/02
Sixth contract: 07/01/02-03/31/03

Program size (number of beneficiaries and dollar amount of claims paid per year)

In 2003, the EDS team paid $1.2 billion in claims on behalf of 1.2million beneficiaries.

Total number of providers served by program: 65,000

Did the Offeror's overall responsibilities on the referenced contract include:

- ☐ Design, development, and implementation of a system with COTS?
- ☐ Design, development, and implementation of a system with COTS with modifications?
- ☒ Design, development, and implementation of a system with ground-up development?
- ☒ Design, development, and implementation of a system with a transferred system?
- ☒ Design, development, and implementation of a system with a transferred system with modifications?
- ☒ Design, development, and implementation of a system requiring CMS certification?
- ☒ Operations of a system?
- ☒ Maintenance and modification of a system?
- ☒ Any responsibilities for system turnover at the end of the contract?
- ☐ Any responsibilities serving as the systems integrator?

Did the referenced contract involve health care claims processing in a multi-payer environment?

- ☐ Yes
- ☒ No

Platform the system operates on

Hardware environment: IBM mainframe, PCs, RRI Imaging System, InterVoice AVR, Sun BBS, Avaya PBX

Systems software: MVS and Windows 98/NT operating systems

Programming language(s): COBOL II

Key technologies used in the implementation and/or operation of the system

EDS provided claims imaging of more than 5.5 million claims in 2002 using REI technology.

Auto-audit technology allows advance of approximately 32 percent of erroneous payments to physician services.

Have damages or penalties been assessed during the last 5 years?

☐ Yes

☒ No

Customer reference (including name, address, and current telephone number of the responsible project administrator or manager who is familiar with the Offeror's performance)

Name	Mr. Mark Trail, Chief Medical Assistance Plans, Department of Community Health
Address	2 Peachtree North West, 38th Floor
	Atlanta, GA 30303-3141
Telephone	1 404 651 8681

LISTING OF OFFEROR'S CORPORATE RELEVANT EXPERIENCE

Name of the Customer Idaho Department of Health and Welfare

Name of the Project Idaho Medicaid

Did the project involve claims processing specifically for either or all of the following?

- ☒ Medicaid
- ☐ Medicare
- ☐ Mental Health
- ☐ Other health care entity

Did the Offeror perform any of the following tasks on the contract?

- ☒ Claim processing (include whether fee for service, capitation, and/or encounters)
- ☒ Provider relations services
- ☐ Prior approval services
- ☒ Drug rebate services
- ☒ Point of sale processing and support services
- ☒ Electronic eligibility verification system processing and services
- ☒ Provider payment issuance and financial management
- ☒ Other

  The EDS Idaho Medicaid team processed 8,535,174 fee-for-service claims in 2006.

  To better serve the state, recipients, and pro-

viders, the team performed the following additional tasks:

- Produced and supplied plastic NCPDP compliant recipient cards
- Supported beneficiary and provider help desk and written inquiries
- Supported provider enrollment, outreach, and certification
- Supported provider relations and training
- Performed quality assurance
- Processed drug and supplemental rebates
- Managed interactive pharmacy services
- Provided local area network (LAN) support
- Provided ICR with 99.5 percent accuracy
- Administered the small provider billing assistance program
- Supported reference file maintenance

Indicate whether the role Offeror had on the referenced contract was as a prime or a subcontractor

☒ Prime

☐ Subcontractor

Time period of the project during which the Offeror participated

First Contract: 01/78 – 12/81
Second Contract: 01/82 – 11/88
Third Contract: 12/88 – 05/95
Fourth Contract: 06/95 – 12/01
Fifth Contract: 01/02 – 12/07
Sixth Contract: 01/08 – 06/30/09

Program size (number of beneficiaries and dollar amount of claims paid per year)

In 2006, the EDS Idaho Medicaid team served 75,000 recipients.

2006 dollar amount of claims paid: $360,005,396

Total number of providers served by program

2006 providers served: 18,000

Did the Offeror's overall responsibilities on the referenced contract include:

- ☐ Design, development, and implementation of a system with COTS?
- ☐ Design, development, and implementation of a system with COTS with modifications?
- ☐ Design, development, and implementation of a system with ground-up development?
- ☐ Design, development, and implementation of a system with a transferred system?
- ☒ Design, development, and implementation of a system with a transferred system with modifications?
- ☒ Design, development, and implementation of a system requiring CMS certification?
- ☒ Operations of a system?
- ☒ Maintenance and modification of a system?
- ☒ Any responsibilities for system turnover at the end of the contract?
- ☒ Any responsibilities serving as the systems integrator?

Did the referenced contract involve health care claims processing in a multi-payer environment?

- ☐ Yes

☒ No

Platform the system operates on

Hardware: Client/server (non-mainframe), Internet, PCs

Systems software: Power Builder, Windows 2000 and XP, and UNIX operating systems

Programming languages: Cobol, C++

Key technologies used in the implementation and/or operation of the system

- Electronic data interchange (EDI) including PES billing software, POS processing of drug claims, eligibility verification system (EVS), claims batch submission
- Scanning and Intelligent Character Recognition (ICR) for all paper claims
- Scanning of adjustments and provider enrollment documents
- Automated Voice Response System (AVRS)
- HIPAA compliant for transactions and code sets
- Heritage SmartPA for interactive authorization of pharmacy claims to be implemented in December 2003
- Support and deployment of POS devices for providers

Have damages or penalties been assessed during the last 5 years?

☒ Yes

☐ No

Customer reference (including name, address, and current telephone number of the responsible project administrator or manager who is familiar with the Offeror's performance)

Name	Ms. Patti Campbell, Contract Administrator
Address	3232 Elder Street
	Boise, ID 83706-4711
Telephone	1 208 287 1158

LISTING OF OFFEROR'S CORPORATE RELEVANT EXPERIENCE

Name of the Customer Indiana Office of Medicaid Policy and Planning

Name of the Project Indiana Medicaid

Did the project involve claims processing specifically for either or all of the following?

- ☒ Medicaid
- ☐ Medicare
- ☐ Mental Health
- ☐ Other health care entity

Did the Offeror perform any of the following tasks on the contract?

- ☒ Claim processing (include whether fee for service, capitation, and/or encounters)
- ☒ Provider relations services
- ☒ Prior approval services
- ☒ Drug rebate services
- ☒ Point of sale processing and support services
- ☒ Electronic eligibility verification system processing and services
- ☒ Provider payment issuance and financial management
- ☒ Other

  In 2006, the EDS Indiana Medicaid team processed 39,469,213 fee-for-service claims and 8,285,210 encounters/capitation payments.

Besides the tasks listed above, the team also performs the following:

- Supplies plastic NCPDP compliant beneficiary cards
- Supports multilingual (primarily English and Spanish, but can support up to 154 languages) beneficiary and provider help desk and written inquiries
- Supports provider enrollment, outreach and certification
- Supports provider relations and training
- Provides 360GB data warehouse with 36-month history
- Establishes managed models of health care for Medicaid recipients
- Manages disenrollment of clients or plans
- Develops and publishes newsletters and bulletins for providers and recipients

Indicate whether the role Offeror had on the referenced contract was as a prime or a subcontractor

☒ Prime

☐ Subcontractor

Time period of the project during which the Offeror participated

First contract: 03/91 – 06/94
Second contract: 05/93 – 12/98
Third contract: 01/99 – 12/03
Current contract: 01/04 – 12/07

Program size (number of beneficiaries and dollar amount of claims paid per year)

In 2006, the EDS Indiana Medicaid team served 1,067,557 recipients.
2006 dollar amount of claims paid: $6,178,072,012

Total number of providers served by program

2006 providers served: 47,448

Did the Offeror's overall responsibilities on the referenced contract include:

- ☐ Design, development, and implementation of a system with COTS?
- ☐ Design, development, and implementation of a system with COTS with modifications?
- ☒ Design, development, and implementation of a system with ground-up development?
- ☐ Design, development, and implementation of a system with a transferred system?
- ☐ Design, development, and implementation of a system with a transferred system with modifications?
- ☒ Design, development, and implementation of a system requiring CMS certification?
- ☒ Operations of a system?
- ☒ Maintenance and modification of a system?
- ☒ Any responsibilities for system turnover at the end of the contract?
- ☒ Any responsibilities serving as the systems integrator?

Did the referenced contract involve health care claims processing in a multi-payer environment?

- ☒ Yes
- ☐ No

Platform the system operates on

Hardware environment: Sun UNIX servers, Dell/Compaq Windows servers, EMC SAN, COE Desktops/Laptops

Software environment: AIM interChange for MMIS, PowerBuilder front-end, Solaris Unix, Windows 2003 Adv Servers, LBMS Data Model, Web interChange, Project Workbook

Programming languages: COBOL, C, C++, Java, HTML, ASP, .NET, PB

Key technologies used in the implementation and/or operation of the system

Document management system supports internal and external manuals and provider and recipient communications in a central system that maintains historical versions.

An interactive Web site is available to providers for eligibility verification and claims submission.

Have damages or penalties been assessed during the last 5 years?

☐ Yes

☒ No

Customer reference (including name, address, and current telephone number of the responsible project administrator or manager who is familiar with the Offeror's performance)

Name	Mr. Randy Miller Director of Operations Office of Medicaid Policy and Planning
Address	402 West Washington Street
	Indianapolis, IN 46204-2243
Telephone	1 317 234 4752

LISTING OF OFFEROR'S CORPORATE RELEVANT EXPERIENCE

Name of the Customer Commonwealth of Massachusetts

Name of the Project Massachusetts MMIS (currently in the DDI Phase and scheduled to go live June 2008)

Did the project involve claims processing specifically for either or all of the following?

- ☒ Medicaid
- ☐ Medicare
- ☐ Mental Health
- ☐ Other health care entity

Did the Offeror perform any of the following tasks on the contract?

- ☐ Claim processing (include whether fee for service, capitation, and/or encounters)
- ☐ Provider relations services
- ☐ Prior approval services
- ☐ Drug rebate services
- ☐ Point of sale processing and support services
- ☐ Electronic eligibility verification system processing and services
- ☐ Provider payment issuance and financial management
- ☒ Other

  To best serve the Commonwealth, its members, and its providers, EDS will provide the

following:

- System transfer, design, modification, testing, installation, and turnover of system operations
- Planning, consultation, development, and on-the-ground delivery of pre-implementation system user training

Indicate whether the role Offeror had on the referenced contract was as a prime or a subcontractor

☒ Prime

☐ Subcontractor

Time period of the project during which the Offeror participated

05/2005 – 05/2013

Program size (number of beneficiaries and dollar amount of claims paid per year)

For 2005-2006, the Massachusetts Medicaid Program served an average monthly enrollment of approximately 1.4 million members (recipients).

2006 dollar amount of claims processed: 8 billion (includes FFS and capitation payments)

Total number of providers served by program

2006 providers served: approximately 27,000 FFS

Did the Offeror's overall responsibilities on the referenced contract include:

☐ Design, development, and implementation of a system with COTS?

☐ Design, development, and implementation of a system with COTS with modifications?

☐ Design, development, and implementation of a

system with ground-up development?

☐ Design, development, and implementation of a system with a transferred system?

☒ Design, development, and implementation of a system with a transferred system with modifications?

☒ Design, development, and implementation of a system requiring CMS certification?

☐ Operations of a system?

☒ Maintenance and modification of a system?

☐ Any responsibilities for system turnover at the end of the contract?

☐ Any responsibilities serving as the systems integrator?

Did the referenced contract involve health care claims processing in a multi-payer environment?

☐ Yes

☒ No

Platform the system operates on

Hardware: HP Superdome, IBM Blade Servers

Software environment: HP UX OS, Java J2EE, C/UNIX, Oracle RDBMS, Web Logic

Programming languages: J2EE, C

Key technologies used in the implementation and/or operation of the system

Massachusetts Knowledge Center / Project Workbook

Have damages or penalties been assessed during the last 5 years?

☐ Yes

☒ No

Customer reference (including name, address, and current telephone number of the responsible project administrator or manager who is familiar with the Offeror's performance)

Name	Mr. Tom Dehner, Medicaid Director
Address	1 Ashburton Place, 11th Floor
	Boston, MA 02108
Telephone	1 617 573 1735

LISTING OF OFFEROR'S CORPORATE RELEVANT EXPERIENCE

Name of the Customer New Hampshire Department of Health and Human Services

Name of the Project New Hampshire Medicaid

Did the project involve claims processing specifically for either or all of the following?

- ☒ Medicaid
- ☐ Medicare
- ☐ Mental Health
- ☐ Other health care entity

Did the Offeror perform any of the following tasks on the contract?

- ☒ Claim processing (include whether fee for service, capitation, and/or encounters)
- ☒ Provider relations services
- ☒ Prior approval services
- ☐ Drug rebate services
- ☐ Point of sale processing and support services
- ☒ Electronic eligibility verification system processing and services
- ☒ Provider payment issuance and financial management
- ☒ Other

Other tasks include:

- Support a provider help desk and written in-

quiries

- Support provider enrollment, outreach and certification
- Support provider relations and training
- Standard and ad hoc reporting
- Management consulting
- Third-party liability
- Provider relations

Indicate whether the role Offeror had on the referenced contract was as a prime or a subcontractor

☒ Prime

☐ Subcontractor

Time period of the project during which the Offeror participated

First contract: 01/01/85 – 02/31/93
Second contract: 04/01/93 – 06/30/01
Extensions: 07/01/02 – 06/30/06
07/01/06 – 12/31/07; 1/1/09 – 12/31/08 with possible two- or three-month extension through 06/30/09

Program size (number of beneficiaries and dollar amount of claims paid per year)

In 2006, the EDS New Hampshire Medicaid team served 101,320 recipients.
2006 State fiscal year dollar amount of claims paid: $831,267,124

Total number of providers served by program

2006 providers served: 16,007

Did the Offeror's overall responsibilities on the referenced contract include:

☒ Design, development, and implementation of a system with COTS?

☒ Design, development, and implementation of a system with COTS with modifications?

☒ Design, development, and implementation of a system with ground-up development?

☒ Design, development, and implementation of a system with a transferred system?

☒ Design, development, and implementation of a system with a transferred system with modifications?

☒ Design, development, and implementation of a system requiring CMS certification?

☒ Operations of a system?

☒ Maintenance and modification of a system?

☒ Any responsibilities for system turnover at the end of the contract?

☐ Any responsibilities serving as the systems integrator?

Did the referenced contract involve health care claims processing in a multi-payer environment?

☐ Yes

☒ No

Platform the system operates on

Hardware environment: Sun and Dell servers

Software environment: Sun Servers running Solaris 10 with Ingres as a DBMS. Dell servers running Windows 2000 server, Citrix and FileNet

Programming languages: C, Cobol, Perl, PowerBuilder, ksh scripts and csh scripts

Key technologies used in the implementation and/or operation of the system

Automated Voice Response System (AVRS)

Optical character recognition (OCR) document scanning

Automated Eligibility Verification System (AEVS)

Have damages or penalties been assessed during the last 5 years?

☐ Yes

☒ No

Customer reference (including name, address, and current telephone number of the responsible project administrator or manager who is familiar with the Offeror's performance)

Name	Ms. Nita Tomaszewski, MMIS Contract Officer, Office of Medicaid Management Information System
Address	7 Eagle Square
	Concord, NH 03301-4955
Telephone	1 603 271 3772

LISTING OF OFFEROR'S CORPORATE RELEVANT EXPERIENCE

Name of the Customer North Carolina Division of Medical Assistance

Name of the Project North Carolina Medicaid

Did the project involve claims processing specifically for either or all of the following?

- ☒ Medicaid
- ☐ Medicare
- ☒ Mental Health
- ☐ Other health care entity

Did the Offeror perform any of the following tasks on the contract?

- ☒ Claim processing (include whether fee for service, capitation, and/or encounters)
- ☒ Provider relations services
- ☒ Prior approval services
- ☒ Drug rebate services
- ☒ Point of sale processing and support services
- ☒ Electronic eligibility verification system processing and services
- ☒ Provider payment issuance and financial management
- ☒ Other

  To best serve the State, Medicaid recipients, and providers, EDS provides the following:

- Health Check program and coordinator support
- Medical Policy and File Maintenance (Reference)
- Adjustments – manual and systematic processing
- PASARR – Level I and Level II processing

Indicate whether the role Offeror had on the referenced contract was as a prime or a subcontractor

☒ Prime

☐ Subcontractor

Time period of the project during which the Offeror participated

First contract: 01/01/77 – 6/30/83
Second contract: 07/01/83 – 1/22/89
Third contract: 01/23/89 – 06/30/97
Contract extension: 07/01/97 – 12/31/08

Program size (number of beneficiaries and dollar amount of claims paid per year)

In 2006, the EDS North Carolina Medicaid team served 1.6 million recipients.
2006 dollar amount of claims paid: $8.6 billion

Total number of providers served by program

2006 providers served: 57,000

Did the Offeror's overall responsibilities on the referenced contract include:

☐ Design, development, and implementation of a system with COTS?

- ☐ Design, development, and implementation of a system with COTS with modifications?
- ☐ Design, development, and implementation of a system with ground-up development?
- ☒ Design, development, and implementation of a system with a transferred system?
- ☒ Design, development, and implementation of a system with a transferred system with modifications?
- ☒ Design, development, and implementation of a system requiring CMS certification?
- ☒ Operations of a system?
- ☒ Maintenance and modification of a system?
- ☒ Any responsibilities for system turnover at the end of the contract?
- ☐ Any responsibilities serving as the systems integrator?

Did the referenced contract involve health care claims processing in a multi-payer environment?

- ☒ Yes
- ☐ No

Platform the system operates on

Hardware environment: Mainframe hosted from Plano, Texas, Local Data Center includes Sun Boxes and several Windows 2003 servers hosting the Web and integration applications

Software environment: DB2, VSAM on mainframe; Oracle for browser component, IIS, BARR, COM+

Programming languages: COBOL, JCL, CICS on mainframe; VB, ASP COMTI for browser component

Key technologies used in the implementation and/or operation of the system

Key technologies include:

- Claims imaging
- Online transaction processing, electronic claims submittal (ECS) through secure file transfer protocol (FTP)
- System reports accessible through the Web
- External access by state entities
- Pharmacy POS
- EVS

Have damages or penalties been assessed during the last 5 years?

☐ Yes

☒ No

Customer reference (including name, address, and current telephone number of the responsible project administrator or manager who is familiar with the Offeror's performance)

Name	Dr. William Lawrence, Deputy Medicaid Director, Division of Medical Assistance (The current director is exiting and a successor has not been named.)
Address	1985 Umstead Drive
	Raleigh, NC 27603-2035
Telephone	1 919 855 4104 or 1 919 855 4100

LISTING OF OFFEROR'S CORPORATE RELEVANT EXPERIENCE

Name of the Customer State of Oregon, Department of Human Services

Name of the Project Oregon Medicaid (currently in the DDI Phase and scheduled to go live May 2008)

Did the project involve claims processing specifically for either or all of the following?

- ☒ Medicaid
- ☐ Medicare
- ☒ Mental Health
- ☐ Other health care entity

Did the Offeror perform any of the following tasks on the contract?

- ☐ Claim processing (include whether fee for service, capitation, and/or encounters)
- ☐ Provider relations services
- ☐ Prior approval services
- ☐ Drug rebate services
- ☐ Point of sale processing and support services
- ☐ Electronic eligibility verification system processing and services
- ☐ Provider payment issuance and financial management
- ☒ Other

To best serve the State, recipients, and provid-

ers, EDS will provide the following:

- Electronic Document Management and DSSURS systems
- Planning, consultation, development, and assistance with pre-implementation provider communication
- Planning, consultation, development, and on-the-ground delivery of pre-implementation provider training
- Planning, consultation, development, and on-the-ground delivery of pre-implementation system user training

Indicate whether the role Offeror had on the referenced contract was as a prime or a subcontractor

☒ Prime

☐ Subcontractor

Time period of the project during which the Offeror participated

07/2005 – 09/2012, with three one-year options

Program size (number of beneficiaries and dollar amount of claims paid per year)

According to the Oregon Health Plan Annual Report for 2005-2006, the Oregon Medicaid Program served an average monthly enrollment of 378,233 beneficiaries.

2006 dollar amount of claims processed: $2.0 Billion (includes FFS and capitation payments)

Total number of providers served by program

2006 providers served: approximately 33,000 FFS

Did the Offeror's overall responsibilities on the referenced contract include:

- ☐ Design, development, and implementation of a system with COTS?
- ☐ Design, development, and implementation of a system with COTS with modifications?
- ☐ Design, development, and implementation of a system with ground-up development?
- ☐ Design, development, and implementation of a system with a transferred system?
- ☒ Design, development, and implementation of a system with a transferred system with modifications?
- ☒ Design, development, and implementation of a system requiring CMS certification?
- ☒ Operations of a system? (PBM and pharmacy services only)
- ☒ Maintenance and modification of a system?
- ☐ Any responsibilities for system turnover at the end of the contract?
- ☐ Any responsibilities serving as the systems integrator?

Did the referenced contract involve health care claims processing in a multi-payer environment?

- ☐ Yes
- ☒ No

Platform the system operates on

Sun, Microsoft

Software environment: Sun Solaris OS, Microsoft .NET, C/Unix, Oracle RDBMS

Programming languages: .NET, C

Key technologies used in the implementation and/or operation of the system

Oregon Project Workbook

Have damages or penalties been assessed during the last 5 years?

☐ Yes

☒ No

Customer reference (including name, address, and current telephone number of the responsible project administrator or manager who is familiar with the Offeror's performance)

Name	Mr. Jim Joyce, MMIS Project Manager
Address	4070 27th Court SE, Suite 100
	Salem, OR 97302-1359
Telephone	1 503 383 3330

LISTING OF OFFEROR'S CORPORATE RELEVANT EXPERIENCE

Name of the Customer Rhode Island Department of Human Services

Name of the Project Rhode Island Medicaid

Did the project involve claims processing specifically for either or all of the following?

- ☒ Medicaid
- ☐ Medicare
- ☒ Mental Health
- ☒ Other health care entity

  RIPAE / ADAP pharmacy programs

Did the Offeror perform any of the following tasks on the contract?

- ☒ Claim processing (include whether fee for service, capitation, and/or encounters): fee for service, capitation and encounters
- ☒ Provider relations services
- ☒ Prior approval services
- ☒ Drug rebate services
- ☒ Point of sale processing and support services
- ☒ Electronic eligibility verification system processing and services
- ☒ Provider payment issuance and financial management
- ☒ Other

  For calendar year 2006, EDS processed 4,520,158 encounters, 1,518,847 capitations,

and 5,923,450 fee-for-service payments.

Other tasks include the following:

- Eligibility verification
- Support quad-lingual (English, Spanish, French, Portuguese) provider and beneficiary help desk and written inquiries
- Support provider enrollment and certification
- Support provider relations and training
- Provide quality assurance by telephone monitoring
- Perform third-party liability recovery services
- Perform prior authorization
- Support SURS
- Provide pharmacy consulting
- Support drug and supplemental rebates
- Supply help desk specifically for pharmacy
- Assess medical policy impact on the MMIS
- Provide Web development
- Provide Web hosting

Indicate whether the role Offeror had on the referenced contract was as a prime or a subcontractor

☒ Prime

☐ Subcontractor

Time period of the project during which the Offeror participated

First contract: 12/1/92 – 6/30/1997
Option years: 7/1/97 – 6/30/2005
Second contract: 7/1/06 – 6/30/10, with two option years

Program size (number of beneficiaries and dollar amount of claims paid per year)

In 2006, the EDS Rhode Island Medicaid team served 223,011 beneficiaries.

2006 dollar amount of claims paid: $1,362,035,770

Total number of providers served by program

2006 providers served: 23,064

Did the Offeror's overall responsibilities on the referenced contract include:

- ☒ Design, development, and implementation of a system with COTS?
- ☒ Design, development, and implementation of a system with COTS with modifications?
- ☒ Design, development, and implementation of a system with ground-up development?
- ☒ Design, development, and implementation of a system with a transferred system?
- ☒ Design, development, and implementation of a system with a transferred system with modifications?
- ☒ Design, development, and implementation of a system requiring CMS certification?
- ☒ Operations of a system?
- ☒ Maintenance and modification of a system?
- ☐ Any responsibilities for system turnover at the end of the contract?

☐ Any responsibilities serving as the systems integrator?

Did the referenced contract involve health care claims processing in a multi-payer environment?

☒ Yes

☐ No

Platform the system operates on

Hardware environment: SUN Microsystems Solaris and Dell Windows Servers

Software environment: UNIX, Windows, and Citrix

Programming languages: COBOL and C++

Key technologies used in the implementation and/or operation of the system

EDS provides Web development and hosting of the Rhode Island Department of Human Services (DHS) Web site, which contains online provider manuals, provider updates, provider representative information, forms for enrollment, and client information regarding Medicaid, Child Care, General Public Assistance, Food Stamps, Long Term Care, and other programs such as coordinated care services provided by CEDARR Centers.

Web development—EDS RI Title XIX established the RI DHS Web site in 1998. EDS hosts and manages the Web site and is responsible for such duties as enabling proper function of hardware and software, site design, creation and update of pages, replying to user feedback, site development, and monitoring traffic through the site. On receipt of appropriate approvals, new information is promoted to the Web site in minutes and hours rather than the days and weeks required to distribute a paper communication.

Smart PA—In November 2002, the SmartPA tool was installed to help manage pharmacy costs in Rhode Island. This tool, owned by Heritage Information Systems, Inc,

performs prior authorizations on drug prescriptions issued to the adult and disabled Medicaid population. The total savings for the 10 months between November 2002 and September 2003 has been just over $2 million.

TPL Data Match—EDS RI XIX staff, aware of the comprehensive third party liability (TPL) solution Health Management Systems implemented for the Delaware Medicaid program, suggested to DHS that they use this solution to enhance the existing manual TPL data match services we provide. DHS procured HMS' services, and in August 2003 realized approximately $290,000 in cost avoidance during the first month of operation.

Provider Electronic Solutions software—This software, developed and owned by EDS, is provided and installed free of charge to providers wanting to submit electronic claims. EDS RI XIX staff provide the installation, training, and ongoing support services.

Data mining tools—The EDS RI XIX account uses SUR reports, the EDS Scenario Engine, and BusinessObjects for accessing the various universes of data contained within the MMIS to identify waste, miscoding, upcoding, fraud, and abuse.

HIPAA compliance—HIPAA compliance work has resulted in the EDS RI XIX account using new enabling technologies such as Citrix software, which provides centralized support and control of the PC-based applications used to operate and maintain the MMIS and PowerBuilder, which is a Windows-based graphical user interface that has replaced Vision, the text-based screen application.

Have damages or penalties been assessed during the last 5 years?

☐ Yes

☒ No

Customer reference (including name, address, and current telephone number of the responsible project administrator or manager who is familiar with the Offeror's performance)

Name	Mr. Frank Spinelli, Administrator, Center for Adult Health
Address	Department of Human Services
	600 New London Avenue
	Cranston, RI 02920-3041
Telephone	1 401 462 1892

LISTING OF OFFEROR'S CORPORATE RELEVANT EXPERIENCE

Name of the Customer Texas Health and Human Services Commission

Name of the Project Texas Claims Administration - Texas Medicaid

Did the project involve claims processing specifically for either or all of the following?

- ☒ Medicaid
- ☐ Medicare
- ☐ Mental Health
- ☐ Other health care entity

Did the Offeror perform any of the following tasks on the contract?

- ☒ Claim processing (include whether fee for service, capitation, and/or encounters)
- ☒ Provider relations services
- ☒ Prior approval services
- ☐ Drug rebate services
- ☐ Point of sale processing and support services
- ☒ Electronic eligibility verification system processing and services
- ☒ Provider payment issuance and financial management
- ☒ Other

In state fiscal year (SFY) 2002, EDS processed 45.2 million fee-for-service claims and 9.4 mil-

lion managed care claims and encounters.

Other tasks:

- Support 3.5TB data warehouse with six years of history
- IMPACT
- IDBN
- Primary Care Case Management (PCCM)
- TPL
- Surveillance Utilization Review System (SURS)
- Medicaid Provider Audits
- Under a separate contract, EDS also provides a neural network-based Medicaid fraud and abuse system

Indicate whether the role Offeror had on the referenced contract was as a prime or a subcontractor

☒ Prime

☐ Subcontractor

Time period of the project during which the Offeror participated

First contract: 10/01/76 – 02/28/83
Second contract: 03/01/83 – 08/31/89
Third contract: 09/01/89 – 08/31/97
Fourth contract: 09/01/97– 03/31/04

Program size (number of beneficiaries and dollar amount of claims paid per year)

In 2003 (last complete fiscal year of the contract), the EDS Texas Medicaid team served 2.1 million recipients.
Dollar amount of claims paid or approved to pay SFY 2003: $8.7 billion, including $4.7 billion Medicaid and $4.0 billion for other public health programs

Total number of providers served by program

SFY 2003 providers served: 165,000

Did the Offeror's overall responsibilities on the referenced contract include:

- ☒ Design, development, and implementation of a system with COTS?
- ☒ Design, development, and implementation of a system with COTS with modifications?
- ☒ Design, development, and implementation of a system with ground-up development?
- ☐ Design, development, and implementation of a system with a transferred system?
- ☐ Design, development, and implementation of a system with a transferred system with modifications?
- ☒ Design, development, and implementation of a system requiring CMS certification?
- ☒ Operations of a system?
- ☒ Maintenance and modification of a system?
- ☒ Any responsibilities for system turnover at the end of the contract?
- ☐ Any responsibilities serving as the systems integrator?

Did the referenced contract involve health care claims processing in a multi-payer environment?

- ☒ Yes
- ☐ No

Platform the system operates on

Hardware environment: Client/server, parallel HP mid-range host, PCs

Software environment: Compass21: HP Non-Stop, Windows NT/2000/ME

Programming languages: C, C++, Visual Basic 6.0, and Cool:GEN (a.k.a Advantage:Gen, IEF, Composer)

Key technologies used in the implementation and/or operation of the system

- **ECS—**Claims and appeals, eligibility inquiries, claims status inquiries, EFT and remittance and status reports (R&S) can be submitted and retrieved using state-provided software (TDHconnect) and dial-up access, or using third party vendors that can dial-up or direct connect.
- **Computer Output to Laser Disk (COLD)** —Allows for the electronic storage of reports. Reports can be retrieved and exported to other applications for more detailed analysis.
- **Formworks—**Provides for claims imaging and intelligent character recognition of the high volume claim forms.
- **TexMedNet—**Supports electronic submission of files and appeals, eligibility verification, claim status inquiry, reimbursement statements, EFT, and electronic bulletin board access.
- **TDHconnect—**Permits providers to submit claims, perform eligibility verification, and conduct claim status inquiries interactively.

Have damages or penalties been assessed during the last 5 years?

☒ Yes

☐ No

Customer reference (including name, address, and current telephone number of the responsible project administrator or manager who is familiar with the Offeror's performance)

Note: This client has advised us that they are unable to comment on EDS' performance at this time due to a current procurement.

Name	Commissioner Albert Hawkins, Texas Health and Human Services Commissioner
Address	Texas Health and Human Services Commission ,Brown-Heatly Building
	4900 N. Lamar Boulevard
	Austin, TX 78751-2316
Telephone	1 512 424 6500

LISTING OF OFFEROR'S CORPORATE RELEVANT EXPERIENCE

Name of the Customer Office of Vermont Health Access

Name of the Project Vermont Medicaid

Did the project involve claims processing specifically for either or all of the following?

- ☒ Medicaid
- ☐ Medicare
- ☒ Mental Health
- ☒ Other health care entity

Did the Offeror perform any of the following tasks on the contract?

- ☒ Claim processing (include whether fee for service, capitation, and/or encounters)
- ☒ Provider relations services
- ☒ Prior approval services
- ☒ Drug rebate services
- ☐ Point of sale processing and support services
- ☒ Electronic eligibility verification system processing and services
- ☒ Provider payment issuance and financial management
- ☒ Other

  EDS does not process encounters; however, when Vermont's Managed Care organization went out of business, the state developed a

gate-keeper managed care program called PCPlus. EDS pays approximately $80,000 in gatekeeper fees to the providers each month. EDS paid $8,580,012 fee-for-service claims in 2006, including the managed care above. The gatekeepers are paid the capitated fee and then referred to other providers who bill straight claims (not managed care claims).

Other tasks:

- TPL
- Beneficiary identification cards
- MAR
- Drug rebate

Indicate whether the role Offeror had on the referenced contract was as a prime or a subcontractor

☒ Prime

☐ Subcontractor

Time period of the project during which the Offeror participated

First contract: 07/01/81 – 06/30/87
Second contract: 07/01/87 – 11/28/93
Third contract: 11/29/93 – 06/30/99
Fourth contract: 07/01/99 – 06/30/03
Fifth contract: 07/01/03 – 12/31/03
Sixth contract: 01/01/04 – 12/31/08

Program size (number of beneficiaries and dollar amount of claims paid per year)

In 2006, the EDS Vermont Medicaid team served 150,613 recipients.
2006 claims paid: $801.9 million

Total number of providers served by program

2006 providers served: 10,969

Did the Offeror's overall responsibilities on the referenced contract include:

- ☒ Design, development, and implementation of a system with COTS?
- ☒ Design, development, and implementation of a system with COTS with modifications?
- ☒ Design, development, and implementation of a system with ground-up development?
- ☒ Design, development, and implementation of a system with a transferred system?
- ☒ Design, development, and implementation of a system with a transferred system with modifications?
- ☒ Design, development, and implementation of a system requiring CMS certification?
- ☒ Operations of a system?
- ☒ Maintenance and modification of a system?
- ☒ Any responsibilities for system turnover at the end of the contract?
- ☐ Any responsibilities serving as the systems integrator?

Did the referenced contract involve health care claims processing in a multi-payer environment?

- ☒ Yes
- ☐ No

Platform the system operates on

Hardware environment: Sun
Software environment: Solaris, UNIX
Programming languages: COBOL, C

Key technologies used in the implementation and/or operation of the system

- **Enhanced Vermont Ad Hoc (EVAH) system—** BusinessObjects database that facilitates decision support queries and provides executive management with the capability to review healthcare program information
- **PCCM—**A state-designed capitated payment managed care program that uses the gatekeeper approach to quality recipient health care management
- **AVRS—**A voice response system that allows access to financial payment, claims limitation audits and recipient eligibility

Have damages or penalties been assessed during the last 5 years?

☒ Yes

☐ No

Customer reference (including name, address, and current telephone number of the responsible project administrator or manager who is familiar with the Offeror's performance)

Name	Ms. Nancy Clermont, Deputy Medicaid Director
Address	312 Hurricane Lane, Suite 201
	Williston, VT 05495-2087
Telephone	1 802 879 5953

LISTING OF OFFEROR'S CORPORATE RELEVANT EXPERIENCE

Name of the Customer Wisconsin Division of Health Care Financing

Name of the Project Wisconsin Medicaid

Did the project involve claims processing specifically for either or all of the following?

- ☒ Medicaid
- ☐ Medicare
- ☐ Mental Health
- ☒ Other health care entity

  Public Health

Did the Offeror perform any of the following tasks on the contract?

- ☒ Claim processing (include whether fee for service, capitation, and/or encounters)
- ☒ Provider relations services
- ☒ Prior approval services
- ☒ Drug rebate services
- ☒ Point of sale processing and support services
- ☒ Electronic eligibility verification system processing and services
- ☒ Provider payment issuance and financial management
- ☒ Other

  To best serve the state, recipients, and providers, EDS provides the following:

- Provider publications
- Preferred drug list support
- DSS and data warehouse
- Data analysis
- Senior pharmacy
- Recipient hotline
- HMO contract monitoring
- HMO ombudsman
- Health insurance premium payment support
- Client Web site support

Indicate whether the role Offeror had on the referenced contract was as a prime or a subcontractor

☒ Prime

☐ Subcontractor

Time period of the project during which the Offeror participated

First contract: 04/01/77 – 06/30/81
Second contract: 07/01/81 – 12/31/87
Third contract: 01/01/88 – 12/31/91
Fourth contract: 01/01/92 – 06/18/08
Fifth contract: 06/19/08 – 06/18/13

Program size (number of beneficiaries and dollar amount of claims paid per year)

In 2006, the EDS Wisconsin Medicaid team served 450,000 beneficiaries.

2006 dollar amount of claims paid $4.1 billion

Total number of providers served by program

2006 providers served: 42,000

Did the Offeror's overall responsibilities on the referenced contract include:

- ☒ Design, development, and implementation of a system with COTS?
- ☒ Design, development, and implementation of a system with COTS with modifications?
- ☒ Design, development, and implementation of a system with ground-up development?
- ☒ Design, development, and implementation of a system with a transferred system?
- ☒ Design, development, and implementation of a system with a transferred system with modifications?
- ☒ Design, development, and implementation of a system requiring CMS certification?
- ☒ Operations of a system?
- ☒ Maintenance and modification of a system?
- ☐ Any responsibilities for system turnover at the end of the contract?
- ☐ Any responsibilities serving as the systems integrator?

Did the referenced contract involve health care claims processing in a multi-payer environment?

- ☒ Yes
- ☐ No

Platform the system operates on

Hardware environment: Orlando data center servers

Software environment: Standard mainframe software

Programming languages: .NET, C+

Key technologies used in the implementation and/or operation of the system

interChange framework, Oracle database management

Have damages or penalties been assessed during the last 5 years?

☐ Yes

☒ No

Customer reference (including name, address, and current telephone number of the responsible project administrator or manager who is familiar with the Offeror's performance)

Name	Mr. Kevin R. Hayden, Secretary, Wisconsin Department of Health and Family Services
Address	1 West Wilson Street
	Madison, WI 53701-0309
Telephone	1 608 266 9662

LISTING OF OFFEROR'S CORPORATE RELEVANT EXPERIENCE

Name of the Customer BlueCross Blue Shield of Arizona

Name of the Project BlueCross Blue Shield of Arizona

Did the project involve claims processing specifically for either or all of the following?

- ☐ Medicaid
- ☐ Medicare
- ☐ Mental Health
- ☒ Other health care entity

Did the Offeror perform any of the following tasks on the contract?

- ☒ Claim processing (fee for service; 10.5M claims annually)
- ☐ Provider relations services
- ☐ Prior approval services
- ☐ Drug rebate services
- ☐ Point of sale processing and support services
- ☐ Electronic eligibility verification system processing and services
- ☐ Provider payment issuance and financial management
- ☒ Other
  - Data warehousing
  - Corporate system including payroll, account-

ing, broker, and 1099

Indicate whether the role Offeror had on the referenced contract was as a prime or a subcontractor

☒ Prime

☐ Subcontractor

Time period of the project during which the Offeror participated

03/31/87 – 05/31/08

Program size (number of beneficiaries and dollar amount of claims paid per year)

In 2006, the EDS BCBS of Arizona account processed 10.5 million claims for 430,000 members

Total number of providers served by program

2006 providers served: 25,000 contracted; 20,000 noncontracted

Did the Offeror's overall responsibilities on the referenced contract include:

☐ Design, development, and implementation of a system with COTS?

☐ Design, development, and implementation of a system with COTS with modifications?

☒ Design, development, and implementation of a system with ground-up development?

☐ Design, development, and implementation of a system with a transferred system?

☒ Design, development, and implementation of a system with a transferred system with modifications?

☐ Design, development, and implementation of a system requiring CMS certification?

☒ Operations of a system?

☒ Maintenance and modification of a system?

☒ Any responsibilities for system turnover at the end of the contract?

☒ Any responsibilities serving as the systems integrator?

Did the referenced contract involve health care claims processing in a multi-payer environment?

☐ Yes

☒ No

Platform the system operates on

Hardware: Mainframe, mid-range, PCs

Systems software: Multiple virtual storage (MVS), Windows, TeraData, and UNIX operating systems; DB2, Oracle data structures

Key technologies used in the implementation and/or operation of the system

- **EIS/DSS—**EDS' business intelligence service line
- **Allfusion:Gen and Report Writer—**Fourth generation code language; generates code in COBOL, allowing quicker and easier development

Have damages or penalties been assessed during the last 5 years?

☐ Yes

☒ No

Customer reference (including name, address, and current telephone number of the responsible project administrator or manager who is familiar with the Offeror's performance)

Note: This client has advised us that they are unable to comment on EDS' performance at this time due to a current contract renewal. Please contact Michael Harvey at 1 602 864 4414 before contacting this client.

Name	Ms. Elizabeth Messina, Senior Vice President and Chief Information Officer
Address	2444 W. Last Palmaritas Drive
	Phoenix, AZ 85021
Telephone	1 602 864 4288

LISTING OF OFFEROR'S CORPORATE RELEVANT EXPERIENCE

Name of the Customer Blue Cross Blue Shield of Massachusetts (BCBS MA)

Name of the Project Blue Cross Blue Shield of Massachusetts

Did the project involve claims processing specifically for either or all of the following?

- ☐ Medicaid
- ☐ Medicare
- ☐ Mental Health
- ☒ Other health care entity

Did the Offeror perform any of the following tasks on the contract?

- ☒ Claim processing (include whether fee for service, capitation, and/or encounters)
- ☐ Provider relations services
- ☐ Prior approval services
- ☐ Drug rebate services
- ☐ Point of sale processing and support services
- ☐ Electronic eligibility verification system processing and services
- ☒ Provider payment issuance and financial management
- ☒ Other

  EDS processes 175,000 "new day" claims each day (Monday through Friday) for BCBS MA. In 2006, EDS processed 43 million claims, and

to date in 2007, 33 million claims.

Other tasks:

- Mainframe, midrange, and Web hosting
- Application development, maintenance/enhancement, and production support
- Print Center operations
- Desktop "break/fix"
- Help Desk services
- WAN management
- Project management

Indicate whether the role Offeror had on the referenced contract was as a prime or a subcontractor

☒ Prime

☐ Subcontractor

Time period of the project during which the Offeror participated

8/1/99 – 7/31/06

Program size (number of beneficiaries and dollar amount of claims paid per year)

In 2006, the EDS BCBS MA team processed $10.6 billion in claims payments for 2.9 million members.

Total number of providers served by program

Approximately 30,000 active providers

Did the Offeror's overall responsibilities on the referenced contract include:

☒ Design, development, and implementation of a system with COTS?

- ☒ Design, development, and implementation of a system with COTS with modifications?
- ☒ Design, development, and implementation of a system with ground-up development?
- ☒ Design, development, and implementation of a system with a transferred system?
- ☒ Design, development, and implementation of a system with a transferred system with modifications?
- ☐ Design, development, and implementation of a system requiring CMS certification?
- ☒ Operations of a system?
- ☒ Maintenance and modification of a system?
- ☐ Any responsibilities for system turnover at the end of the contract?
- ☐ Any responsibilities serving as the systems integrator?

Did the referenced contract involve health care claims processing in a multi-payer environment?

- ☒ Yes
- ☐ No

Platform the system operates on

Hardware: IBM, EMC, CICS, MVX, HP Unix, Pyramid

Systems software: ORACLE, SQL Informix, DB2, IMS, Windows NT/Novell, SUN Solaris

Key technologies used in the implementation and/or operation of the system

eCommerce Environment Development: LDAP, SiteMinder, SeeBeyond, MQ Series—LDAP and SiteMinder are a protocol and product, respectively, that enable security administration for Web-based application transactions; SeeBeyond and MQ are tools that enable Web applications to interface with non–Web-based legacy applications through message exchanges.

Interplan Teleprocessing System (ITS)—The BCBS Association's system enables multiple BCBS plans to share data and process members' claims as if they were one large organization.

Fraud and Abuse Detection System – VIPS STARS—This is a vendor product that analyzes claims data looking for potential instances of fraudulent claims submission (for example, too many services in one day for one provider).

Web hosting: Solaris, EMC, iPlanet, Netegrity—Solaris is a SUN Microsystems operating system, EMC sells enterprise storage solutions, and Netegrity markets Web security products.

WAN support: EDS*LINK—Wide area network (WAN) connectivity is provided over EDS' infrastructure between client site and Plano, Troy, Michigan, and Herndon.

Print Center: Pitney Bowes StreamWeaver postal automation tools—This vendor software manipulates the address information on large volumes of printed output to gain maximum postage discounts under USPS rules.

Security Services: RACF, ACF2, LDAP—RACF and ACF2 are two types of mainframe security protocol; Light Directory Access Protocol (LDAP) is an industry-standard Web-based security protocol.

Storage management: EMC—see above

Tape Library System and backup management: Tivoli—This software allows enterprisewide or server-by-server backup of client data.

Midrange management of on-site client data center—EDS provides management (systems administration and database administration) services for BCBS MA's data center–based servers (more than 100 devices) to maintain server availability, manage capacity, execute backups, and more.

Have damages or penalties been assessed during the last 5 years?

☒ Yes

☐ No

Customer reference (including name, address, and current telephone number of the responsible project administrator or manager who is familiar with the Offeror's performance)

Name	Mr. Edward Esposito, Vice President, Information Technology Per the client, please contact through EDS: Mr. Joe Fraser, EDS
Address	401 Park Drive M/S 01-05
	Boston, MA 02215
Telephone	1 617 246 6702

LISTING OF OFFEROR'S CORPORATE RELEVANT EXPERIENCE

Name of the Customer Blue Shield of California

Name of the Project Blue Shield of California

Did the project involve claims processing specifically for either or all of the following?

- ☐ Medicaid
- ☐ Medicare
- ☐ Mental Health
- ☒ Other health care entity

Did the Offeror perform any of the following tasks on the contract?

- ☒ Claim processing (include whether fee for service, capitation, and/or encounters)
- ☐ Provider relations services
- ☐ Prior approval services
- ☐ Drug rebate services
- ☐ Point of sale processing and support services
- ☐ Electronic eligibility verification system processing and services
- ☐ Provider payment issuance and financial management
- ☒ Other

  EDS processes 1.6 million members a month and 8,175,000 encounters a year.

Other tasks include the following:

- WAN and LAN desktop support
- Disaster recovery services
- Application maintenance and development
- DBA services
- Mainframe outsourcing
- Midrange outsourcing
- Benefits coding
- Imaging
- Data entry outsourcing

Indicate whether the role Offeror had on the referenced contract was as a prime or a subcontractor

☒ Prime

☐ Subcontractor

Time period of the project during which the Offeror participated

1/1/69 – 12/31/10

Program size (number of beneficiaries and dollar amount of claims paid per year)

In 2006, the EDS Blue Shield of California team paid 13,675,000 claims. The dollar amount cannot be disclosed.

Total number of providers served by program

2006 providers served: HMO: 28,971; PPO: 48,767

Did the Offeror's overall responsibilities on the referenced contract include:

☒ Design, development, and implementation of a system with COTS?

☒ Design, development, and implementation of a system with COTS with modifications?

☒ Design, development, and implementation of a system with ground-up development?

☒ Design, development, and implementation of a system with a transferred system?

☒ Design, development, and implementation of a system with a transferred system with modifications?

☒ Design, development, and implementation of a system requiring CMS certification?

☒ Operations of a system?

☒ Maintenance and modification of a system?

☒ Any responsibilities for system turnover at the end of the contract?

☐ Any responsibilities serving as the systems integrator?

Did the referenced contract involve health care claims processing in a multi-payer environment?

☒ Yes

☐ No

Platform the system operates on

Hardware: mainframe, midrange, client/server

Systems software: RTMS/TPSU, CustomView, Medical Management

Key technologies used in the implementation and/or operation of the system

None to discuss.

Have damages or penalties been assessed during the last 5 years?

☐ Yes

☒ No

Customer reference (including name, address, and current telephone number of the responsible project administrator or manager who is familiar with the Offeror's performance)

Note: This client has advised us that they are unable to comment on EDS' performance at this time due to current contract negotiations.

Name	Ms. Elinor MacKinnon, CIO Per client, please contact via EDS: Mr. Chris Van Vlack, EDS
Address	50 Beale Street
	Technology Center
	San Francisco, CA 94105
Telephone	1 415 229 6709

LISTING OF OFFEROR'S CORPORATE RELEVANT EXPERIENCE

Name of the Customer Centers for Medicare & Medicaid Services (CMS)

Name of the Project Medicare Part B Contractor for California, Maine, Massachusetts, New Hampshire, and Vermont

Durable Medical Equipment Medicare Administrative Contractor, DME MAC Jurisdiction A

Did the project involve claims processing specifically for either or all of the following?

- ☐ Medicaid
- ☒ Medicare
- ☐ Mental Health
- ☐ Other health care entity

Did the Offeror perform any of the following tasks on the contract?

- ☒ Claim processing (include whether fee for service, capitation, and/or encounters)
- ☒ Provider relations services
- ☐ Prior approval services
- ☐ Drug rebate services
- ☐ Point of sale processing and support services
- ☐ Electronic eligibility verification system processing and services
- ☒ Provider payment issuance and financial management

☒ Other

- Provider enrollment and certification
- Call center and correspondence processing for beneficiaries and providers
- Electronic data interchange
- Medical and utilization review
- Mailroom Operations/Process Control
- Medicare Secondary Payer/Overpayments
- Business/Systems Support
- Financial Controls and Accounting
- Affiliated Contractor (AC) Clearinghouse
- Provider/Supplier Written Inquiries
- Appeals/Redeterminations
- Provider Relations Research Specialists
- Provider/Supplier Telephone Inquiries
- Customer Service Training
- Quality Call Monitoring
- EDI Help Desk

Indicate whether the role Offeror had on the referenced contract was as a prime or a subcontractor

☒ Prime

☐ Subcontractor

Time period of the project during which the Offeror participated

Part B: December 1996 – present

DME: July 2006 – present

Program size (number of beneficiaries and dollar amount of claims paid per year)

Part B: 5,632,319 Part B Beneficiaries as of July 2005. Payment from Medicare in 2006: $9,137,000,000

DME: 7.7 million Medicare beneficiaries. Payment from Medicare for July 2006 to September 2006: $317,000

Total number of providers served by program

178,753 Part B providers in 2006

24,400 suppliers of DME, prosthetics, orthotics, and supplies (DMEPOS) as the Jurisdiction A DME MAC

Did the Offeror's overall responsibilities on the referenced contract include:

- ☐ Design, development, and implementation of a system with COTS?
- ☐ Design, development, and implementation of a system with COTS with modifications?
- ☐ Design, development, and implementation of a system with ground-up development?
- ☐ Design, development, and implementation of a system with a transferred system?
- ☐ Design, development, and implementation of a system with a transferred system with modifications?
- ☐ Design, development, and implementation of a system requiring CMS certification?
- ☒ Operations of a system?
- ☒ Maintenance and modification of a system?
- ☐ Any responsibilities for system turnover at the end of the contract?
- ☐ Any responsibilities serving as the systems in-

tegrator?

Did the referenced contract involve health care claims processing in a multi-payer environment?

☐ Yes

☒ No

Platform the system operates on

Hardware environment: Multi-Carrier System (MCS) for Part B claims, a government-provided system

VIPS Medicare System (VMS) for DME Claims: a government-provided system

Programming language(s): COBOL/ALC/CICS

Key technologies used in the implementation and/or operation of the system

- CMS/Medicare Data Communications Network (MDCN)
- Common Working File
- Electronic Correspondence Referral System
- BCBS of South Carolina data center
- Program Safeguard Contractor
- HIPAA 270/271 eligibility transactions (Medicare claims billing services)
- Provider Enrollment Chain Ownership System
- Unique Provider Identification Number Registry
- Next Generation Desktop – Administar Federal
- Comprehensive Error Rate Testing
- Bank interfaces
- Interactive Voice Response/Automated Response Unit/Voice Response Unit
- Internal Revenue Service (IRS) 1099 tapes and files

- Automated Call Distribution (ACD) system, designed to provide support of the MCS production and model office cycles as well as security administration and CICS online regions executing in the MCDC2

Have damages or penalties been assessed during the last 5 years?

☐ Yes

☒ No

Customer reference (including name, address, and current telephone number of the responsible project administrator or manager who is familiar with the Offeror's performance)

Name	Ms. Kathy Markman
Address	7500 Security Blvd
	Baltimore, MD 21244-1850
Telephone	1 410 786 8916

LISTING OF OFFEROR'S CORPORATE RELEVANT EXPERIENCE

Name of the Customer Centers for Medicare & Medicaid Services (CMS)

Name of the Project Medicare Claims Data Center 2 (MCDC2)

Did the project involve claims processing specifically for either or all of the following?

- ☐ Medicaid
- ☒ Medicare
- ☐ Mental Health
- ☐ Other health care entity

Did the Offeror perform any of the following tasks on the contract?

- ☒ Claim processing (include whether fee for service, capitation, and/or encounters)
- ☐ Provider relations services
- ☐ Prior approval services
- ☐ Drug rebate services
- ☐ Point of sale processing and support services
- ☐ Electronic eligibility verification system processing and services
- ☐ Provider payment issuance and financial management
- ☐ Other

Indicate whether the role Offeror had on the referenced contract was as a prime or a subcontractor

☒ Prime

☐ Subcontractor

Time period of the project during which the Offeror participated

January 2002 – November 2008 (incl. options)

Program size (number of beneficiaries and dollar amount of claims paid per year)

This contract provides system maintenance and data center management processing/hosting services for claims processing of approximately 262 million Medicare Part B claims administered annually by HealthNow, Inc.; National Heritage Insurance Company (NHIC); Noridian Administrative Services; Wisconsin Physicians Service (WPS); and Palmetto GBA. This volume represents approximately 31 percent of all Medicare Part B claims nationwide, making EDS and the MCDC2 contract the largest single Medicare claims processing data center entity under direct CMS management. Because MCDC2 is a fixed-fee-per-claim contract, EDS does not track the number of beneficiaries or annual dollar amount of claims paid per year.

Total number of providers served by program

EDS provided claims processing services for five carriers, each of which serve hundreds of thousands of providers.

Did the Offeror's overall responsibilities on the referenced contract include:

☐ Design, development, and implementation of a system with COTS?

☐ Design, development, and implementation of a system with COTS with modifications?

☐ Design, development, and implementation of a system with ground-up development?

☐ Design, development, and implementation of a

system with a transferred system?

☐ Design, development, and implementation of a system with a transferred system with modifications?

☐ Design, development, and implementation of a system requiring CMS certification?

☒ Operations of a system? EDS processes Medicare claims in the MCDC2 using the MCS standard Part B Medicare Claims system provided by CMS.

☒ Maintenance and modification of a system? MCDC2 installs quarterly, off-quarter, special, and emergency releases provided by the system maintainer (EDS) to the MCS standard system at MCDC2.

☐ Any responsibilities for system turnover at the end of the contract?

☐ Any responsibilities serving as the systems integrator?

Did the referenced contract involve health care claims processing in a multi-payer environment?

☐ Yes

☒ No

Platform the system operates on

IBM mainframe computer running the Z/OS 1.7 operating system

Key technologies used in the implementation and/or operation of the system

Data center mainframe outsourcing services using a CMS-provided CICS-based online system and batch processing system written in Cobol and Assembler.

Data center mainframe outsourcing services using a CMS-provided CICS-based online system and batch processing system written in Cobol and Assembler. EDS currently schedules, executes, and monitors approximately 3,000 production batch jobs nightly within COBOL and ALC environments that include 20 batch cycles and online environments. The EDS team also monitors, tracks, and reports on over 70 critical path jobs with more than 400 performance measurements and benchmarks for each cycle.

EDS provides support for CICS application and batch cycle processing directly to CMS for Medicare Part B workloads. Services include ongoing batch and online support for 20 CICS regions and 20 batch cycles for the carriers using the MCS as well as installation of MCS system releases received from the Medicare Part B SSC.

Have damages or penalties been assessed during the last 5 years?

☐ Yes

☒ No

Customer reference (including name, address, and current telephone number of the responsible project administrator or manager who is familiar with the Offeror's performance)

Name	Mr. Andrew Mummert, Contracting Officer
Address	7500 Security Blvd - Mail Stop C2-21-15
	Baltimore, MD 21244-1850
Telephone	1 410 786 0403

LISTING OF OFFEROR'S CORPORATE RELEVANT EXPERIENCE

Name of the Customer Coventry Health Care Inc. ("Coventry") and First Health Group Corp.

Name of the Project Coventry/First Health Group

Did the project involve claims processing specifically for either or all of the following?

- ☐ Medicaid
- ☐ Medicare
- ☐ Mental Health
- ☒ Other health care entity

Did the Offeror perform any of the following tasks on the contract?

- ☒ Claim processing (include whether fee for service, capitation, and/or encounters)
- ☐ Provider relations services
- ☐ Prior approval services
- ☐ Drug rebate services
- ☐ Point of sale processing and support services
- ☐ Electronic eligibility verification system processing and services
- ☐ Provider payment issuance and financial management
- ☒ Other

  Paid 13 million fee-for-service claims/year

EDS provides medical bill review processing services on a fee-per-bill basis to First Health. EDS created a new Web-based system (Bill Review v4) that it operates on First Health's behalf to replace other mainframe-based technologies in use since 1988.

Indicate whether the role Offeror had on the referenced contract was as a prime or a subcontractor

☒ Prime

☐ Subcontractor

Time period of the project during which the Offeror participated

12/1988 - 12/2009 (one contract with four amendments)

Program size (number of beneficiaries and dollar amount of claims paid per year)

In 2006, the First Health account processed 11,373 bills

Total number of providers served by program

2006 providers served: 8,529

Did the Offeror's overall responsibilities on the referenced contract include:

☒ Design, development, and implementation of a system with COTS?

☒ Design, development, and implementation of a system with COTS with modifications?

☒ Design, development, and implementation of a system with ground-up development?

☒ Design, development, and implementation of a system with a transferred system?

☒ Design, development, and implementation of a system with a transferred system with modifications?

☒ Design, development, and implementation of a system requiring CMS certification?

☒ Operations of a system?

☒ Maintenance and modification of a system?

☒ Any responsibilities for system turnover at the end of the contract?

☐ Any responsibilities serving as the systems integrator?

Did the referenced contract involve health care claims processing in a multi-payer environment?

☒ Yes

☐ No

Platform the system operates on

Bill Review v4 is Web-based and operates on AIX, and it uses Websphere, DB2, and rule engine components from Fair Isaac (Blaze). The system operates on standard 8-way processors for high-availability applications.

Key technologies used in the implementation and/or operation of the system

IBM Websphere—Websphere is a transaction monitoring and Web services (HTML server) platform that provides interface between the browser and the services rendered by the Bill Review application and database servers.

IBM DB2—DB2 provides database services to the Bill Review application servers and report servers.

Blaze Advisor—This is a rule server used to store and retrieve business logic for the Bill Review process. Currently,

our application houses 100,000+ rules organized into roughly 800 separate rule bases. Blaze Advisor provides the capability to develop, store, and administer such rules in a production environment.

Data Junction (ETL)—This server is used to extract, transform, and load data from one format into another format. Bill Review translates many input formats into a common XML data stream for processing by the system. Likewise, output files are tailored to the requirements of receiving systems with data for bill review.

Actuate (reporting through Web)—This report server extracts data from the database server to provide several production reports and data extracts made available through a Web-based interface. Users can securely access information in printed form (reports) as PDF files or order extracts of data as either Microsoft Excel or Microsoft Access files for offline processing.

Have damages or penalties been assessed during the last 5 years?

☒ Yes

☐ No

Customer reference (including name, address, and current telephone number of the responsible project administrator or manager who is familiar with the Offeror's performance)

Name	(By client request, please first contact Bill Budde, First Health/EDS Client Executive 1 860 673 1356) Mr. David Correia, First Health Group VP Operations
Address	750 Riverpoint Rd
	West Sacramento CA
Telephone	1 916 374 3620

LISTING OF OFFEROR'S CORPORATE RELEVANT EXPERIENCE

Name of the Customer Wellmark, Inc.

(Blue Cross Blue Shield of Iowa and South Dakota)

Name of the Project Wellmark

Did the project involve claims processing specifically for either or all of the following?

- ☐ Medicaid
- ☐ Medicare
- ☐ Mental Health
- ☒ Other health care entity

Did the Offeror perform any of the following tasks on the contract?

- ☒ Claim processing (include whether fee for service, capitation, and/or encounters)
- ☐ Provider relations services
- ☐ Prior approval services
- ☐ Drug rebate services
- ☐ Point of sale processing and support services
- ☒ Electronic eligibility verification system processing and services
- ☒ Provider payment issuance and financial management
- ☒ Other

  Including fee-for-service and encounter claims.

Other tasks:

- Applications development and support for claims, membership, and underwriting/actuarial systems
- Infrastructure support for the above systems
- Electronic transaction clearinghouse and help desk services

Indicate whether the role Offeror had on the referenced contract was as a prime or a subcontractor

☒ Prime

☐ Subcontractor

Time period of the project during which the Offeror participated

7/1/01 – 12/31/15

Program size (number of beneficiaries and dollar amount of claims paid per year)

In 2006, the EDS Wellmark account processed 24 million claims.

Total number of providers served by program

2006 members served: nearly two million

Did the Offeror's overall responsibilities on the referenced contract include:

☐ Design, development, and implementation of a system with COTS?

☐ Design, development, and implementation of a system with COTS with modifications?

☐ Design, development, and implementation of a system with ground-up development?

☐ Design, development, and implementation of a

system with a transferred system?

☐ Design, development, and implementation of a system with a transferred system with modifications?

☐ Design, development, and implementation of a system requiring CMS certification?

☒ Operations of a system?

☒ Maintenance and modification of a system?

☐ Any responsibilities for system turnover at the end of the contract?

☐ Any responsibilities serving as the systems integrator?

Did the referenced contract involve health care claims processing in a multi-payer environment?

☐ Yes

☒ No

Platform the system operates on

The claims system hardware and software reside in an EDS Service Management Center (SMC) in Plano, Texas. Two mainframe central processing units support this system in the SMC environment. The operating system is MVS with CICS online communications. The file structure is predominantly VSAM. The claims system is written in COBOL with some ALC.

Key technologies used in the implementation and/or operation of the system

Wellmark core transaction systems are mainframe COBOL/CICS and VSAM/IMS. These systems provide data feeds to a data warehouse (UNIX/Sybase/SAS) that uses BusinessObjects for business intelligence reporting. Enterprise Internet and intranet applications front-end these two data sources. All are built in pure Microsoft technologies (ASP, COM, SQL Server, moving to .NET).

Have damages or penalties been assessed during the last 5 years?

☐ Yes

☒ No

Customer reference (including name, address, and current telephone number of the responsible project administrator or manager who is familiar with the Offeror's performance)

Note: This client has advised us that they are unable to comment on EDS' performance at this time due to a current procurement.

Name	Ms. Elaine Palmer, Vice President, Claims Administration
Address	636 Grand Ave., Station 118
	Des Moines, IA 50309
Telephone	1 515 246 6238

50.2.10.3 Financial Stability

RFP Reference: 50.2.10.3 Financial Stability, Page 283

In compliance with RFP Section 50.2.10.3 Financial Stability, we provide the following information to the State:

- EDS Annual Reports
- Financial Organization Contact
- Disclosure of Judgments, Litigation, or Reversals

EDS Annual Reports

The EDS 2006 and 2005 Annual Reports have been attached at the end of this section.

Financial Organization Contact

We have provided the following two financial organization contacts for EDS:

Bank of America
PO Box 34893
Seattle, WA 98124-1893
Business Inquiry Desk
Telephone: 1 206 585 4444
Fax: 1 415 343 9301

Citibank, N.A.
388 Greenwich Street, 21st Floor
New York, NY 10013-2375
Mr. James Walsh, Managing Director
Telephone: 1 212 816 8747
Fax: 1 646 291 1796

Disclosure of Judgments, Litigation, or Reversals

As a multibillion-dollar company with a broad range of clients in a number of different countries, EDS is a party to various pending legal actions arising in the ordinary course of the conduct of its business. As permitted by the second paragraph of RFP Section 50.2.10.3, EDS is providing at the end of this section a copy of the company's most recent Annual Report, as filed with the Securities and Exchange Commission, in response to this requirement.

Information pertaining to EDS' disclosures of judgments, litigation, or reversals can be found on pages AR-19, AR-21, and AR-55 through AR-58 of our Annual Report.

50.2.10.4 Replacement MMIS Account's Place in the Corporate Structure

RFP Reference: 50.2.10.4 Replacement MMIS Account's Place in the Corporate Structure, Pages 283-284

The North Carolina Department of Health and Human Services (the State) will benefit from our structure—from the EDS staff members who work with you daily to the top corporate executives who are focused on your success.

With 30 years of dedicated service to North Carolina, we have a clear understanding of the Replacement MMIS project environment and the State's needs. We recognize that a project of this magnitude warrants direct access to EDS' executive leadership. Clear lines of communication and executive-level guidance are critical.

Each individual working on the Replacement MMIS project will take daily operational and functional direction from the account leadership team, which in turn has a direct line of accountability to the highest levels of the corporation. This accountability underscores the Replacement MMIS' importance to EDS.

State of North Carolina

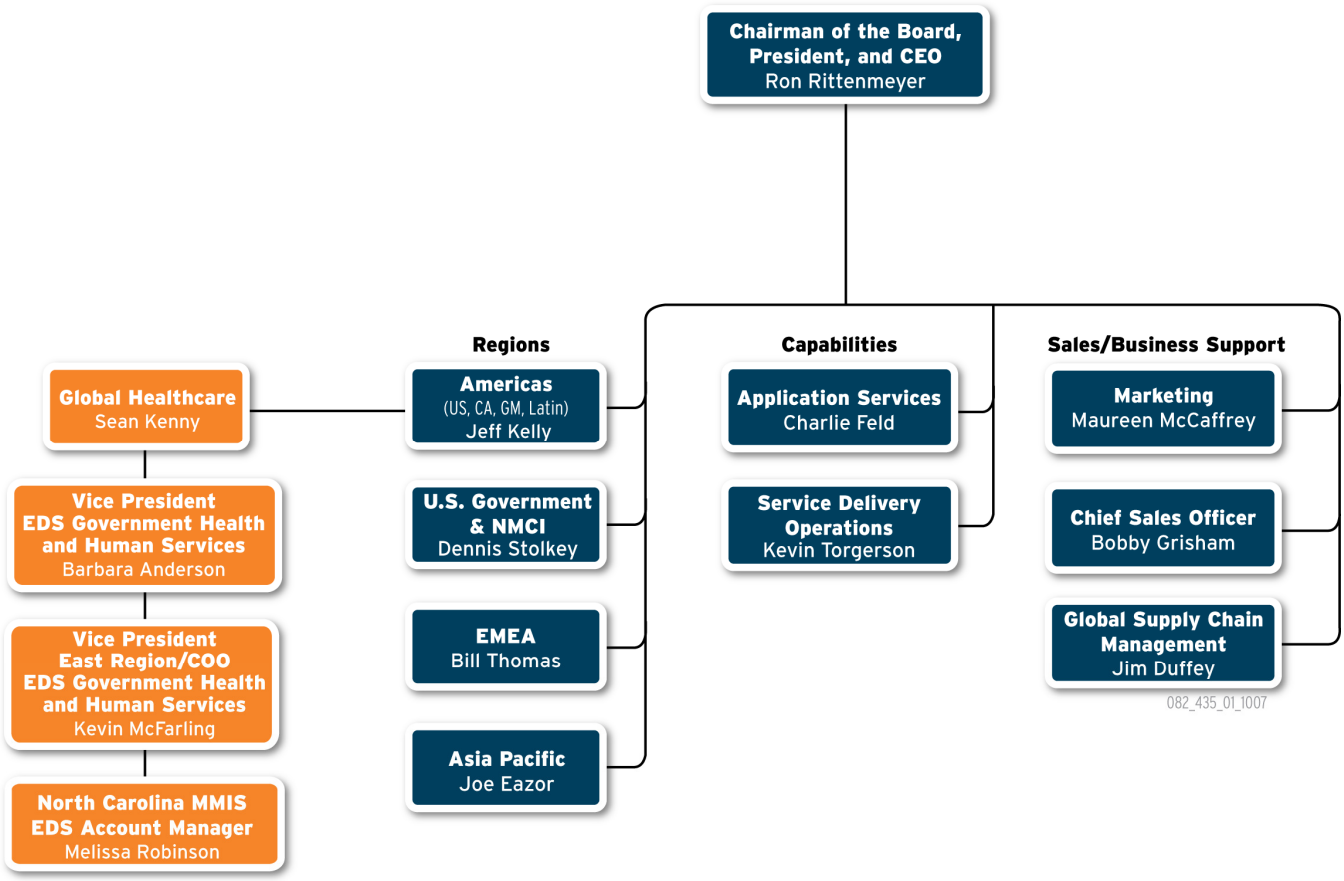
Global Healthcare Organization

As part of our ongoing effort to de-layer our operations, simplify lines of accountability, and move to a general management model, EDS announced the creation of the new Global Healthcare Industry segment in January 2007. This alignment enables the company's healthcare knowledge and support to be centralized in one team and leverages this knowledge to assist our healthcare clients.

Points of Contact and Accountability

To illustrate the Replacement MMIS account's valued place in our corporate structure, we have included the following exhibit, Points of Contact and Accountability Chart.

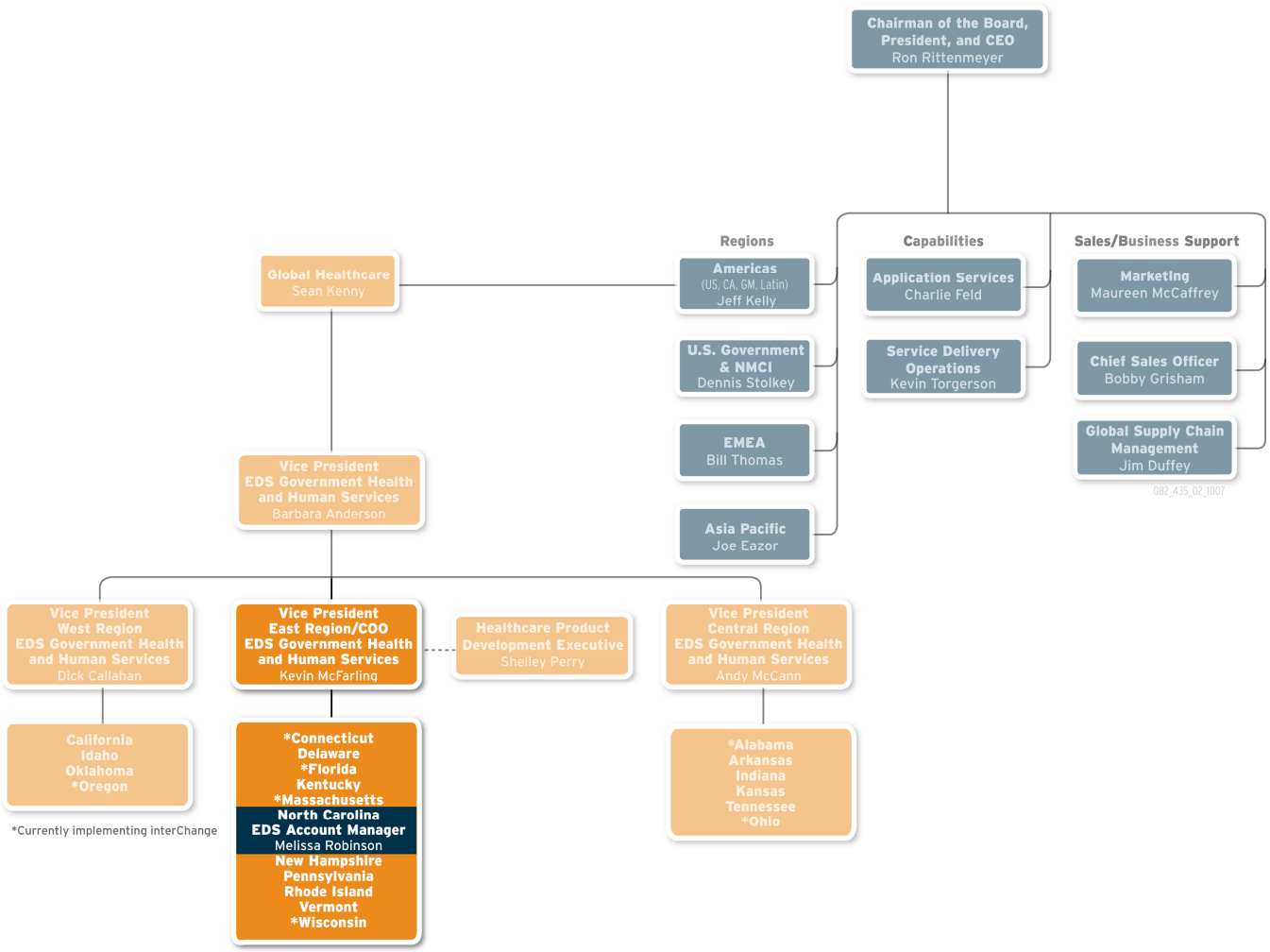
Points of Contact and Accountability Chart



Melissa Robinson will have ownership and oversight of the Implementation and Operations phases of the North Carolina Replacement MMIS, making sure they are run smoothly and successfully.

The following exhibit, North Carolina's Place in EDS Corporation, illustrates North Carolina's place within our corporation and among our state Medicaid accounts.

North Carolina's Place in EDS Corporation



Melissa Robinson and her North Carolina team will have upper-level management points of contact available for consultation and support.

Sean Kenny

In this improved model, Vice President, Global Healthcare Sean Kenny reports to Executive Vice President Jeff Kelly, who reports directly to EDS' Office of the Chairman and sits on the company's Executive Committee.

"EDS is excited about continuing our North Carolina hallmark account, and this excitement is felt throughout the whole EDS corporate leadership circle. EDS is always looking toward the future, and we see the importance of expanding our services for North Carolina. Our team has the technology, the people, and the strong support of EDS corporate leadership to provide North Carolina with a state-of-the-art Replacement MMIS that will meet the healthcare processing needs of DHHS and beyond."

—Sean Kenny

Sean brings more than 20 years of experience in the healthcare industry, supporting government health plans and organizations, commercial payers such as the Blue Cross and Blue Shield plans, and large provider and life sciences organizations.

During regularly scheduled status meetings throughout the Implementation and Operations phases, Sean will meet with Barbara Anderson and Kevin McFarling. If additional corporate resources are needed at any time during the Replacement MMIS implementation or operations, Sean will make sure those needs are prioritized and that the resources are quickly assigned to the State.

Barbara Anderson

Vice President, EDS Government Health and Human Services Barbara Anderson reports to Sean Kenny. Barbara was previously the vice president of the U.S. State and Local Government group. She has also served as enterprise client executive for U.S. Government Solutions, overseeing business relationships with the U.S. Departments of Education, State, Health and Human Services, Energy, Veterans Affairs, Social Security Administration, and State and Local government clients for 11 Midwestern states. In that role, she was also responsible for directing EDS' business efforts in the education market for all state and local governments.

> "Supporting the efforts of North Carolina DHHS is an integral part of EDS' Government Health and Human Services business. North Carolina is facing a challenging economic period with rising medical care and pressure to contain expenses. We will help you meet these challenges by delivering a multi-payer system that will not only process the four divisions of DHHS, but also will be ready to add future divisions. From my 24 years in healthcare, I understand the ever-changing needs of providers and recipients, as well as state and federal requirements, and we have dedicated the best people to meet these needs. We are committed to the MMIS market, as evidenced by our implementing interChange in 12 states, and we are committed to providing the same resources and dedication to your Replacement MMIS."
>
> *—Barbara Anderson*

Barbara has been with EDS for 24 years and in 2007 received EDS' top award—the Chairman's Award—for her contributions to the success of the healthcare clients we serve.

Barbara has ultimate authority for monitoring our performance on the North Carolina Replacement MMIS project and can commit EDS to all necessary courses of action to accomplish superior performance and service.

Kevin McFarling

Vice President East Region/Chief Operating Officer (COO) EDS Government Health and Human Services Kevin McFarling reports to Barbara Anderson. Kevin was a key architect of EDS' ongoing U.S. Government business transformation initiatives and multi-year Medicaid Management Information System (MMIS) technology deployment and product and service strategy. His

efforts have been critical to the continued success of the EDS government healthcare business, which directly contributed to recent Medicaid wins in Florida, Kentucky, Wisconsin, Rhode Island, Massachusetts, and Oregon. He has been with EDS since 1985.

"North Carolina is the cornerstone account within EDS and our growing state and local healthcare business. We are pleased to have this opportunity to submit this proposal. We believe the combination of our proven technologically advanced solution, interChange, our experienced North Carolina account staff, and our experienced interChange delivery team will provide **the lowest risk solution for DHSS to gain the full benefit of a true multi-payer system**. Our solution will support DMA, DMH, DPH, and ORHCC as well as future divisions of DHHS. EDS looks forward to extending our business with North Carolina and thank you for this opportunity."

—Kevin McFarling

The State can be confident that the necessary DDI resources will be available because Kevin manages every MMIS implementation and will closely monitor the Replacement MMIS project. He meets weekly with the delivery teams to discuss performance metrics and best practices, flag risks, and develop solutions.

Kevin also has ultimate authority regarding our performance on the Replacement MMIS project and can commit EDS to all necessary courses of action to secure superior performance and service.

Melissa Robinson

As the North Carolina Replacement MMIS EDS account manager, Melissa Robinson will report directly to Kevin McFarling. Melissa brings more than 14 years of experience in the delivery of services to North Carolina Medicaid, with 16 years in supervisory or management roles, including six years managing account sites.

As the current deputy account manager, Melissa directs six operational departments with six managers, eight supervisors, and 209 staff. Her duties include coordinating the development and finalization of contract amendments and administrative change orders. Under her direction, more than 10 amendments have been executed and finalized for expanded MMIS operations and system enhancement services and two contract extensions. This effort exemplifies her ability to work with the State and align EDS services in support of State initiatives and program needs. Since 2001, she has served as the liaison between the DMA Contract Monitor staff and has overseen all EDS internal North Carolina financials, customer invoice issuance, and collections.

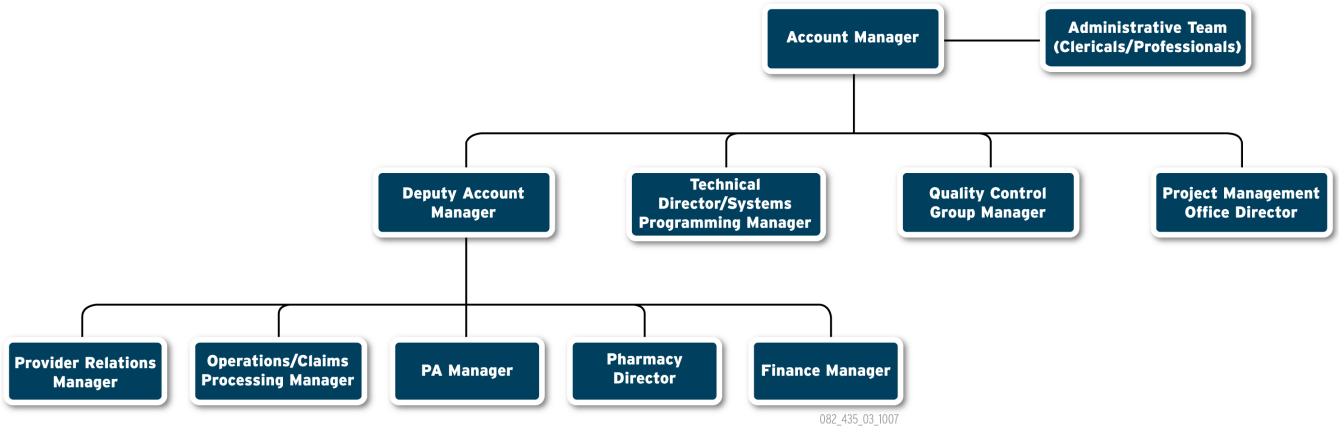
In North Carolina, Melissa has demonstrated an ongoing commitment to improving services, first as the financial supervisor and then as manager for financial, pharmacy, drug rebate, and buy-in.

Continuity of Leadership

With the exception of Ohio, all of the ongoing implementations shown in the previous chart will be completed before September 2008.

To provide unbroken continuity from the DDI Phase into the Operations Phase, many of the core leadership team members will retain their positions and continue to provide guidance and leadership in our healthcare operations for a successful implementation and support throughout the operational years. Melissa Robinson and the Replacement MMIS leadership team will be the points of contact and accountability to the State. They will provide communication to the State and direction to EDS organizations. The following exhibit, North Carolina EDS Account Team, presents a high-level view of Melissa's organization.

North Carolina EDS Account Team



Each team member will take his or her Replacement MMIS responsibilities directly from the account leadership.

For a more in-depth description of the North Carolina EDS account team, please see proposal section 50.2.5.4 Staffing Approach.

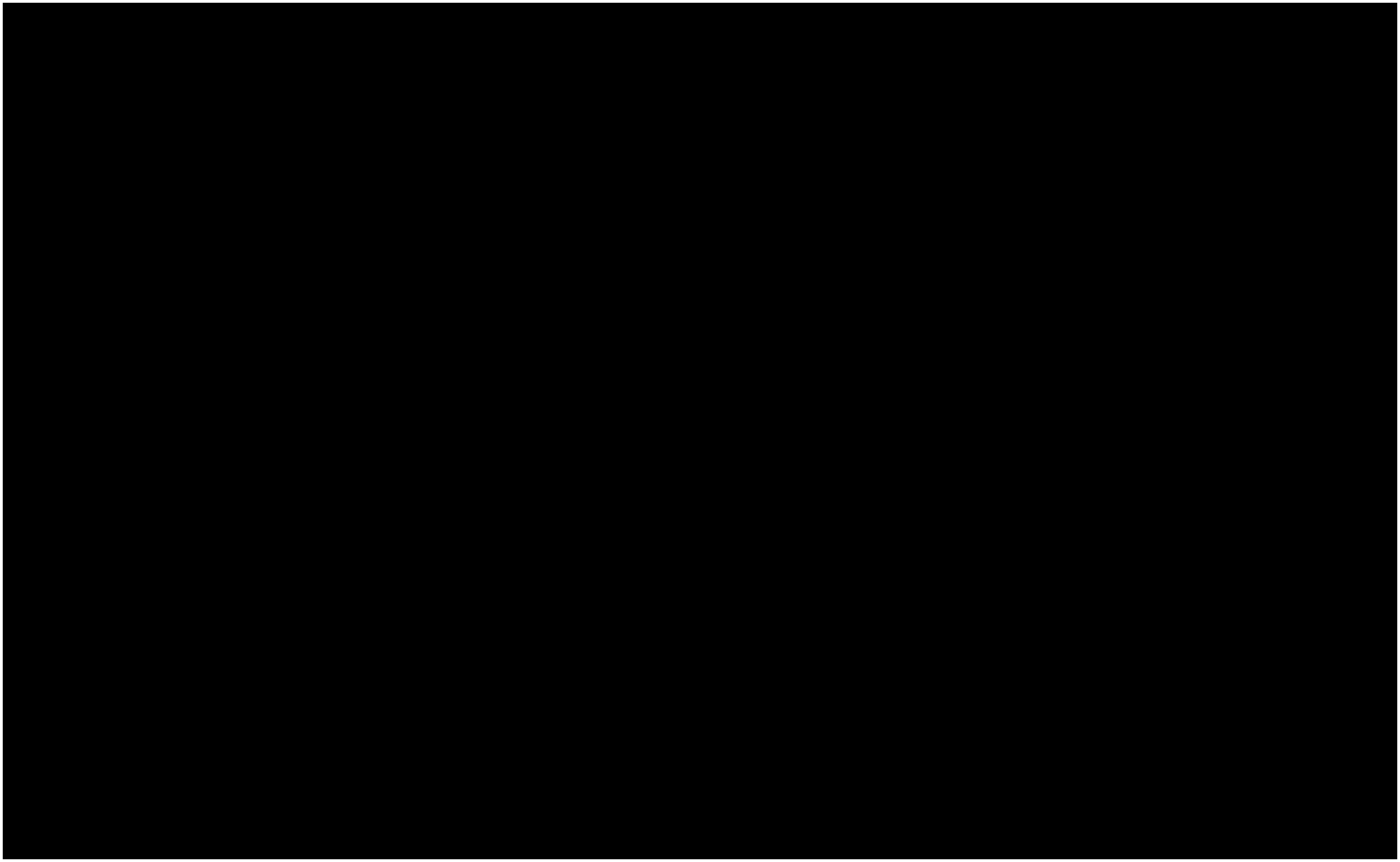
As indicated in the proposal, each individual working on the Replacement MMIS project will take daily operational and functional direction from the account leadership team. In the case of individuals working at other EDS locations, such as the Plano and Sacramento Service Management Centres (SMCs), the EDS-designed daily operational processes and procedures will be used to perform the work necessary to fulfill EDS' responsibilities under the Replacement MMIS project, with direction on project and client needs given directly from the account team.

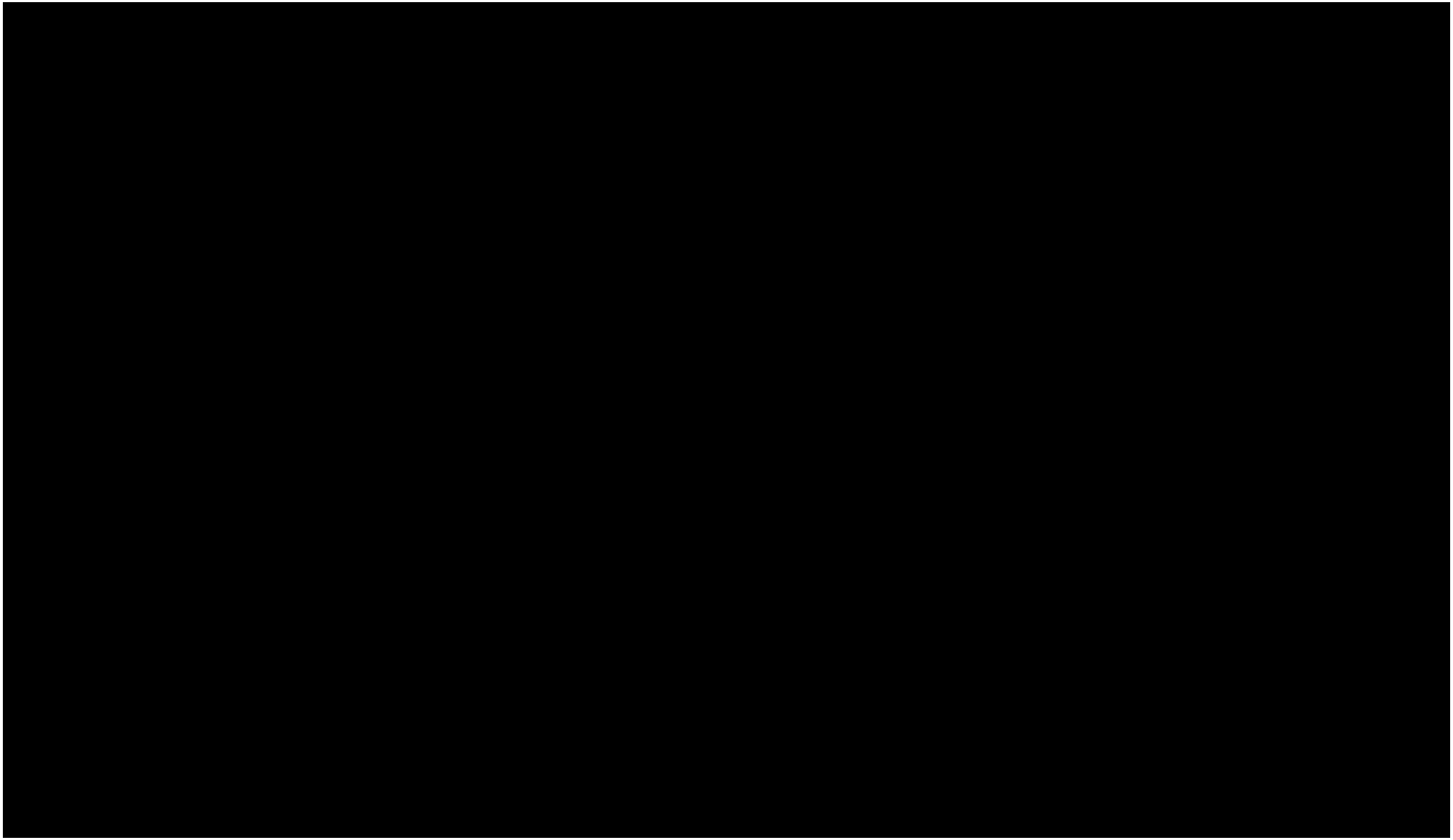
50.2.10.5 Damages and Penalties Asserted

RFP Reference: 50.2.10.5 Damages and Penalties Asserted, Page 284

Like all of our valued clients, the State and the Replacement MMIS stakeholders deserve the very best. Our Service Excellence program underpins our service quality and incorporates open, candid, and collaborative client relationships to have a successful DDI and operations. Our primary objectives are to obtain the highest level of client satisfaction and thus retain our client base.

Even though our primary goal is 100 percent client satisfaction and retention, we have been assessed damages or penalties arising from the ordinary course of conducting EDS' healthcare business. The following tables detail the damages and penalties that have been assessed against us by all contracts listed in response to section 50.2.10.2 Summary Information Listing the Offeror's Corporate Relevant Experience in this proposal.





Delivering Results **NOW**

A Message From Michael H. Jordan • 2007 Annual Meeting Notice • Proxy Statement • 2006 Financial Information

2006 **Annual Report**

/// eds.com

EDS

EXPERTISE. ANSWERS. RESULTS.

5400 Legacy Drive
Plano, Texas 75024

To Our Shareholders,

This annual report marks the fourth since we began the revitalization of EDS. Our progress continues to be sure and steady – with a strong finish to a good year in 2006. This momentum reflects a clear strategy well executed by our employees – all committed to our clients' success.

We are winning in the marketplace and increasing client satisfaction through a relentless focus on quality, cost and operational excellence. As a result, your company is delivering improved financial performance – accelerating growth and improving operating margins.

EDS increased market share as our technology vision and customer-focused service culture resonated with clients. We deployed cash more effectively while investing heavily in our capabilities and cost competitiveness. Strategic acquisitions filled gaps in our business, expanding EDS' global reach and expertise.

Accountability became a watchword throughout the company. We adopted a zero-outages delivery mindset. We believe this highly disciplined approach already is differentiating us in the marketplace.

In sum, we set a foundation for sustainable and profitable growth. In 2006, EDS:

Gained market share. We reached our highest total contract value for new business signings since 2001. Total contract value increased 32 percent from a year ago to $26.5 billion. Business sold to "new logo" accounts represented $4.2 billion – up nearly 70 percent. These clients included Kraft Foods and global telecommunications giant Vodafone. We gained ground in the applications space, seeing total contract value rise by almost 50 percent. EDS also won several important "recompetes," contract modifications and extensions, deepening relationships with existing clients, including General Motors, the U.S. Department of the Navy and the U.K. government.

Improved operational excellence. We completed our Global Services Network, the backbone of our Global Delivery System. Unique to EDS, this system enhances business continuity, security and service flexibility for clients. Our service delivery standardization and automation initiatives increased both productivity and service quality – and ultimately moved the needle higher on client satisfaction. At the same time, we continued to enhance the skills of our people, providing employees with almost 3 million hours of training.

Expanded Best Shore℠ presence. We continued to realign our work force with strong offshore capabilities, making us more price competitive and responsive to client needs. We more than doubled our presence in high-quality, lower-cost locations to 32,000 employees. While India was the primary beneficiary, we also are migrating our work force to other regions such as Latin America, China, Hungary and Poland.

Filled important capability gaps. We invested in applications and business process outsourcing (BPO) capabilities, including the acquisition of a majority stake in MphasiS. MphasiS enhances our global delivery model, adding top applications, BPO and financial industry skills to our portfolio, while more than tripling our presence in India. Our acquisition of GEMS increased our ability to provide solutions in SAP enterprise management and customer relationship management.

Strengthened our management team. We promoted Ron Rittenmeyer to president and chief operating officer, recognizing his many contributions to EDS in a short time. Ron's commitment to instill accountability and quality at every level is improving our operations worldwide. We leveraged account management and delivery through regional hubs and Global Service Centers to maximize our expertise and concentrate our skills base. EDS also recommitted to a strong industry focus. We put in place a team of proven leaders to engage clients across key industries and address their business needs.

Further strengthened our financial foundation. In 2006, we doubled our net income and significantly increased our operating margin, putting us on the pathway to our long-term goals. We also drove a more than 40 percent increase in free cash flow through improved operating performance and growth. At the same time, our net debt stayed essentially flat while we continued to invest in products, tools and cost competitiveness.

As we look back over the last four years, EDS has improved across the board:

- We have transitioned from significant operating losses to earnings of nearly a dollar per share from continuing operations.
- EDS' free cash flow, a good measure of a company's health, has increased fourfold.
- Our net debt is now essentially zero.
- Total contract value has nearly doubled.

With a solid foundation in place, we believe we are better positioned than ever to deliver on our commitments to clients and drive strategic value.

The Flat New World

A few years ago, we outlined a set of beliefs on the direction of the global marketplace and the role of rapidly changing technologies. Today, these beliefs are a reality. Globalization continues to accelerate. Wireless technologies and extended supply chains have widened the scale and scope of global networks.

The world has truly flattened, changing the nature of when, how and where work gets done. Business ecosystems now dominate. And, information security and privacy have become paramount in a world where international boundaries yield to millions of electronic transactions daily.

As a technology services leader, we recognize the increasing demands placed on governments and businesses today. We see the issues our clients face. They need our help to deliver increased productivity, practical innovation, profitable growth and never-fail security – all underpinned by outstanding service quality.

For them, this means:

- Reaching their customers with the right products and services – whenever and however they want them.
- Supporting customer interactions – in person and online – with back-end processes that are responsive and always on.
- Having a clear line-of-sight into their entire operations to make intelligent decisions about where the business is going.

EDS is uniquely qualified to help our clients navigate this new environment and compete more effectively.

Two Major Thrusts Going Forward

Our strategy in 2007 is two pronged. First, we will continue to drive improvements in our base business and broaden our core capabilities. Second, we must reposition our business and emphasize development of attractive market segments, where EDS has strong intellectual property, processes and solutions.

Improve our base, broaden core capabilities

We have made significant investments to build a market-leading information technology outsourcing (ITO) platform. This platform gives us a strong base to compete with and build on. It distinguishes EDS and sets the benchmark for providers hoping to serve the needs of truly global enterprises.

Unlike the offshore "pure play" approach, EDS' Global Delivery System – enabled by our Global Services Network – allows clients to readily access our complete portfolio of services wherever they choose to do business.

This network gives us the upper hand to pursue both traditional ITO business – as well as less capital-intensive infrastructure management services – from Best Shore locations such as Malaysia, Hungary, Brazil and India. These activities include the remote monitoring and management of servers and desktops, providing end-to-end visibility for enterprise operations.

We will continue using our infrastructure as a base to add higher-value services. This means adding to our skills base in applications development and legacy modernization. Modernization services are important because many enterprises are hampered by outdated legacy systems that cannot handle today's business demands – much less tomorrow's.

We will exploit our technology vision, coupled with our focus on execution, to address the issues facing our clients. Toward that end, we will partner with businesses and governments to transform their organizations into modern, agile enterprises.

Reposition our business, develop attractive segments

The changes we've made in the last few years make us a more competitive and client-focused company. Now, we need to better position these capabilities to be more visible and valuable for our clients – and to bring greater growth to our company.

We have identified several foundations for EDS' growth, including key industries and capabilities. Each one has an established client base and more than $1 billion in existing business to build from.

Our recommitment to an industry-based approach opens up more opportunities worldwide. We invested heavily in the best data centers around the globe – all linked by our secure global network. This is a winning combination, especially for governments, healthcare and financial services industries, where information security is critical.

Creating industry-enabled solutions that combine applications expertise, BPO capabilities and IT infrastructure will enable EDS to bring more value to our clients. This means delivering solutions that hit their business issues head-on. For EDS, we expect these solutions to bring growth with higher margins in return for more valuable services.

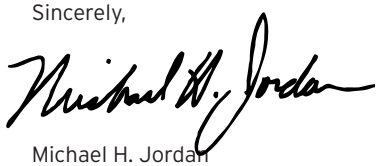
Delivering Results Now

Talent wins games, but teamwork and intelligence win championships. EDS is in it for the long haul. Our goal is to become a valued part of the client management team, rather than just a vendor.

To do this for every client, we rely on our people to build deep and lasting relationships – some of which today span more than a decade. We count on their expertise to provide answers so our clients can perform well and serve their customers better.

Simply put, EDS delivers results now – for our clients and shareholders. It's why we're in business.

Sincerely,



Michael H. Jordan
Chairman and Chief Executive Officer

ELECTRONIC DATA SYSTEMS CORPORATION

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 17, 2007

The Annual Meeting of Shareholders of Electronic Data Systems Corporation ("EDS") will be held on Tuesday, April 17, 2007, at 1:00 p.m. local time, at the offices of EDS, 5400 Legacy Drive, Plano, Texas 75024. The purpose of the meeting is to:

- elect 11 directors to hold office until the next annual shareholders' meeting or until their respective successors have been elected or appointed;
- ratify the appointment of KPMG LLP as our independent auditors for the current year;
- consider and vote upon two shareholder proposals, if presented at the meeting; and
- act upon such other matters as may be properly presented at the meeting.

The proxy statement fully describes these items. We have not received notice of other matters that may be properly presented at the meeting.

Only EDS shareholders of record at the close of business on February 16, 2007, will be entitled to vote at the meeting.

To ensure that your vote is recorded promptly, please vote as soon as possible, even if you plan to attend the meeting. Most shareholders have three options for submitting their votes prior to the meeting: (1) via the Internet; (2) by phone; or (3) by mail. If you have Internet access, **we encourage you to record your vote on the Internet.** It is convenient and saves our company significant postage and processing costs. Your completed proxy, or your telephone or Internet vote, will not prevent you from attending the meeting and voting in person should you so choose.

Please let us know if you plan to attend the meeting by marking the appropriate box on the enclosed proxy card or, if you vote by telephone or Internet, indicating your plans when prompted. If you are a shareholder of record, please bring the top portion of the proxy card to the meeting as your admission ticket. If your shares are held in street name (by a bank or broker, for example), you may bring a recent account statement to the meeting in lieu of the admission ticket.

By order of the Board of Directors,

Storrow Gordon

Storrow M. Gordon
Secretary

March 1, 2007

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PROXY STATEMENT
FOR THE ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD APRIL 17, 2007

The Board of Directors of EDS is soliciting proxies to be used at the 2007 Annual Meeting of Shareholders. Distribution of this Proxy Statement and a proxy form is scheduled to begin on March 9, 2007. The mailing address of EDS' principal executive offices is 5400 Legacy Drive, Plano, Texas 75024.

About the Meeting

Record Date and Share Ownership

Only holders of record of our common stock at the close of business on February 16, 2007, may vote at the meeting. On that date, 515,965,298 shares of common stock were outstanding. Each share is entitled to cast one vote. The majority of the shares of common stock outstanding on the record date must be present in person or by proxy to have a quorum for the transaction of business at the meeting.

Submitting and Revoking Your Proxy

If you complete and submit your proxy before the meeting, the persons named as proxies will vote the shares represented by your proxy in accordance with your instructions. If you submit a proxy card but do not fill out the voting instructions on the proxy card, your shares will be voted FOR the election of the director nominees set forth in Proposal 1, FOR the ratification of the independent auditors set forth in Proposal 2, and AGAINST the shareholder proposals set forth in Proposals 3 and 4.

To ensure that your vote is recorded promptly, please vote as soon as possible, even if you plan to attend the meeting in person. Most shareholders have three options for submitting their votes prior to the meeting: (1) via the Internet; (2) by phone; or (3) by mail. If you have Internet access, **we encourage you to record your vote on the Internet.** It is convenient and saves significant postage and processing costs. If you attend the meeting and are a registered holder (that is, your shares are not held through a bank or brokerage firm and you appear on our stock register as having shares issued in your name), you may also submit your vote in person, and any previous votes that you submitted, whether by Internet, phone or mail, will be superseded by the vote that you cast at the meeting. At this year's meeting, the polls will close at 2:00 p.m. Central time; any further votes will not be accepted after that time. We intend to announce preliminary results at the meeting and publish final results on our Investor Relations Web site at *www.eds.com/investor* shortly after the meeting and also in our Quarterly Report on Form 10-Q for the second quarter of 2007.

If you are a registered holder, you may revoke your proxy at any time prior to the close of the polls by: (1) submitting a later-dated vote in person at the meeting, via the Internet, by telephone or by mail or (2) delivering instructions to our Corporate Secretary prior to the meeting by fax to (972) 605-5613 or by mail to 5400 Legacy Drive, MS H3-3A-05, Plano, TX 75024. If you hold shares through a bank or brokerage firm, you must contact that firm to revoke any prior voting instructions.

If you participate in the EDS common stock fund through our 401(k) Plan or hold shares through the EDS Stock Purchase Plan or a dividend reinvestment program, you may receive one proxy card for all shares registered in the same name. Generally, shares in these plans cannot be voted unless the proxy card is signed and returned, although shares held in the 401(k) Plan may be voted in the discretion of the plan trustee.

Vote Required to Adopt Proposals

Each share of our common stock outstanding on the record date will be entitled to one vote on each of the 11 director nominees and one vote on each other matter. Directors receiving the majority of votes cast (number of shares voted "for" a director must exceed the number of shares voted "against" that director) will be elected as a director. For each other proposal, the affirmative vote of the majority of the common stock represented in person or by proxy will be required for approval.

For the election of directors, each director must receive the majority of the votes cast with respect to that director. Shares not present at the meeting and shares voting "abstain" have no effect on the election of directors. For each other proposal, abstentions are treated as shares present or represented and voting, so an abstention will have the effect of a vote against the proposal.

If your broker holds your shares in its name, the broker is permitted to vote your shares on the election of directors and the ratification of our independent auditors even if it does not receive voting instructions from you. However, your broker may not be permitted to exercise voting discretion with respect to some of the matters to be acted upon. Thus, if you do not give your broker specific instructions, your shares may not be voted on those matters and will not be counted in determining the number of shares necessary for approval. When a broker votes a client's shares on some but not all proposals, the missing votes are referred to as "broker non-votes." Those shares will be included in determining the presence of a quorum at the meeting but would not be considered "present" for purposes of voting on a non-discretionary proposal. EDS understands that pursuant to New York Stock Exchange ("NYSE") rules, Proposals 3 and 4 are non-discretionary proposals for which your broker may not exercise voting discretion.

Other Matters to be Acted Upon at the Meeting

We do not know of any other matters to be validly presented or acted upon at the meeting. Under our Bylaws, no business besides that stated in the meeting notice may be transacted at any meeting of shareholders. If any other matter is presented at the meeting on which a vote may properly be taken, the shares represented by proxies will be voted in accordance with the judgment of the person or persons voting those shares.

Expenses of Solicitation

EDS is making this solicitation and will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials and soliciting votes. If you choose to access the proxy materials and/or vote over the Internet, you are responsible for any Internet access charges you may incur. Our officers and employees may, but without compensation other than their regular compensation, solicit proxies by further mailing or personal conversations, or by telephone, facsimile, e-mail or otherwise. We will, upon request, reimburse brokerage firms and others for their reasonable expenses in forwarding proxy materials to beneficial owners of our common stock.

Shareholders with Multiple Accounts

Shareholders who previously have elected not to receive an annual report for a specific account may request EDS to promptly mail its 2006 Annual Report to that account by writing EDS Investor Relations, 5400 Legacy Drive, Mail Stop H1-2D-05, Plano, Texas 75024, or by calling (888) 610-1122 or (972) 605-6661.

Multiple Shareholders Sharing the Same Address

We have adopted a procedure approved by the Securities and Exchange Commission ("SEC") called "householding," which reduces our printing costs and postage fees. Under this procedure, shareholders of record who have the same address and last name and do not participate in electronic delivery of proxy materials will receive only one copy of our annual report and proxy statement unless one or more of these shareholders notify us that they wish to continue receiving individual copies. Shareholders who participate in householding will continue to receive separate proxy cards.

If a shareholder of record residing at such an address wishes to receive a separate document in the future, he or she may contact our transfer agent at 1-800-250-5016 or write to The Bank of New York Shareholder Relations, PO Box 11258, New York, NY 10286-1258. Shareholders of record receiving multiple copies of our annual report and proxy statement may request householding by contacting us in the same manner. If you own your shares through a bank, broker or other nominee, you can request householding by contacting the nominee.

Corporate Governance and Board Matters

Board of Directors

The Board of Directors is elected by and accountable to the shareholders and is responsible for the strategic direction, oversight and control of EDS. Regular meetings of the Board are generally held five times per year and special meetings are scheduled when necessary. The Board held nine meetings in 2006. All directors attended at least 85% of the meetings of the Board and the Board committees of which they were members during 2006.

Corporate Governance Guidelines

The Board has adopted the EDS Corporate Governance Guidelines to assist it in the performance of its duties and the exercise of its responsibilities and in accordance with the listing requirements of the NYSE. The Governance Committee of the Board is responsible for overseeing the Guidelines and periodically reviews them and makes recommendations to the Board concerning corporate governance matters. The Guidelines are posted on our website at *www.EDS.com/investor/governance/guidelines.aspx*. The Guidelines cover the following principal subjects:

- *Expectations of individual directors,* including understanding EDS' businesses and markets, review and understanding of materials provided to the Board, objective and constructive participation in meetings and strategic decision-making processes, regular attendance at Board and Board committee meetings, and attendance at annual shareholder meetings.
- *Board selection and composition*, including Board size, independence of directors, process for determining director independence, number of independent directors, nomination and selection of directors, service on other boards, director retirement, separation of the Chairman and Chief Executive Officer (CEO) positions, director orientation and a mandatory continuing director education program.
- *Board operations,* including number of meetings, requirement for executive sessions of non-management directors, the duties of the Presiding Director, Board access to management, annual CEO evaluation, annual Board and Committee evaluation, management development and succession planning, retention of independent advisors and operation and composition of Board committees.
- *Other matters,* including director compensation, prohibition on consulting agreements with directors, restrictions on charitable contributions to director-affiliated organizations, procedures implementing the majority vote requirement for the election of directors described below, procedures for avoidance or minimization of conflicts of interest, including the related party transaction approval policy described under "Related Party Transactions" below, and the rights plan policy described below.

Executive Sessions. The Guidelines require the non-employee directors to meet in executive session without management present from time to time, and at least twice per year. Executive sessions are a normal part of the Board's deliberations and activities. One of these meetings is devoted to the evaluation of the CEO and the recommendations of the Compensation and Benefits Committee regarding the CEO's compensation.

Rights Plan Policy. The Board of Directors redeemed EDS' shareholder rights plan, sometimes referred to as a "poison pill," in February 2005. The Board also adopted a policy to obtain shareholder approval prior to adopting any rights plan in the future unless the Board, in the exercise of its fiduciary duties and through a committee comprised of all independent Directors, determines that, under the circumstances then existing, it would be in the best interest of EDS and its shareholders to adopt a rights plan without prior shareholder approval. This policy further provides that if a rights plan is adopted by the Board without prior shareholder approval, the plan must provide that it shall expire within one year of adoption unless ratified by shareholders.

Presiding Director. The Board has an independent Presiding Director who serves as chair of the regularly conducted executive sessions of the Board and all other sessions at which the Chairman is not present. The Presiding Director facilitates communication with the Board and, at the request of any independent director, serves as the liaison between the Chairman and the independent directors. When requested by any independent director or when the Presiding Director deems it appropriate, the Presiding Director can call meetings of the independent directors. The Presiding Director reviews and approves the agenda for each Board meeting and the nature and type of materials to be sent to the Board for each meeting based on that agenda. At least annually, the independent Directors evaluate the Board's plan for agendas for each meeting in the upcoming year and the information provided at and in advance of meetings and discuss recommendations for any changes to that plan and information in executive session with the Presiding Director, who will communicate those recommendations to the Chairman.

The Presiding Director position is rotated on an annual basis among the Chairpersons of the Board's three standing Committees. The Chairman of the Audit Committee, Ray J. Groves, currently serves as the Presiding Director through the date of the 2007 Annual Meeting of Shareholders, and the Chairman of the Compensation and Benefits Committee, Ellen M. Hancock, will serve as the Presiding Director thereafter until the 2008 Annual Meeting. The Corporate Governance Guidelines provide that if the position of Chairman is held by an independent director, all duties and responsibilities assigned to the Presiding Director shall be performed by that independent Chairman.

Majority Vote for Election of Directors. In February 2007, the Board amended our Bylaws to provide that in an uncontested election of directors (i.e., where the nominees for director equals the number of directors to be elected), a nominee must receive more votes for than against his or her election to be elected to the Board. The Board expects a director to tender his or her resignation if he or she fails to receive the required number of votes. The Governance Guidelines provide that the Board shall nominate as director only candidates who agree to tender, prior to nomination, irrevocable resignations that will be effective upon (i) the failure to receive the required vote and (ii) the Board's acceptance of such resignation. Similarly, the Board will fill director resignations and new directorships only with candidates who agree to tender the same form of resignation prior to any subsequent nomination.

The Guidelines further provide that if an incumbent director fails to receive the required vote for election, the Governance Committee will promptly consider whether to accept or reject that director's previously tendered resignation. The Governance Committee will consider all factors deemed relevant including, without limitation, the stated reasons why shareholders voted against the election of the director, the length of service and qualifications of the director whose resignation has been tendered, the director's contributions to EDS, and the impact of the resignation on any contractual and regulatory requirements. The Board will act on the Governance Committee's recommendation no later than 90 days following the date of the shareholders' meeting when the election occurred. In considering the Governance Committee's recommendation, the Board will review the factors considered by the Governance Committee and such additional information and factors the Board believes to be relevant. Absent a compelling reason for the director to remain on the Board, it is the Board's intention to accept the resignation. We will promptly publicly disclose the Board's decision, together with an explanation of the process by which the decision was reached and, if applicable, the reasons for rejecting the tendered resignation.

Any director who tenders his or her resignation pursuant to this provision is expected to not participate in the Governance Committee recommendation or Board consideration regarding whether or not to accept the tendered resignation. If a majority of the members of the Governance Committee are not duly elected under the Bylaws at the same election, then the independent directors who are elected will designate a group amongst themselves to recommend to the remaining elected independent Directors whether to accept or reject the tendered resignations.

Director Independence

The Board assesses the independence of each non-employee director not less frequently than annually in accordance with the Corporate Governance Guidelines. Under the Guidelines for Assessing Independence of EDS' Directors, a director cannot be independent unless the Board affirmatively determines that he or she has no material relationship with EDS, either directly or as a partner, shareholder or officer of an organization that has a relationship with EDS, and has none of the other relationships listed in the guidelines that would disqualify the director from being independent under the rules of the NYSE. As contemplated by the NYSE rules, the Board also adopted categorical standards to assist in determining whether any material relationship with EDS exists. Directors who have any of the relationships outlined in such categorical standards are considered to have relationships that require a "full facts and circumstances review" by the Board in order to determine whether it constitutes a material relationship with EDS for purposes of his or her independence. The Independence Guidelines, including such categorical standards, are posted on our website at *www.EDS.com/investor/governance/independence.aspx*.

In February 2007, the Board assessed the independence of each non-employee director under the Independence Guidelines. The Board determined, after careful review, that all non-employee directors (Mr. Dunbar, Mr. Enrico, Mr. Faga, Dr. Gillis, Mr. Groves, Ms. Hancock, Mr. Hunt, Mr. Kangas, Mr. Sims, and Mr. Yost) are independent. There were no relationships outlined in the categorical standards with any non-employee director that required a "full facts and circumstances review" by the Board. The Board also determined that each member of the Audit Committee meets the additional independence standards of the NYSE and SEC applicable to Audit Committee members. Such standards require that the director not be an affiliate of EDS and cannot accept from EDS, directly or indirectly, any consulting, advisory or other compensatory fee, other than fees for serving as a director.

Communications with the Board

Individuals may communicate with the Presiding Director by e-mail to BoardCommunications@eds.com or in writing to Presiding Director, c/o Corporate Secretary, 5400 Legacy Drive, MS H3-3A-05, Plano, Texas 75024.

Communications intended for any other non-management director should also be sent to the above address. Further information regarding the procedures for communications with the Presiding Director is posted on our website at *www.EDS.com/investor/governance/communication.aspx.*

EDS Code of Business Conduct

EDS is committed to conducting its business ethically and with integrity. We believe that integrity is the sum of the ethical performance of the people of EDS and fosters successful long-term relationships with clients, a better overall work environment and a culture of compliance with both the letter and spirit of the law that ultimately brings value to our shareholders. The EDS Code of Business Conduct, first adopted over a decade ago, has been continually updated to reflect the values we expect of the directors, officers and employees of the entire EDS family of companies. The Code of Business Conduct meets the standards for a "code of ethics" applicable to our principal executive officer, principal financial officer, and principal accounting officer or controller for purposes of applicable SEC rules and satisfies the requirements of the NYSE for a code of business conduct applicable to all directors, officers and employees. The EDS Code of Business Conduct is posted on our website at *www.EDS.com/investor/governance/code.aspx.* You may also request a copy of the Code of Business Conduct by writing EDS Investor Relations at 5400 Legacy Drive, MS H1-2D-05, Plano, TX 75024, or by calling (888) 610-1122 or (972) 605-6661. We will disclose any amendment or waiver of a provision of the Code of Business Conduct that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or that relates to any element of the definition of a "code of ethics" under applicable SEC rules, as well as any amendment or waiver of the Code for any of our directors or any executive officer, on our website at *www.EDS.com/investor/governance/code.aspx* not later than five business days after the amendment or waiver.

Committees of the Board

The Board has established three Committees to assist it in discharging its responsibilities: the Audit Committee; the Compensation and Benefits Committee; and the Governance Committee. Each committee is composed entirely of independent directors. The Board has adopted a written charter for each committee. Copies of these charters are posted on our website at *www.EDS.com/investor/governance/*committee.aspx. Shareholders may also request a copy of any committee charter by contacting EDS Investor Relations at the above address or phone number.

Audit Committee. The Audit Committee, which met nine times in 2006, is composed of Ray J. Groves (Chair), W. Roy Dunbar, S. Malcolm Gillis and Edward A. Kangas. The Board of Directors has determined that Messrs. Groves and Kangas are audit committee financial experts within the meaning of SEC regulations, and that all members of the Audit Committee are independent within the meaning of the NYSE's listing standards. The Audit Committee assists the Board in fulfilling its responsibilities for oversight of the integrity of EDS' financial statements, EDS' compliance with legal and regulatory requirements, the independent auditors' qualifications and independence, and the performance of EDS' internal audit function and independent auditors. Among other things, the Audit Committee appoints and determines the compensation of EDS' independent auditors; reviews and evaluates the performance and independence of the independent auditors; reviews the scope and plans for the external and internal audits; reviews and discusses reports from the independent auditors regarding critical accounting policies, alternative treatments of financial information and other matters; reviews significant changes in the selection or application of accounting principles; reviews the internal control report of management, any issues regarding the adequacy of internal controls and any remediation efforts; reviews legal matters that could materially impact EDS' financial statements; reviews the EDS Code of Business Conduct to determine whether it complies with applicable law and discusses reports from the Office of Ethics and Business Conduct concerning compliance with the Code of Business Conduct; and reviews EDS' guidelines and policies with respect to risk assessment and risk management. The Audit Committee also reviews with management and the independent auditors EDS' quarterly and annual financial statements and other public financial disclosures prior to their release. The report of the Audit Committee is included below.

Compensation and Benefits Committee. The Compensation and Benefits Committee ("CBC"), which met seven times in 2006, is composed of Ellen M. Hancock (Chair), Martin C. Faga, James K. Sims and R. David Yost. Messrs. Faga and Sims were appointed to the CBC in October 2006, at which time Roger A. Enrico resigned from the committee. The CBC reviews and approves annual goals and objectives relevant to the CEO's compensation

and evaluates the CEO's performance against such goals and objectives. The CBC approves all salary and other compensation for our other executive officers and the performance goals for our performance-based executive plans. It also reviews and approves all new benefit and equity compensation plans and programs, as well as amendments to existing plans and programs, and reviews and makes recommendations to the Board regarding director compensation. Each member of the CBC is an independent director, and no former employee of EDS serves on the CBC.

Governance Committee. The Governance Committee, which met five times in 2006, is composed of Roger A. Enrico (Chair), Ellen M. Hancock and Ray L. Hunt. The Governance Committee develops, and makes recommendations to the Board for approval of, our policies and practices related to corporate governance, including the EDS Corporate Governance Guidelines. In addition, the committee develops the criteria for the qualification and selection of candidates for election to the Board, including the standards and processes for determining director independence, and makes recommendation to the Board regarding such candidates as well as the appointment of directors to serve on Board committees. The committee is also responsible for the development and oversight of the company's director orientation and education programs. The committee recommends to the Board the election of the Chairman and the CEO, reviews the CEO's recommendations regarding the election of other principal officers, reviews and develops with the CEO management succession plans, and makes recommendations regarding shareholder proposals. The procedures for submission by a shareholder of a director nominee or other proposal are described under "Shareholder Proposals and Nomination of Directors" below.

Director Qualifications

The Governance Committee will select nominees for director on the basis of their integrity, experience, achievements, judgment, intelligence, personal character, ability to make independent analytical inquiries, willingness to devote adequate time to Board duties, and the likelihood that they will be able to serve on the Board for a sustained period. To be recommended by the Governance Committee for election to the Board, a nominee must also meet the expectations for individual directors set forth in the EDS Corporate Governance Guidelines, including understanding EDS' businesses and the marketplaces in which it operates. In addition, a nominee must not have conflicts or commitments that would impair his or her ability to attend scheduled Board meetings or annual shareholders meetings, not hold positions that would result in a violation of legal requirements, and meet any applicable legal or regulatory requirements for directors of government contractors. In selecting nominees, the Governance Committee will also consider the nominee's global experience, experience as a director of a large public company and knowledge of particular industries.

Identification and Evaluation of Director Candidates

The Governance Committee uses a variety of means for identifying nominees for director, including third-party search firms and recommendations from current Board members and shareholders. In determining whether to nominate a candidate, the Governance Committee considers the current composition and capabilities of serving Board members, as well as additional capabilities considered necessary or desirable in light of existing needs, and then assesses the need for new or additional members to provide those capabilities. In most instances, all members of the Governance Committee, as well as one or more other directors, will interview a prospective candidate. The Governance Committee will also contact any other sources, including persons serving on another board with the candidate, it deems appropriate to develop a well-rounded view of the candidate. Reports from the interview with the candidate and/or Governance Committee members with personal knowledge and experience with the candidate, information provided by other contacts, the candidate's resume, and any other information deemed relevant by the Governance Committee will be considered in determining whether a candidate should be nominated.

In evaluating whether to nominate a director for re-election, the Governance Committee will consider the following: the director's attendance at Board and Board Committee meetings; the director's review and understanding of the materials provided in advance of meetings and other materials provided to the Board from time to time; whether the director actively, objectively and constructively participated in such meetings and in the company's strategic decision-making process in general; the director's compliance with the Corporate Governance Guidelines; and whether the director continues to possess the qualities and capabilities expected of Board members discussed above. The Governance Committee will also consider input from other Board members concerning the performance and independence of that director. Generally, the manner in which the Governance Committee evaluates nominees for director recommended by a shareholder will be the same as that for nominees from other sources. However, the Governance Committee will also seek and consider information concerning the relationship between a shareholder's nominee and that shareholder to determine whether the nominee can effectively represent the interests of all shareholders.

Shareholder Proposals and Nomination of Directors

Shareholders may submit proposals, including director nominations, for consideration at future shareholder meetings.

Shareholder Proposals. For a shareholder proposal to be considered for inclusion in our proxy statement for an annual shareholders' meeting, the written proposal must comply with the requirements of SEC Rule 14a-8 regarding the inclusion of shareholder proposals in company-sponsored proxy materials. Proposals should be addressed to:

Corporate Secretary, Electronic Data Systems Corporation
5400 Legacy Drive, Mail Stop H3-3A-05
Plano, Texas 75024
Fax: (972) 605-5610

Our 2008 Annual Meeting of Shareholders is currently scheduled for April 15, 2008. Under SEC rules, shareholder proposals to be considered for inclusion in our proxy statement for that meeting must be received by the Corporate Secretary not later than November 9, 2007. See "By-law Procedures" below for a description of procedures that shareholders must follow to introduce an item of business at an annual meeting in addition to the SEC Rule 14a-8 requirements to have the proposal included in our proxy statement.

Nomination of Director Candidates. The Governance Committee will consider candidates recommended by shareholders who beneficially own not less than 1% of the outstanding Common Stock. Eligible shareholders wishing to make such recommendations to the Governance Committee for its consideration may do so by submitting a completed "Shareholder Recommendation of Candidate for Director" form to the Secretary of the Governance Committee by e-mail to DirectorNominations@eds.com or by mail to 5400 Legacy Drive, Mail Stop H3-3A-05, Plano, TX 75024. This form is posted on our website at *www.EDS.com/investor/governance/nominations.aspx.* A copy of the form may also be requested from the Secretary of the Governance Committee. Eligible shareholders who wish to recommend a nominee for election as director at the 2008 annual meeting should submit a completed form not earlier than October 1, 2007, and not later than November 9, 2007. Generally, candidates recommended by an eligible shareholder will be evaluated by the Governance Committee under the same process described above. However, the Governance Committee will not evaluate a shareholder-recommended candidate unless and until the potential candidate has indicated a willingness to serve as a director, comply with the expectations and requirements for Board service described above and provide all information required to conduct an evaluation.

Shareholders who wish to nominate a person for election as a director at the next annual meeting may do so in accordance with the By-law procedures described below, either in addition to or in lieu of making a recommendation to the Governance Committee.

By-law Procedures. Our By-laws set forth procedures that shareholders must follow to introduce an item of business at an annual meeting or nominate persons for election as a director. These requirements are separate from and in addition to the SEC Rule 14a-8 requirements that a shareholder must satisfy to have a shareholder proposal included in our proxy statement. These requirements are also separate from the procedures described above that a shareholder must follow to recommend a director candidate to the Governance Committee. Generally, our By-laws require that a shareholder notify the Corporate Secretary of a proposal not less than 90 days nor more than 270 days before the scheduled meeting date. The notice must include the name and address of the shareholder and of any other shareholders known by such shareholder to be in favor of the proposal, as well as a description of the proposed business and reason for conducting the proposed business at the annual meeting. If the notice relates to a nomination for director, it must also set forth the name, age, principal occupation and business and residence address of any nominee(s), the number of shares of common stock beneficially owned by the nominee(s) and such other information regarding each nominee as would have been required to be included in a proxy statement under the SEC's proxy rules. Our By-laws are posted on our website at *www.EDS.com/investor/governance.* Shareholders may also contact the Corporate Secretary at the above address for a copy of the relevant By-law provisions.

Compensation and Benefits Committee Interlocks and Insider Participation

None of the members of the Compensation and Benefits Committee are current or former officers or employees of EDS. No interlocking relationship exists between the members of our Board of Directors or our Compensation and Benefits Committee and the board of directors or compensation committee of any other company, nor has any such interlocking relationship existed in the past.

PROPOSALS TO BE VOTED ON

PROPOSAL 1: ELECTION OF DIRECTORS

Our Board of Directors currently has 12 members. Roger A. Enrico will resign as a director immediately following the Annual Meeting and is not standing for re-election. All other current directors are standing for re-election, to hold office until the next Annual Meeting of Shareholders or until their successors are elected and qualified. All nominees were previously elected by shareholders at the 2006 Annual Meeting, other than Messrs. Faga and Sims who were appointed to the Board in September 2006. Mr. Faga had been recommended to the Governance Committee by a non-management director. Mr. Sims had been recommended to the Governance Committee by the Chairman and CEO. If a director nominee becomes unavailable for election, the Board may substitute another person for the nominee, in which event your shares will be voted for that other person.

Pursuant to an amendment to our Bylaws approved by the Board in February 2007, each director nominee must receive more votes "for" than "against" his or her election in order to be elected.

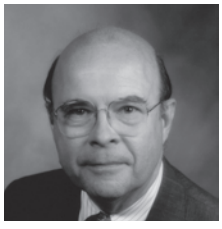
The information below regarding the director nominees is as of February 26, 2007.

The Board of Directors recommends a vote FOR each director nominee.

W. ROY DUNBAR, 45, has been a director of EDS since 2004. He has been President Global Technology and Operations of Master Card International since September 2004. Mr. Dunbar had been president, intercontinental operations of Eli Lilly and Company, responsible for its Asia, Africa/Middle East, Latin America and the Confederation of Independent States operations from January 2004 to September 2004, and was a member of Eli Lilly's senior management forum. He had served as vice president of information technology and chief information officer of Eli Lilly since 1999. Mr. Dunbar joined Eli Lilly in 1990. He is also a director of Humana Inc.

MARTIN C. FAGA, 65, has been a director of EDS since 2006. He served as the President and Chief Executive Officer of The MITRE Corporation, a non-profit organization providing engineering, research and development services to the U.S. Federal government, from May 2000 to June 2006 and is a current member of its Board of Trustees. He was Vice President at MITRE from 1993-2000. Mr. Faga served as the United States Department of Defense, Assistant Secretary of the Air Force for Space and Director, National Reconnaissance Office, from 1989 to 1993.

S. MALCOLM GILLIS, 66, has been a director of EDS since 2005. He has served as Zingler Professor of Economics and University Professor at Rice University since June 2004. Dr. Gillis was President of Rice University from 1993 to June 2004. He is also a director of Halliburton Company, Service Corporation International and Introgen Therapeutics, Inc.



RAY J. GROVES, 71, has been a director of EDS since 1996. He served as Senior Advisor of Marsh Inc., the insurance brokerage and risk management subsidiary of Marsh & McLennan Companies, Inc., from October 2004 to July 2005, Chairman and Chief Executive Officer from July 2003 to October 2004, President and Chief Executive Officer from January 2003 to June 2003, and President and Chief Operating Officer from October 2001 to January 2003. Mr. Groves was Chairman of Legg Mason Merchant Banking, Inc. from March 1995 to September 2001. He retired as Chairman and Chief Executive Officer of Ernst & Young LLP in September 1994, which position he held since 1977. Mr. Groves is also a director of Boston Scientific Corporation and Overstock.com, Inc.

ELLEN M. HANCOCK, 63, has been a director of EDS since 2004. She has been President and Chief Operating Officer of Jazz Technologies, Inc. and its predecessor Acquicor Technology Inc., since August 2005. Prior to its merger with Jazz Semiconductor, Inc., a wafer foundry, in February 2007, Jazz Technologies (then known as Acquicor) was a blank check company formed for the purpose of acquiring businesses in the technology, multimedia and networking sector. Ms. Hancock was Chairman of Exodus Communications, Inc., a computer network and internet systems company, from June 2000 to September 2001, Chief Executive Officer from September 1998 to September 2001 and President from March 1998 to June 2000. She was Executive Vice President, Research and Development, Chief Technology Officer of Apple Computer Inc. from July 1996 to July 1997. Ms. Hancock previously was Executive Vice President and Chief Operating Officer of National Semiconductor and a Senior Vice President and Group Executive of International Business Machines Corporation. She is also a director of Jazz Technologies, Inc., Aetna Inc. and Colgate-Palmolive Company.

JEFFREY M. HELLER, 67, rejoined EDS in March 2003. He has served as Vice Chairman of EDS since December 2006 and a director since 2003. He was President of EDS from March 2003 to December 2006 and Chief Operating Officer from March 2003 to October 2005. Mr. Heller retired from EDS in February 2002 as Vice Chairman, a position he had held since November 2000. He served as President and Chief Operating Officer of EDS from 1996 to 2000 and Senior Vice President from 1984 to 1996. Mr. Heller joined EDS in 1968 and has served in numerous technical and management capacities. He is also a director of Temple Inland Corp. and Mutual of Omaha.

RAY L. HUNT, 63, has been a director of EDS since 1996. Mr. Hunt has been Chairman of the Board, President and Chief Executive Officer of Hunt Consolidated Inc. and Chief Executive Officer of Hunt Oil Company for more than five years. He is a director of Halliburton Company, PepsiCo, Inc., Bessemer Securities LLC, Bessemer Securities Corporation and King Ranch, Inc. and a manager of Verde Group.

MICHAEL H. JORDAN, 70, has been Chairman and Chief Executive Officer of EDS since March 2003. He was Chairman and Chief Executive Officer of CBS Corporation (formerly Westinghouse Electric Corporation) from July 1993 until December 1998. Prior to joining Westinghouse, Mr. Jordan was a principal with the investment firm of Clayton, Dubilier and Rice from September 1992 through June 1993, Chairman of PepsiCo International from December 1990 through July 1992 and Chairman of PepsiCo World-Wide Foods from December 1986 to December 1990. Mr. Jordan has been chairman of the board of directors of eOriginal, Inc. (electronic document services) since June 1999. He is also a director of Aetna Inc.

EDWARD A. KANGAS, 62, has been a director of EDS since 2004. He was Chairman and Chief Executive Officer of Deloitte Touche Tohmatsu from 1989 to 2000 and Managing Partner of Deloitte & Touche (USA) from 1989 to 1994. Mr. Kangas began his career as a staff accountant at Touche Ross in 1967, where he became a partner in 1975. After his retirement from Deloitte in 2000, Mr. Kangas served as a consultant to Deloitte until 2004. He is also the Chairman of the National Multiple Sclerosis Society and a director of Eclipsys Corporation, Hovnanian Enterprises Inc., Oncology Therapeutics Networks and Tenet Healthcare Corporation (for which he has served as non-executive Chairman since July 2003).

JAMES K. SIMS, 60, has been a director of EDS since 2006. He was Chairman of the Board of RSA Security Inc., a provider of online identity and digital asset security services, from June 2003 to September 2006 and Vice Chairman from October 2002 to June 2003. He has served as Chairman and Chief Executive Officer of GEN3 Partners, Inc., a consulting company that specializes in science-based technology development, since September 1999, and as General Partner of its affiliated private equity investment fund, GEN3 Capital I, LP, since July 2005. Mr. Sims has also served as Chairman and Chief Executive Officer of Airgain, Inc., a developer of wireless antenna technology, since November 2004, Chairman of Groxis, Inc., an enterprise search management software firm, since November 2004 and Chairman of American EPS, Inc., a provider of online payroll and attendance solutions, since February 2005. He was a director of Enterasys Networks, Inc., a provider of infrastructure solutions, from June 2004 to March 2005, and Chief Executive Officer, President and director of Cambridge Technology Partners (Massachusetts), Inc., a consulting and systems integration firm, from 1991 to 1999.

R. DAVID YOST, 59, has been a director of EDS since 2005. He has been a director and Chief Executive Officer of AmerisourceBergen Corporation, a pharmaceutical services company, since August 2001 and President of AmerisourceBergen from August 2001 to October 2002. Mr. Yost served as Chairman and Chief Executive Officer of AmeriSource Health Corporation from December 2000 to August 2001 and President and Chief Executive Officer of AmeriSource Health Corporation from May 1997 to December 2000. He held a variety of other positions with AmeriSource Health Corporation and its predecessors since 1974, including Executive Vice President – Operations of AmeriSource Health Corporation from 1995 to 1997.

PROPOSAL 2: RATIFICATION OF APPOINTMENT OF AUDITORS

The Audit Committee has appointed KPMG LLP ("KPMG") as EDS' independent auditors for the year ending December 31, 2007. That firm has been EDS' auditors since 1984. The Board of Directors is submitting the appointment of that firm for ratification by shareholders. A representative of KPMG is expected to be present at the meeting, will be available to respond to appropriate questions and will have the opportunity to make a statement, should he or she so desire.

The Board of Directors recommends a vote FOR the ratification of the appointment of KPMG as independent auditors for 2007.

Audit and Non-Audit Fees to Independent Auditor

The following table shows the dollar amount (in millions) of the fees paid or accrued by EDS for audit and other services provided by KPMG in 2006 and 2005.

	2006	2005
Audit Fees	$18.7	$19.0
Audit-Related Fees	1.3	1.0
Tax Fees	.3	.4
All Other Fees	--	--
Total	$20.3	$20.4

Audit fees represent fees for services provided in connection with the audit of our consolidated financial statements, audit of our internal control over financial reporting, review of our interim consolidated financial statements, local statutory audits, accounting consultations and SEC registration statement reviews. Audit-related fees consist primarily of fees for audits of employee benefit plans and service organizations. Tax fees include fees for domestic and international tax consultations, and international tax return preparation. Other services principally include fees for ISO 9000/14000 compliance assessments and were less than $50,000 in both 2006 and 2005. KPMG rendered no professional services to EDS in 2006 or 2005 with respect to financial information systems design and implementation.

Policy on Pre-Approval of Audit and Non-Audit Services

All audit services, audit-related services, tax services and other services were pre-approved by the Audit Committee, which concluded that the provision of such services by KPMG was compatible with the maintenance of that firm's independence in the conduct of its auditing functions. The Audit Committee charter provides for pre-approval of any audit or non-audit services provided to EDS by its independent auditors. However, pre-approval is not necessary for non-audit services if: (i) the aggregate amount of all such non-audit services provided to EDS constitutes not more than five percent of the total fees paid by EDS to its independent auditors during the fiscal year in which the non-audit services are provided; (ii) such services were not recognized by EDS at the time of the engagement to be non-audit services; and (iii) such services are promptly brought to the attention of the Audit Committee and approved prior to the completion of the audit by the Audit Committee. The Audit Committee may delegate to one or more of its members pre-approval authority with respect to all permitted audit and non-audit services, provided that any services pre-approved pursuant to such delegated authority shall be presented to the full Audit Committee at its next regular meeting.

Report of the Audit Committee

The Audit Committee reviewed and discussed with management of the company and KPMG LLP, independent auditors for the company, the audited financial statements to be included in the Annual Report on Form 10-K for the year ended December 31, 2006.

The Audit Committee discussed with KPMG LLP the matters required to be discussed by Statement on Auditing Standards No. 61, "Communications with Audit Committees", as amended.

The Audit Committee received the written disclosures and the letter from KPMG LLP required by Independence Board Standard No. 1, "Independence Discussions With Audit Committees", and has discussed with KPMG LLP its independence from the company.

In reliance on the reviews and discussions with management of the company and KPMG LLP referred to above, the Audit Committee has recommended to the Board of Directors that the audited financial statements be included in the company's Annual Report on Form 10-K for the year ended December 31, 2006, for filing with the Securities and Exchange Commission.

The Audit Committee reviewed management's process to assess the adequacy of the company's system of internal control over financial reporting and management's conclusions on the effectiveness of the company's internal control over financial reporting. The Audit Committee also discussed with KPMG LLP the company's internal control assessment process, management's assessment with respect thereto and KPMG LLP's evaluation of the company's system of internal control over financial reporting.

It is the responsibility of the company's management to plan and conduct audits and determine that the company's financial statements are complete and accurate and in accordance with generally accepted accounting principles. In giving its recommendation to the Board of Directors, the Audit Committee has relied on management's representation that such financial statements have been prepared in conformity with generally accepted accounting principles, and the reports of the company's independent accountants with respect to such financial statements.

Audit Committee
Ray J. Groves, Chair
W. Roy Dunbar
S. Malcolm Gillis
Edward A. Kangas

SHAREHOLDER PROPOSALS

We expect Proposals 3 and 4 to be presented by a shareholder at the Annual Meeting. The proposals may contain assertions that we believe are incorrect. We have not attempted to refute any inaccuracy. However, the Board has recommended a vote against these proposals for the broader policy reasons set forth following each proposal.

Proposal 3: Shareholder Proposal Relating To Performance-Based Stock Options

John Chevedden, as proxy for William Steiner, has advised us that he intends to present the following resolution at the Annual Meeting:

Resolved, Shareholders request that our Board of Directors adopt a policy whereby at least 75% of future equity compensation (stock options and restricted stock) awarded to senior executives shall be performance-based, and the performance criteria adopted by the Board disclosed to shareowners.

"Performance-based" equity compensation is defined here as:
(a) Indexed stock options, the exercise price of which is linked to an industry index;
(b) Premium-priced stock options, the exercise price of which is substantially above the market price on the grant date; or
(c) Performance-vesting options or restricted stock, which vest only when the market price of the stock exceeds a specific target for a substantial period.

This is not intended to unlawfully interfere with existing employment contracts. However, if there is a conflict with any existing employment contract, our Compensation Committee is urged for the good of our company to negotiate revised contracts that are consistent with this proposal.

As a long-term shareholder, I support compensation policies for senior executives that provide challenging performance objectives that motivate executives to achieve long-term shareowner value. I believe that a greater reliance on performance-based equity grants is particularly warranted at EDS given at least one major example of runaway executive pay.

When EDS showed its Chairman/CEO Dick Brown the door in 2003 it was later revealed that Brown was to receive $30 million in severance. His golden parachute angered investors, who saw the value of their shares tumble roughly 65% in the last year of Brown's reign, while contracts went awry and rivals narrowed the gap between their companies and his.

Many leading investors criticize standard options as inappropriately rewarding mediocre performance. Warren Buffett has characterized standard stock options as "a royalty on the passage of time" and has spoken in favor of indexed options.

In contrast, peer-indexed options reward executives for outperforming their direct competitors and discourage re-pricing. Premium-priced options reward executives who enhance overall shareholder value. Performance-vesting equity grants tie compensation more closely to key measures of shareholder value, such as share appreciation and net operating income, thereby encouraging executives to set and meet performance targets.

Performance Based Stock Options
Yes on 3

THE BOARD OF DIRECTORS RECOMMENDS
A VOTE AGAINST THIS PROPOSAL FOR THE FOLLOWING REASONS:

The Board of Directors and its Compensation and Benefits Committee ("CBC") agree that a substantial portion of long-term incentive compensation should be performance-based and have already modified our long-term incentive compensation strategy to achieve that goal.

In 2004, the CBC launched a project to redesign our long-term incentive compensation strategy and considered alternatives which would, among other things, focus executives on long-term metrics that create sustained shareholder value. The CBC sought the input of many of our largest shareholders in connection with this project. As a result, in 2005 the CBC modified our long-term incentive compensation strategy for senior executives to grant an

equivalent value of performance-based restricted stock units ("P-RSUs") and stock options. The number of P-RSUs that vest under the 2005 and 2006 grants, if any, will be based on EDS' performance as measured by operating margin, net asset utilization and organic revenue growth over a three-year performance period. These metrics were chosen because of their relevance to our corporate strategy and objectives for the respective performance periods at the time of grant, the ability of executive officers to impact achievement of the performance goals and our belief that achieving or exceeding these goals should result in sustained increases to shareholder value over the longer-term. P-RSU vesting for senior executives can range from 0 to 200% of the "target" award. Stock options also vest three years following the grant date, and any options exercised in the 12 month period after vesting must be exercised for shares only and must be held for 12 months from the exercise date. This provision was implemented to hold senior executives accountable for company performance and stock price even after the stock options vest.

We believe that the narrow definition of "performance-based" in this proposal has significant practical limitations and would not reward the type of performance we are seeking to motivate. Under this proposal, a restricted stock award is not considered "performance-based" unless it provides for vesting when the stock price exceeds a specified target for a substantial period. We believe such a requirement could result in short vesting periods and the loss of the retentive value of the award when the stock price target is achieved. This would not necessarily promote the achievement of sustainable long-term stock price appreciation. By comparison, our P-RSUs, which provide for vesting only if we achieve specified financial performance objectives over a three-year performance period, promote the achievement of results over a sustained period of time that we believe drive long-term stock-price performance. If we do not meet the minimum performance targets required for vesting, the P-RSUs will have no value to our executives.

Similarly, the stock option component of our long-term incentive award is inherently performance-based because it provides no economic benefit unless the trading price for our stock exceeds the exercise price after the vesting requirement has been met. The three-year vesting requirement promotes a long-term focus and sustainable performance. The requirement in this proposal that stock options be "premium-priced" or "indexed" to be performance-based is currently not market competitive and the use of premium-priced options would increase share utilization since we would likely grant additional options to achieve market competitive compensation levels.

Additionally, the narrow definition of "performance-based" compensation in this proposal would not provide the CBC with flexibility to design an effective long-term incentive compensation strategy that takes into account changes in strategic goals, changing economic and industry conditions, modifications in tax laws and accounting requirements, competitive compensation practices, and other relevant factors.

For the foregoing reasons, we believe our long-term compensation strategy more effectively achieves the goal of tying our long-term incentive compensation to our company's performance than the approach required by this proposal.

Accordingly, the Board unanimously recommends a vote AGAINST this proposal.

Proposal 4: Shareholder Proposal Relating To Special Shareholder Meetings

John Chevedden, as proxy for Nick Rossi, has advised us that he intends to present the following resolution at the Annual Meeting:

RESOLVED, shareholders ask our board of directors to amend our bylaws to give holders of at least 10% to 25% of the outstanding common stock the power to call a special shareholder meeting.

Shareholders should have the ability, within reasonable limits, to call a special meeting when they think a matter is sufficiently important to merit expeditious consideration. Shareholder control over timing is especially important in the context of a major acquisition or restructuring, when events unfold quickly and issues may become moot by the next annual meeting.

Thus this proposal asks our board to amend our bylaws to establish a process by which holders of 10% to 25% of our outstanding common shares may demand that a special meeting be called. The corporate laws of many states (though not Delaware, where our company is incorporated) provide that holders of only 10% of shares may call a special meeting, absent a contrary provision in the charter or bylaws. Accordingly, a 10% to 25% threshold strikes a reasonable balance between enhancing shareholder rights and avoiding excessive distraction at our company.

Prominent institutional investors and organizations support a shareholder right to call a special meeting. Fidelity, Vanguard, American Century and Massachusetts Financial Services are among the mutual fund companies supporting a shareholder right to call a special meeting. The proxy voting guidelines of many public employee pension funds, including the Connecticut Retirement Plans, the New York City Employees Retirement System and the Los Angeles County Employees Retirement Association, also favor preserving this right. Governance ratings services, such as The Corporate Library and Governance Metrics International, take special meeting rights into account when assigning company ratings.

This topic also won 65% support of JPMorgan Chase & Co. (JPM) shareholders at the 2006 JPM annual meeting.

Special Shareholder Meetings
Yes on 4

THE BOARD OF DIRECTORS RECOMMENDS
A VOTE AGAINST THIS PROPOSAL FOR THE FOLLOWING REASONS:

Under our Certificate of Incorporation and Bylaws, a special meeting of shareholders may be called at any time by a majority of the Board of Directors or by the Chairman of the Board. A special meeting of shareholders is an expensive and time-consuming event because of the costs in preparing and distributing required disclosure documents and the time commitment required of the Board and management to prepare for and conduct the meeting. We believe that the calling of a special meetings of shareholders should occur only when either fiduciary obligations or strategic concerns require that the matters to be addressed cannot wait until the next annual meeting of shareholders. We believe our existing governance mechanisms are appropriate for a public company of our size and afford management and the Board the opportunity to respond to shareholder proposals and concerns while allowing directors, consistent with their fiduciary duties, to determine when it is in the interests of the company to hold a special meeting of shareholders. The Board believes that enabling a small minority of shareholders to call an unlimited number of special meetings, particularly in the current environment in which hedge funds and others now "borrow" shares from other shareholders solely for voting purposes to advance their own interests, could be disruptive to our business, require significant attention from our management and employees and impose substantial administrative and financial burdens on our company.

Accordingly, the Board unanimously recommends a vote AGAINST this proposal.

Stock Ownership of Management and Certain Beneficial Owners

Stock Ownership of Directors and Executive Officers. The following table sets forth the number of shares of our Common Stock beneficially owned as of January 31, 2007, by (a) each director of EDS; (b) each current and former executive officer named in the Summary Compensation Table below; and (c) all current directors and executive officers as a group. Each of the individuals/groups listed below is the owner of less than one percent of our outstanding Common Stock.

Name	Amount and Nature of Beneficial Ownership
W. Roy Dunbar	9,642 (b)(c)
Roger A. Enrico	75,210 (a)(b)
Martin C. Faga	2,154 (b)
S. Malcolm Gillis	5,091 (b)(c)
Ray J. Groves	89,656 (a)(b)
Ellen M. Hancock	32,744 (a)(b)(c)
Ray L. Hunt	147,705 (a)(b)
Edward A. Kangas	15,447 (b)
James K. Sims	4,307 (b)
R. David Yost	18,189 (b)
Michael H. Jordan	1,185,920 (a)(c)(d)(e)
Jeffrey M. Heller	1,552,246 (a)(c)(d)(e)
Ronald A. Rittenmeyer	2,186 (c)(d)(e)
Charles S. Feld	360,514 (a)(c)(d)(e)
Ronald P. Vargo	28,997 (a)(c)(d)(e)
Thomas A. Haubenstricker	30,388 (a)(c)-(f)
Directors and executive officers as a group (20 persons)	4,012,928 (a)-(e)
Stephen F. Schuckenbrock	212,821 (g)
Robert H. Swan	148,406 (h)

(a) Includes shares of Common Stock which may be acquired on or before April 1, 2007, through the exercise of stock options as follows: Mr. Enrico—26,463 shares; Mr. Groves—29,882 shares; Ms. Hancock—13,468 shares; Mr. Hunt—36,116 shares; Mr. Jordan—1,033,336 shares; Mr. Heller—1,061,668 shares; Mr. Feld—319,838 shares; Mr. Vargo—20,000 shares; Mr. Haubenstricker—22,953 shares; and all directors and executive officers as a group—2,960,455 shares. Does not include shares subject to options vesting after April 1, 2007, regardless of whether such options may vest prior to that date if the share price appreciates to specified levels.

(b) Includes compensation deferrals treated as phantom stock under the Non-Employee Director Deferred Compensation Plan as follows: Mr. Dunbar—8,684 shares; Mr. Enrico—8,581 shares; Mr. Faga— 2,154; Dr. Gillis—5,091 shares; Mr. Groves—57,514 shares; Ms. Hancock—17,388 shares; Mr. Hunt—47,501 shares; Mr. Kangas—15,447 shares; Mr. Sims—4,307 shares, and Mr. Yost—13,189 shares.

(c) Excludes unvested restricted stock units granted under the 2003 Amended and Restated Incentive Plan (the "Incentive Plan") as follows: Mr. Dunbar—12,719 units; Dr. Gillis—3,993 units; Ms. Hancock—8,217 units; Mr. Jordan—460,000 units; Mr. Heller—328,000 units; Mr. Rittenmeyer—91,000 units; Mr. Feld—218,895 units; Mr. Vargo—86,331 units; Mr. Haubenstricker—45,400 units; and all directors and executive officers as a group—1,619,487 units. The units will vest (subject to earlier vesting based on EDS' achievement of performance goals) during the period from 2007 through the earlier of normal retirement or 2010, subject to earlier vesting under the terms of agreements with certain executives described below.

(d) Includes vested compensation deferrals treated as invested in Common Stock under the Executive Deferral Plan as follows: Mr. Jordan—6,763 shares; Mr. Heller—61,346 shares; Mr. Rittenmeyer—197 shares; Mr. Feld—6,117 shares; Mr. Vargo—1,263 shares; Mr. Haubenstricker—5,468 shares; and all executive officers as a group—93,678 shares.

(e) Includes vested compensation deferrals treated as invested in Common Stock under the 401(k) Plan as follows: Mr. Jordan—496 shares; Mr. Heller—574 shares; Mr. Rittenmeyer—one share; Mr. Feld—396 shares; Mr. Vargo—444 shares; Mr. Haubenstricker—604 shares; and all executive officers as a group—6,909 shares.

(f) Mr. Haubenstricker served as interim co-chief financial officer from March 15, 2006, to August 22, 2006. His share ownership is not included in the amounts reported above for all executive officers as a group as of January 31, 2007.

(g) Mr. Schuckenbrock was separated from EDS effective May 31, 2006. The total amount reported for him includes 212,379 shares of Common Stock which may be acquired on or before April 1, 2007, through the exercise of stock options and excludes 26,001 unvested restricted stock units granted under the Incentive Plan.

(h) Mr. Swan resigned as Executive Vice President and Chief Financial Officer on March 15, 2006. The total amount reported for him includes 105,767 vested compensation deferrals treated as invested in Common Stock under the Executive Deferral Plan and 285 vested compensation deferrals treated as invested in Common Stock under the 401(k) Plan.

Stock Ownership of Certain Beneficial Owners. Based on a review of filings with the SEC, we are aware of the following beneficial owners of more than 5% of the outstanding Common Stock at December 31, 2006:

Name and Address of Beneficial Owner	**Number of Shares Beneficially Owned**	**Percentage of Common Stock Outstanding**
Dodge & Cox 555 California St., 40th Floor San Francisco, CA 94104	65,269,806 (a)	12.6%
Hotchkiss and Wiley Capital Management, LLC 725 S. Figueroa St, 39th Floor Los Angeles, CA 90017	58,986,010 (b)	11.4%
AXA Financial, Inc. (c) 1290 Avenue of the Americas New York, NY 10104	60,781,871 (c)	11.8%
State Street Bank and Trust Company 225 Franklin Street Boston, MA 02110	29,880,508 (d)	5.8%

(a) Dodge & Cox reported sole voting power over 61,085,906 shares, shared voting power over 651,800 shares, and sole dispositive power over all shares beneficially owned.

(b) Hotchkiss and Wiley reported sole voting power over 43,843,910 shares and sole dispositive power over all shares beneficially owned.

(c) A group comprised of AXA Financial, Inc. (including its subsidiaries Alliance Capital Management L.P. and AXA Equitable Life Insurance Company) and certain affiliated entities located in Paris, France, reported sole voting power over 46,482,732 shares, shared voting power over 4,092,933 shares, sole dispositive power over 60,763,940 shares and shared dispositive power over 17,931 shares.

(d) State Street reported sole voting power over 14,356,921 shares, shared voting power over 15,523,587 shares, and shared dispositive power over all shares beneficially owned.

Section 16(a) Beneficial Ownership Reporting Compliance

Our directors and executive officers are required under the Exchange Act to file with the SEC reports of ownership and changes in ownership in their holdings of Common Stock. We assist such persons with these filings. Based on an examination of these reports and on written representations provided to us, we believe that all such reports were timely filed in 2006, other than the final Form 4 filing for Stephen F. Schuckenbrock on June 5, 2006.

Non-Employee Director Compensation

Our compensation program for non-employee directors is designed to attract and retain qualified directors by offering compensation that is competitive with other large, global companies and recognizes the time, expertise and accountability required by Board service. Each year, the CBC reviews the current compensation program as well as director compensation data prepared by an external consulting firm. Based upon this review, the CBC recommends to the full Board of Directors what changes, if any, should be made to the director compensation program. The Board must approve any changes to the director compensation program.

Non-employee directors receive an annual cash retainer of $200,000 and an additional $15,000 for serving as chairperson of one of the Board's three standing committees. No additional fees are paid for attending Board or Board committee meetings. Directors are also reimbursed for travel and out-of-pocket expenses incurred in connection with their service. We do not provide retirement benefits, perquisites or other benefits to non-employee directors. Director compensation is paid at the commencement of each annual director compensation period, which begins at the Annual Meeting of Shareholders in April.

Directors may elect to receive their annual compensation in one or a combination of the following three forms:

- deferral to an interest bearing account and/or a "phantom" EDS stock unit account;
- restricted stock; or
- cash.

Compensation deferred into the interest bearing account earns interest at an annual rate equal to 120% of the applicable federal long-term rate published by the Internal Revenue Service ("IRS"). The number of units/shares granted is determined by dividing 110% of the elected compensation amount by the fair market value (average of the high and low trading prices) of EDS common stock on the date of grant. Compensation deferred into EDS stock units or granted as restricted stock receives a 10% premium to encourage directors to elect EDS equity as a form of compensation. Compensation elected in the form of deferred compensation vests immediately while restricted stock vests ratably over three years. With respect to both stock units and restricted stock, dividend equivalents are awarded at the same time and at the same rate as paid to EDS shareholders. If a director's service terminates prior to completing 24 months of service (except due to death or disability), a pro-rata portion of cash, deferred compensation and/or restricted stock paid in respect of the compensation year in which the director's service ended (based on months of service) will be forfeited, or, with respect to cash compensation, returned to EDS. If the director's service terminated due to death or disability, compensation will not be pro-rated and any restricted stock will vest immediately.

A director's deferred account balance is distributed in cash following separation from the Board. At the director's election, the account balance can be distributed in a lump sum or annually in either three or five installments beginning on a director's last day of service. The value of a director's stock unit account for purposes of distribution is based on the fair market value of EDS common stock on the last day of Board service. This amount is converted to the interest bearing account if a director elects the installment option.

Directors are subject to stock ownership guidelines under which they will be expected to hold EDS equity valued at not less than $400,000 by the later to occur of (i) our Annual Meeting of Shareholders in 2009 or (ii) five years from their election to the Board.

The following table sets forth the compensation paid to non-employee directors in 2006. The amounts reported represent compensation for the 2006/2007 director compensation year and were paid at the commencement of such period or, for directors appointed thereafter, on a pro-rated basis following their appointment.

Non-Employee Director Summary Compensation Table

Name	Fees Earned or Paid in Cash	Stock Awards (c)	All Other Compensation	Total
W. Roy Dunbar	$0	$105,996	$0	$105,996
Roger A. Enrico	107,500	123,455	0	230,955
Martin C. Faga (a)	71,978	55,004	0	126,982
S. Malcolm Gillis	80,000	46,458	0	126,458
Ray J. Groves	0	241,700	0	241,700
Ellen M. Hancock (b)	0	229,970	0	229,970
Ray L. Hunt	0	225,197	0	225,197
Edward A. Kangas	100,000	110,007	0	210,007
James K. Sims (a)	21,978	110,007	0	131,985
R. David Yost	0	220,014	0	220,014

(a) Compensation for Messrs. Faga and Sims was prorated based on their service commencement date of September 7, 2006.

(b) Compensation for Ms. Hancock reflects a prorated chairperson fee paid in 2006 of $7,458 for the 2005/2006 director compensation year. Ms. Hancock was appointed CBC Chair on October 21, 2005.

(c) Reflects the dollar amount recognized for financial statement reporting purposes for the fiscal year ended December 31, 2006, in accordance with Statement of Financial Accounting Standards ("SFAS") No. 123(R), and thus includes amounts from awards granted in and prior to 2006. During 2006, each director was granted the following stock awards: Mr. Dunbar – 7,986 restricted stock units with a fair value of $220,014; Mr. Enrico – 4,293 phantom stock units with a fair value of $118,272; Mr. Faga – 2,149 phantom stock units with a fair value of $55,004; Mr. Gillis – 3,993 restricted stock units with a fair value of $110,007 and 799 phantom stock units with a fair value of $22,012; Mr. Groves – 8,585 phantom stock units with a fair value of $236,517; Ms. Hancock – 4,442 restricted stock units with a fair value of $122,377 and 4,442 phantom stock units with a fair value of $122,377; Mr. Hunt – 7,986 phantom stock units with a fair value of $220,014; Mr. Kangas – 3,993 phantom stock units with a fair value of $110,007; Mr. Sims – 4,298 phantom stock units with a fair value of $110,007; and Mr. Yost – 7,986 phantom stock units with a fair value of $220,014.

As of December 31, 2006, each director had the following number of options, restricted stock units and phantom stock units outstanding: Mr. Dunbar – no options, 12,719 restricted stock units and 8,684 phantom stock units; Mr. Enrico – 26,463 options, no restricted stock units and 8,581 phantom stock units; Mr. Faga – no options, no restricted stock units and 2,154 phantom stock units; Mr. Gillis – no options, 3,993 restricted stock units and 5,091 phantom stock units; Mr. Groves – 29,882 options, no restricted stock units and 57,514 phantom stock units; Ms. Hancock – 19,662 options, 8,217 restricted stock units and 17,388 phantom stock units; Mr. Hunt – 36,116 options, no restricted stock units and 47,501 phantom stock units; Mr. Kangas – no options, no restricted stock units and 15,447 phantom stock units; Mr. Sims – no options, no restricted stock units and 4,307 phantom stock units; and Mr. Yost – no options, no restricted stock units and 13,189 phantom stock units.

Executive Compensation

Compensation Discussion and Analysis

Executive Compensation Program Objectives

The primary objectives of our executive compensation program are to attract and retain accomplished and high-potential executives and to motivate those executives to achieve short- and long-term goals with the ultimate objective of creating sustainable improvements in shareholder value. Consistent with that objective, our executive compensation program includes both annual incentive and stock based-compensation that rewards performance as measured against the achievement of short-and long-term goals designed to align executives' interest with those of our shareholders.

We seek to attract and retain executives by offering total compensation competitive with the market in which we compete for executive talent. We believe that the market is broader than the information technology ("IT") industry in which we operate. Accordingly, the Compensation and Benefits Committee ("CBC") reviews survey data from two comparator groups prepared by an external consulting firm. One group consists of large global corporations similar in revenue and/or market capitalization to EDS, most of which are outside the IT industry, with a sector weighting similar to the composition of the S&P 500. This group consists of 29 companies with median 2006 annual revenues of approximately $26 billion. The second group consists of 21 companies in the IT and related industries with median 2006 annual revenues of approximately $21 billion. The CBC reviews these comparator groups annually to ensure they are a representative cross-section of the businesses with which we compete for executive talent, and approves any changes to the companies that comprise each comparator group.

To motivate our executives to achieve short- and long-term goals designed to create sustainable shareholder value, we structure our annual bonus and long-term incentive programs to pay above the 50th percentile of the comparator groups when EDS exceeds such goals and below the 50th percentile when these goals are not achieved.

Our annual bonus program is designed to motivate executives to achieve short-term goals established by the CBC by linking the payment of an annual cash bonus to achievement of these goals. For our named executive officers, in 2006 the short-term goals related to earnings per share, free cash flow and revenue. We refer you to the discussion of "Annual Bonus" under "Elements of Compensation" below for a description of the performance goals established for each metric, the relative weightings assigned to each metric, the factors considered by the CBC in establishing such goals for 2006 and why we believe the achievement of such goals helps create sustainable shareholder value.

Our long-term incentive compensation program is designed to motivate executives to achieve long-term goals through the grant of stock options as well as performance-based restricted stock units ("P-RSUs"), the vesting of which is dependent on our achievement of three-year goals approved by the CBC. For the "named executive officers" in the Summary Compensation Table below, the long-term metrics for the 2006 P-RSU grant related to average annual operating margin, net asset utilization and organic revenue growth for the three-year period that began on January 1, 2006. We refer you to the discussion of "Long-Term Incentive Compensation" under "Elements of Compensation" below for a description of the relative weighting assigned to each metric, the factors considered by the CBC in establishing such goals for the three-year performance period and why we believe the achievement of such goals helps create sustainable shareholder value.

The combination of annual and long-term incentive programs is designed to provide a balanced total incentive opportunity that rewards executives for the quality of both their short- and long-term performance and decisions.

Role of the CBC and Management in Executive Compensation

The CBC determines the total compensation of our CEO and all other executive officers and oversees the design and administration of compensation and benefit plans for all EDS employees. The CBC is responsible for the review, establishment and approval of:

- executive compensation and benefits strategy, programs and policies;
- goals and objectives related to CEO performance, evaluating the CEO's performance relative to such goals and objectives and approving the CEO's total compensation based on such performance;

- salary, annual bonus, equity-based compensation and other remuneration for executive officers;
- performance metrics and goals for any performance-based cash or equity incentive compensation plan in which executive officers participate;
- design of all compensation plans that include EDS equity as a component of the plan;
- severance agreements for executive officers and change-of-control agreements for any EDS employee;
- changes to employee benefit plans; and
- making recommendations to the full Board regarding non-employee director compensation.

During CBC meetings, our internal human resources personnel present topical issues for discussion and education as well as specific recommendations for review. Certain executive officers, including the Chairman and CEO and the Senior Executive Vice President and Chief Administrative Officer attend a portion of most regularly scheduled CBC meetings, excluding executive sessions. The CBC also obtains input from our legal, finance and tax functions, as appropriate, as well as one or more executive compensation consulting firms regarding matters under consideration. The CBC has delegated to management certain responsibilities related to employee benefit matters. The CBC has formed three management committees that (i) oversee the investment of U.S. retirement plan assets and savings plan investment funds, (ii) approve the design/redesign of any employee benefit plan that does not result in a cost greater than $10 million in net present value over five years, and (iii) administer benefit plans for U.S. employees and former employees, their families and beneficiaries. These three committees are made up of EDS employees and report to the CBC on an annual basis. Additionally, the CBC has delegated to management the ability to periodically grant equity compensation to non-executive officers. These grants are generally for new hires, transitions and promotions and cannot exceed certain levels established by the CBC. All such grants are reported to the CBC at its next regularly scheduled meeting following the grant date.

The CBC utilizes two consulting firms for executive compensation matters. Mercer Human Resource Consulting has been retained by the CBC for periodic advice and projects as well as an annual review of the CEO's compensation. Towers Perrin, which has been retained by management, provides market data to the CBC and management on competitive pay practices for executives at and above the Vice President level.

Elements of Executive Compensation

In addition to health/welfare benefit plans and programs generally available to all employees, our executive compensation program comprises the following principal elements:

- base salary
- annual bonus
- long-term incentive compensation
- perquisites
- deferred compensation/retirement
- executive severance and change-of-control agreements

In allocating between cash and non-cash compensation, and current and long-term compensation, we utilize the 50th percentile of the comparator groups described above as a guideline, while seeking to maintain total compensation at the 50th percentile of the relevant position in the comparator groups. To consider all elements of compensation in total rather than each element in isolation, management has prepared total compensation "tally sheets" for executive officers for annual review by the CBC since 2005. These tally sheets summarize the value of each compensation element (including base salary, annual bonus, long-term incentive awards, deferred compensation, benefits and perquisites) plus the potential cost to us and benefit to the executive officers of change-of-control and severance payments. The information provided in the tally sheets is generally the same as the information reported, or to be reported, in our proxy statements.

Base Salary

We utilize the 50th percentile base salary for each comparator group (adjusted using regression analysis to minimize differences in revenues) for comparable positions as a guideline to establish base salaries for executive officers. However, the CBC may establish an executive officer's base salary higher or lower than the 50th percentile based on a number of factors, including individual performance, relevant experience, job responsibility, time interval since the last salary adjustment, the weight placed on base salary versus long-term incentive compensation and the executive officer's salary as compared internally. For example, the CBC established 2006 base salary for Mr. Jordan below the 50th percentile for his position in order to place more weight on long-term incentive compensation. Mr. Jordan's base salary will be increased effective April 1, 2007, to $1,400,000 per year to more closely approximate the 50th percentile for his position. This is the first increase in his base salary since joining EDS in March 2003.

Base salaries are generally reviewed annually during the first quarter and at other times if an executive officer's responsibilities have materially changed. For example, Mr. Vargo's base salary was reviewed and increased in

connection with his August 2006 appointment as Executive Vice President and Chief Financial Officer, and Mr. Rittenmeyer's and Mr. Feld's base salaries were increased upon their appointments as President and Chief Operating Officer and Senior Executive Vice President, Applications Services, respectively, in December 2006.

While we recognize performance-based compensation, such as annual bonus and long-term incentive compensation, more effectively motivates executive officers to achieve corporate goals, we believe the base salary element of total compensation is critical to attract and retain executive talent.

Annual Bonus

Executive officers and other senior leaders are eligible for an annual cash bonus under the Corporate Bonus Plan ("CBP"). The primary purpose of the CBP is to motivate participants to enable the company to achieve short-term financial goals designed to create sustainable shareholder value and reward them to the extent they achieve such goals. The CBP reflects our strategy that a significant portion of total compensation be contingent upon both company performance during the year and the executive's contribution to that performance. As such, each executive officer is assigned an annual target bonus opportunity (expressed as a percentage of base salary) based on his or her level. For 2006, target bonus opportunity was 120% for the CEO, 110% for the Vice Chairman, 100% for the President and Chief Operating Officer, 85% for other Executive Vice Presidents, 65% for Vice President/General Managers, and 55% for Vice Presidents (Level 3). We seek to establish the targeted bonus opportunity at the 50th percentile for similar positions at companies in the comparator groups.

CBP funding for 2006 could have ranged from 0 to 200% of target bonus opportunity and was based on financial metrics and goals for corporate, regional and account performance, depending on a participant's role during the year. Funding for the named executive officers was based 100% on corporate performance as measured by earnings per share ("EPS") (40% weight), free cash flow (40% weight) and revenue (20% weight). These metrics and weights were chosen because we believe executive officers directly impact these metrics, the combination of these metrics are the best indicator of EDS' performance during a fiscal year, and these goals, if achieved, should result in sustained increases to shareholder value. The table below sets forth the performance goals established by the CBC for the named executive officers under the 2006 CBP.

		Performance Goals			**Total Award Eligibility**		
Metric	*Weight*	*Minimum*	*Target Range*	*Maximum*	*Minimum*	*Target*	*Maximum*
Free Cash Flow	40%	$0.52B	$0.80B - $1.00B	$1.35B	0%	40%	80%
EPS	40%	$0.68	$1.05 - $1.15	$1.55	0%	40%	80%
Revenue	20%	$17.8B	$19.8B - $20.8B	$22.9B	0%	20%	40%
	100%				0%	100%	200%

We define free cash flow as net cash provided by operating activities, less capital expenditures. Free cash flow is a non-GAAP measure and should be viewed together with our consolidated statement of cash flows. We refer you to the discussion of "Non-GAAP Financial Measures" in our Annual Report on Form 10-K for the year ended December 31, 2006 ("2006 Form 10-K").

The CBC may reduce any bonus by up to 50% of the funded amount based on its assessment of individual performance against specific objectives. In determining funding for the CBP, the CBC can adjust actual results to exclude the impact of certain extraordinary items or events to more accurately reflect the overall performance of the management team. Free cash flow for purposes of our annual CBP target is automatically adjusted to exclude the impact of any client contract signed after the establishment of such target if the contract incurs negative free cash flow of more than $100 million during that year. Earnings per share is automatically adjusted to exclude the impact of any accounting changes, the impact of any new contract that results in more than $100 million in negative free cash flow during the year, the impact of expensing long-term incentive compensation, a significant gain or loss on divestiture of business units or assets, and the planned impact of significant acquisitions (with deviations to plan not excluded). Revenue is automatically adjusted to exclude the impact of any new contract that results in more than $100 million in negative free cash flow during the year, acquisitions or divestitures not contemplated in the annual financial plan and the impact of exchange rate deviations from plan rates.

In addition to the payment of an annual bonus under the CBP, the CBC may approve an additional discretionary bonus outside the CBP if an executive's performance significantly exceeds his or her individual goals. For 2006, the CBC approved an additional discretionary bonus to Messrs. Jordan, Heller, Rittenmeyer, Feld and Vargo to recognize their contributions toward achieving extraordinary results during the year and the progress they made individually toward the company's turnaround. The amount of such discretionary bonus is reported in the Summary Compensation Table under the "Bonus" column.

For 2006, the CBP funded in aggregate at 119% of the targeted payout for each named executive officer. This is based on results of $0.887 billion of free cash flow (100% of the target payout for free cash flow), $20.9 billion in annual revenue (105% of the target payout for revenue) and EPS of $1.33 (145% of the target payout for EPS). In determining the 2006 results for funding purposes, in addition to the automatic adjustment to the actual results described above, the CBC excluded from EPS (i.e., adjusted EPS upward) $0.12 per share, representing severance expense incurred in excess of the amount planned at the beginning of the year as a result of the acceleration of planned severance actions into 2006. This adjustment was made so participants would not be financially penalized for actions taken during the year to accelerate the implementation of the company's multi-year plan. The CBP payment to each named executive officer for 2006 is reported in the Summary Compensation Table under the "Non-Equity Incentive Plan Compensation" column.

Long-Term Incentive Compensation

The primary purpose of our long-term incentive compensation program is to motivate executives to achieve long-term goals designed to create sustainable shareholder value and reward them to the extent they achieve such goals. Long-term incentive compensation is delivered through stock-based awards made under the Amended and Restated 2003 Incentive Plan (the "Incentive Plan"), which authorizes awards of stock options, stock appreciation rights, restricted stock and other stock-based awards, and the EDS Executive Deferral Plan (the "EDP").

Since 2005, our long-term incentive compensation program for executive officers has focused on annual stock-based grants in the form of non-qualified stock options and performance-based restricted stock units ("P-RSUs"), with each grant having approximately the same economic value and accounting cost to the company. This strategy was implemented to balance the CBC's interest in (i) focusing executive officers on long-term metrics that create sustained shareholder value, (ii) addressing shareholder concerns regarding the exclusive use of stock options and shareholder dilution, (iii) more efficiently aligning long-term incentive costs with perceived value, (iv) attracting and retaining talent globally and (v) remaining competitive with market changes and compensation practices.

Stock options vest 100% in three years from the date of grant while P-RSU vesting is variable based on our results during the three-year performance period. The performance metrics for P-RSU grants in 2005 and 2006 were operating margin (50% weight), net asset utilization (25% weight) and organic revenue growth (25% weight). Performance goals for each metric are established by the CBC in the first quarter of the three-year performance period and will be adjusted at the end of the performance period to exclude the impact of expensing long-term incentive compensation, changes in accounting principles during the performance period, and significant gains or losses on the divestiture (greater than $100 million) of business units or assets. P-RSU vesting can range from 0 to 200% of the target award. These metrics were chosen because of their relevance to our corporate strategy and objectives for the respective performance periods at the time of grant, the ability of executive officers to impact achievement of the performance goals and our belief that achieving or exceeding these goals should result in sustained increases to shareholder value over the longer-term. For the 2007 P-RSU grants, we changed the performance metrics to free cash flow per share, return on net assets and revenue because of the relevance of these metrics to our corporate strategy and objectives for the three-year performance period beginning on January 1, 2007.

We establish the specific performance targets for each financial metric with the intent that (i) the likelihood of a payout at the targeted amount is greater than 50%, (ii) it is likely we will achieve the minimum performance levels required for any payout and (iii) it is unlikely we will achieve the performance levels required for the maximum payout. We also generally establish the performance targets at levels requiring year-over-year financial improvement. Consistent with the foregoing approach, we believe there is a high probability that we will achieve performance over the three-year periods beginning on January 1, 2005 (for the 2005 P-RSU grant) and January 1, 2006 (for the 2006 P-RSU grant) to allow vesting of approximately 90-100% of the target award.

We may periodically grant supplemental time or performance-vesting restricted/deferred stock units to executive officers. These grants are typically made to attract new executives or as a retention device for current executives. Such awards typically vest over three or four years. For example, in 2006 we granted 300,000 deferred stock units (DSUs) to President and Chief Operating Officer Ronald A. Rittenmeyer. The award, in the form of additional discretionary credits issued under the EDP, comprises 150,000 time-vesting DSUs and a target award of 150,000 performance-vesting DSUs. We also granted 41,331 time-vesting restricted stock units to Mr. Vargo upon his promotion to Executive Vice President and Chief Financial Officer and 129,895 time-vesting restricted share units to Mr. Feld upon his promotion to Senior Executive Vice President, Applications Services. We refer you to the description of such awards under the Grants of Plan-Based Awards table below.

Dividend equivalents are not paid on unvested P-RSUs but are paid prior to vesting on time-vesting RSUs and DSUs since they are intended to put the executive in the same economic position as a shareholder from the time of grant.

We consider several factors when establishing the size of long-term incentive compensation grants to executive officers, including long-term incentive compensation awarded within the IT industry comparator group, the number of unvested stock-based awards held by the executive, the executive's performance during the prior year and the executive's expected contribution to our long-term performance. Based on these factors, the CBC may decide to increase or decrease an executive's award relative to the 50th percentile of the IT comparator group. For example, if the value of an executive's unvested stock-based awards are lower than his or her peers and the executive has performed well during the prior year, the CBC may decide to grant a larger long-term incentive award to help motivate and retain the executive. We also consider the expected shareholder dilution and accounting cost attributable to our long-term incentive programs in establishing the total number of shares/units of common stock we make available through stock-based awards.

It has been our practice to grant stock-based awards to executive officers on an annual basis. Award levels and grant dates are approved by the CBC, and grants are made on or following the date of the CBC's approval. The CBC will also approve any option grants in connection with the hiring or promotion of an executive officer.

The CBC, together with the Audit Committee, has approved the recommendation of management to continue to grant annual stock-based awards to executive officers on March 15 of each year (or, if that date is not a trading day, the immediately preceding day), with CBC approval of such awards to occur at its regularly scheduled meeting in February. The annual stock option grants have an exercise price equal to the average of the high and low trading prices of our common stock on the date of grant. This date was selected to allow time to complete individual performance assessments for the prior year and to provide for a grant date following filing of our Annual Report on Form 10-K. Annual grants to non-U.S. employees may occur on a date other than March 15 for tax or regulatory reasons. Grants outside of the annual award process, such as grants to a newly hired or promoted executive officer, generally occur on the first trading day of the month following the date of the hiring or promotion. Stock option grants outside of the annual award process also have an exercise price equal to the average of the high and low trading prices of our common stock on the date of grant.

Deferred Compensation

The EDP, a non-qualified deferred compensation plan, provides executive officers and other eligible employees the ability to defer base salary and annual bonus compensation into deferred stock units or a fixed income accumulation account. The purpose of this plan is to allow executives the opportunity to accumulate additional ownership of EDS equity, provide a tax-efficient way to defer compensation to future years, and make up for any company match not made in respect of the executive's 401(k) plan contributions due to IRS limitations.

Retirement

The named executive officers, all of whom reside in the U.S., participate in the same tax-qualified defined benefit retirement plan, the Amended and Restated EDS Retirement Plan ("Retirement Plan"), as other U.S. employees. They also participate in the EDS Benefit Restoration Plan (the "Restoration Plan"), a non-qualified and unfunded retirement plan intended to pay benefits to employees whose benefits under the Retirement Plan are reduced due to certain IRS limitations. We believe these benefits are competitive with comparator company practices and allow us to attract and retain executive talent.

We also provide a Supplemental Executive Retirement Plan ("SERP") to certain named executive officers, excluding the CEO and Chief Financial Officer, and a small group of other executives. The SERP, a non-qualified, unfunded retirement plan, is intended to provide a target retirement income based on final average earnings (base salary plus bonus) during a 60 consecutive month period prior to retirement, offset by benefits under the Retirement Plan and Restoration Plan. The SERP was established several years ago to provide competitive retirement income benefits and to retain certain executives. In 2005, in response to changes in comparator company practices, the CBC approved a policy under which no new participants could be added to the SERP without its approval. The CBC also expressed its intent to not approve new SERP participants except in extraordinary new-hire or retention situations.

The CBC may approve the award of additional years of service to an executive officer for the calculation of benefits and vesting purposes under the SERP. For example, we agreed to provide to Mr. Rittenmeyer an enhanced benefit as an inducement of employment and to make up for retirement benefits and economic value forfeited as a result of his joining the company. We refer you to the discussion of this agreement under "Pension Benefits" below.

Perquisites

We make available four primary perquisites for executive officers: personal use of aircraft; for the CEO, a car and driver for transportation in the Dallas area; financial counseling and tax preparation services; and annual physicals. The CBC has approved the use of corporate aircraft by the CEO for all personal air travel and the use of a company

provided car and driver for ground travel in the Dallas area to facilitate his personal travel in as safe a manner as possible and with the most efficient use of his time. The CBC has delegated to the CEO the authority to approve all requests for personal air travel for other executive officers. We offer an Executive Physical Program that reimburses executive officers for the cost of an annual physical, up to $1,500. This benefit is provided to encourage executives to focus on their physical health and well-being. We also offer an Executive Financial Counseling Program which provides an annual allowance of up to $13,000 in the first year and $7,500 in subsequent years for financial counseling, plus reimbursement for tax preparation services. This program is intended to maximize the value of compensation provided by EDS and minimize an executive's time spent managing personal affairs. Executives do not receive a "gross-up" payment for any taxes associated with perquisites.

With the exception of personal use of aircraft, the value of which is highly dependent on an executive officer's usage, perquisites are intended to be competitive with comparator company practices. The CBC considers the total value of perquisites when establishing the amounts of other forms of compensation.

Executive Severance and Change-of-Control Agreements

We have entered into an Executive Severance Benefit Agreement with each named executive officer other than Messrs. Jordan, Heller and Haubenstricker, and a Change-of-Control Employment Agreement with each named executive officer other than Mr. Haubenstricker. An executive entitled to receive benefits following a termination of employment under an Executive Severance Benefit Agreement or a Change-of-Control Employment Agreement may elect to receive benefits under either agreement, but not both. We believe these agreements enable us to retain executive officers during times of unforeseen events when the executive's future is uncertain but continued employment of the executive may be necessary for the company. We also believe it is beneficial to have agreements in place that specify the exact terms and benefits an executive receives if we elect to separate an executive officer involuntarily from the company.

The agreements with named executive officers include an expiration or "sunset" date which may not be extended without CBC approval. Benefits payable under these agreements are benchmarked periodically, including prior to any extension, relative to comparator company practices. During 2006, we reviewed the prevalence of severance and change-of-control agreements among our comparator groups' executives as well as the provisions of such agreements to benchmark the competitiveness of EDS' agreements. Specifically, we reviewed the cash severance multiplier, equity vesting provisions, benefit continuation practices, excise tax gross-up prevalence, and the length of the protection period in the event of a change-of-control. Based upon our review, we believe our agreements are generally consistent with those of our comparator groups.

The CBC has established a policy requiring shareholder approval before we can agree to provide a separation benefit to an executive officer that exceeds 2.99 times annual base salary plus target bonus. This limitation applies to cash severance and the present value of retirement/fringe benefits in excess of what would normally be provided under the terms of the relevant plans. The value of continued or accelerated vesting of stock-based awards is not subject to this limit.

Additional information regarding the terms of the Executive Severance Benefit and Change-of-Control Employment Agreements with the named executive officers, including estimates of the amounts payable under such agreements assuming termination of employment as of December 31, 2006, is set forth under the heading "Agreements Related to Potential Payments Upon Termination or Change-of-Control" below.

Stock Ownership Guidelines

Executive officers are subject to stock ownership guidelines under which they will be expected to hold EDS equity valued at not less than the following amount (expressed as a multiple of annual base salary) by the later of (i) December 31, 2008, or (ii) five years from an executive's change of level.

Executive Level	Stock Ownership Guideline
Office of the Chairman	5x annual base salary
Senior Executive Vice President/Executive Vice President	3x annual base salary
Senior Vice President/ Vice President & General Manager	2x annual base salary
Vice President (Level 3)	1x annual base salary

All forms of direct and indirect ownership are included in determining stock ownership, including shares held outright, unvested restricted stock units, vested and unvested deferred stock units, and units held in a 401(k) account. As of December 31, 2006, all named executive officers had sufficient ownership to achieve the relevant stock ownership multiple.

Policy on Stock Trading and Hedging

We have in place a pre-clearance process for all trades in EDS securities which all executive officers must follow. Executive officers and other insiders are also prohibited from engaging in any transaction involving a put, call or other option on EDS securities (other than exercises of an option granted under an EDS incentive plan) at any time.

Recovery of Incentive Compensation in the Event of a Financial Restatement

The CBC does not have a policy that would recover cash or equity compensation received by an executive officer if the company's performance upon which the payments were based is adjusted or restated and the adjusted performance would have resulted in reduced compensation. However, the CBC would consider any such event when making future compensation decisions for executive officers who continue to be employed by the company.

Section 162(m) Compliance

We generally seek to grant stock options and establish performance goals under our bonus and long-term incentive compensation plans in a manner that qualifies as "performance-based" under Section 162(m) of the Internal Revenue Code, which provides that we may not deduct compensation of more than $1,000,000 paid to certain individuals. However, certain forms and amounts of compensation may not be performance-based and may result in our exceeding the $1 million deduction limitation from year to year, including time-vesting RSUs, any cash bonus outside of the CBP, and base salary in excess of $1 million.

The $1 million performance-based level was exceeded in 2006 with respect to each of the CEO, the Vice Chairman, the President and Chief Operating Officer, and the Senior Executive Vice President, Applications Services principally as a result of (i) the additional discretionary bonus paid outside the CBP described above, (ii) for the CEO and the Vice Chairman, the vesting of restricted stock units granted in 2003 (see "Stock Option Exercises and Restricted Stock Vesting" table below) and (iii) for the Senior Executive Vice President, Applications Services, the two retention payments made in 2006 related to EDS' acquisition of The Feld Group.

Report of the Compensation and Benefits Committee

The Compensation and Benefits Committee reviewed and discussed with management of EDS the foregoing Compensation Discussion and Analysis. Based on such review and discussion, the Compensation and Benefits Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and in EDS' Annual Report on Form 10-K for the year ended December 31, 2006.

Compensation and Benefits Committee
Ellen M. Hancock, Chair
Martin C. Faga
James K. Sims
R. David Yost

Notwithstanding any statement in any of our filings with the SEC that might incorporate part or all of any future filings with the SEC by reference, including this Proxy Statement, the foregoing Report of the Compensation and Benefits Committee is not incorporated by reference into any such filings.

Summary Compensation Table

The following table sets forth information with respect to the compensation for 2006 of our Chief Executive Officer, each individual who served as Chief Financial Officer during 2006, our three other most highly compensated executive officers as of the end of 2006, and one former executive officer (the "named executive officers").

Name and Principal Position (a)	Year	Salary ($)	Bonus ($) (b)	Stock Awards ($) (c)	Option Awards ($) (d)	Non-Equity Incentive Plan Compensation ($) (e)	Change in Pension Value & Nonqualified Deferred Compensation Earnings ($) (f)	All Other Compensation ($) (g)	Total ($)
Michael H. Jordan *Chairman and CEO*	2006	$1,000,000	$572,000	$3,215,263	$6,770,495	$1,428,000	$365,428	$288,525	$13,639,711
Jeffrey M. Heller *Vice Chairman*	2006	850,000	87,350	1,205,791	2,190,061	1,112,650	0	46,767	5,492,619
Ronald A. Rittenmeyer *President and Chief Operating Officer*	2006	770,833	310,000	1,373,374	1,169,566	1,190,000	451,274	134,480	5,399,527
Charles S. Feld *Senior Executive Vice President, Applications Services*	2006	727,083	538,337	1,724,120	1,988,542	834,488	478,392	10,800	6,301,762
Ronald P. Vargo *Executive Vice President and Chief Financial Officer*	2006	390,833	263,250	460,649	122,392	386,750	77,632	35,031	1,736,537
Thomas A. Haubenstricker *Vice President and Former Interim Co-Chief Financial Officer*	2006	305,000	200,000	314,691	227,827	225,000	82,350	2,900	1,357,768
Stephen F. Schuckenbrock *Former Co-Chief Operating Officer*	2006	312,500	354,618	1,054,413	1,400,260	0	278,767	3,221,348	6,621,906
Robert H. Swan *Former Executive Vice President and Chief Financial Officer*	2006	135,417	0	-94,955	115,898	0	0	9,035	165,395

(a) Messrs. Vargo and Haubenstricker served as interim co-chief financial officers from March 15, 2006, to August 22, 2006. Mr. Vargo was appointed Executive Vice President and Chief Financial Officer on August 22, 2006. Mr. Swan resigned from EDS effective March 15, 2006, and Mr. Schuckenbrock separated from EDS effective May 31, 2006.

(b) Amounts in this column include the following discretionary bonus payments outside of the Corporate Bonus Plan: Mr. Jordan - $572,000; Mr. Heller - $87,350; Mr. Rittenmeyer - $310,000; Mr. Feld - $65,512; and Mr. Vargo - $63,250.

For Messrs. Vargo and Haubenstricker: Also includes a $200,000 bonus awarded pursuant to agreements with these executives related to their service as interim co-chief financial officers from March 15, 2006, to August 22, 2006, paid one-half in August 2006 and one-half in February 2007.

For Messrs. Feld and Schuckenbrock: Also includes the following retention payments related to EDS' acquisition of The Feld Group: Mr. Feld – two payments of $236,412; and Mr. Schuckenbrock, two payments of $177,309.

(c) Amounts reported reflect the dollar amount recognized for financial statement reporting purposes for the fiscal year ended December 31, 2006, calculated in accordance with SFAS No. 123R. We refer you to the discussion of the assumptions used in such valuation in Note 11 of Notes to Consolidated Financial Statements in our 2006 Form 10-K. Includes P-RSU grants (target award), performance-vesting deferred stock unit grants (target award), and time-vesting restricted stock awards granted in and prior to 2006.

For Mr. Schuckenbrock: Amounts reported include the accelerated vesting of 25,622 restricted shares granted on December 30, 2003, with a grant price of $23.503.

For Mr. Swan: Amounts reported reflect the forfeiture of 33,000 P-RSUs (target award) granted in March 2005 (value forfeited $157,495).

(d) Amounts reported reflect the dollar amount required to be recognized for financial statement reporting purposes in 2006 for stock option awards granted in and prior to 2006 calculated in accordance with SFAS No. 123R (includes $3,740,333 recognized in 2005). We refer you to the discussion of the assumptions used in such valuation in Note 11 of Notes to Consolidated Financial Statements in our 2006 Form 10-K.

For Mr. Schuckenbrock: Amounts reported include the accelerated vesting of 60,714 stock options granted on January 9, 2004, with an exercise price of $23.955 and 50,000 stock options granted on March 24, 2004, with an exercise price of $19.175.

For Mr. Swan: Amounts reported reflect the forfeiture of 100,000 stock options granted in March 2004 (value forfeited $378,583) and 75,000 stock options granted in March 2005 (value forfeited $206,164).

(e) Represents awards paid in February 2007 under the Corporate Bonus Plan for 2006 performance.

(f) Represents the change in pension value under the Retirement Plan, the Restoration Plan and the SERP.

For Mr. Heller: Mr. Heller originally retired from EDS in 2002 and continues to draw monthly benefits. While he is eligible for increased benefit payments as a result of his current employment, it is unlikely his retirement income benefit will increase as a result of his subsequent retirement.

For Mr. Swan: Due to Mr. Swan's resignation on March 15, 2006, he forfeited his retirement benefits. Therefore, the change in his pension value for 2006 was negative $272,573.

(g) Amounts reported include the following executive perquisites, employer 401(k) Plan contributions and, for Mr. Schuckenbrock, payments as a result of his termination of employment:

For Mr. Jordan: $141,971 for personal use of corporate aircraft; $38,569 for reimbursement of financial planning and tax return preparation expenses; $104,585 for a car and driver provided by EDS for ground transportation in the Dallas area (includes driver's salary, vehicle lease cost, fuel expense and other variable costs); and matching award under the 401(k) Plan of $3,400. We estimate the personal use of such car and driver at 25% of total usage; however, the amount reported above reflects 100% of the total cost to EDS.

For Mr. Heller: $36,013 for personal use of corporate aircraft; $7,500 for reimbursement of financial planning and tax return preparation expenses; and matching award under the 401(k) Plan of $3,254.

For Mr. Rittenmeyer: $108,855 for personal use of corporate aircraft; $22,026 for reimbursement of financial planning and tax return preparation expenses; $1,039 for catering related to personal use of a company stadium suite (no other incremental cost is attributable to such use); and matching award under the 401(k) Plan of $2,560.

For Mr. Feld: $7,500 for reimbursement of financial planning and tax return preparation expenses; and matching award under the 401(k) Plan of $3,300.

For Mr. Vargo: $24,898 for personal use of corporate aircraft; $6,833 for reimbursement of financial planning and tax return preparation expenses; and matching award under the 401(k) Plan of $3,300.

For Mr. Haubenstricker: Matching award under the 401(k) Plan of $2,900.

For Mr. Schuckenbrock: $18,251 for personal use of corporate aircraft; matching award under the 401(k) Plan of $1,406; $7,500 for reimbursement of financial planning and tax return preparation expenses; and $1,592 for reimbursement of executive physical expenses. Also includes the following severance payments: two times base salary and target bonus ($3,000,000 total); payment of the 3rd installment of a retention award in connection with EDS' acquisition of The Feld Group ($177,309); continuation of financial counseling for one year ($7,500); and COBRA coverage ($7,790).

For Mr. Swan: $1,875 for reimbursement of financial planning and tax return preparation expenses; matching award under the 401(k) Plan of $3,400; and a commemorative gift upon his resignation from EDS valued at $3,760 (including related tax gross-up).

Valuation of Personal Use of Corporate Aircraft: The value of personal aircraft usage reported above is based on EDS' direct operating cost per flight hour. This methodology calculates incremental cost based on the weighted average cost of fuel, on-board catering, aircraft maintenance, landing fees, trip-related hangar and parking costs, and smaller variable costs. Since the corporate aircraft are used primarily for business travel, the methodology excludes fixed costs which do not change based on usage, such as pilots' and other employees' salaries, purchase costs of the aircraft and non-trip-related hangar expenses. Flight hours for personal aircraft usage reflected in the amounts reported above do not include hours for any related "deadhead" positioning of aircraft. On certain occasions, an executive's spouse or other guest may accompany the executive on a flight. No additional direct operating cost is incurred in such situations. A portion of the incremental costs for personal aircraft usage reported above is not deductible by the company for U.S. federal income tax purposes.

Grants of Plan-Based Awards

Name	Committee Approval Date	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (a)			Estimated Future Payouts Under Equity Incentive Plan Awards (b)			All Other Stock Awards: Number of Shares of Stock or Units (c)	All Other Option Awards: Number of Securities Underlying Options (d)	Exercise Price of Options Awards ($/Share)	Closing Market Price on Grant Date	Grant Date Fair Value of Stock and Option Awards
			Threshold	Target	Maximum	Threshold	Target	Maximum					
M. H.	2/6/2006	3/15/2006	$0	$1,200,000	$2,400,000								n/a
Jordan	2/6/2006	3/15/2006				0	210,000	420,000					$5,342,400
	2/6/2006	3/15/2006								600,000	$27.475	$27.50	5,304,000
J.M.	2/6/2006	3/15/2006	0	935,000	1,870,000								n/a
Heller	2/6/2006	3/15/2006				0	90,000	180,000					2,289,600
	2/6/2006	3/15/2006								250,000	27.475	27.50	2,210,000
R.A.	2/6/2006	3/15/2006	0	1,000,000	2,000,000								n/a
Rittenmeyer	2/6/2006	3/15/2006				0	58,000	116,000					1,475,520
	2/6/2006	3/15/2006								175,000	27.475	27.50	1,547,000
	8/25/2006	9/1/2006				0	150,000	300,000					3,445,500
	8/25/2006	9/1/2006							150,000				3,445,500
C.S.	2/6/2006	3/15/2006	0	701,250	1,402,500								n/a
Feld	2/6/2006	3/15/2006				0	45,000	90,000					1,144,800
	2/6/2006	3/15/2006								130,000	27.475	27.50	1,149,200
	12/4/2006	12/4/2006							129,895				3,500,021
R.P.	2/6/2006	3/15/2006	0	325,000	650,000								n/a
Vargo	2/6/2006	3/15/2006				12,500	25,000	50,000					636,000
	8/21/2006	9/1/2006							41,331				1,000,004
T.A.	2/6/2006	3/15/2006	0	170,500	341,000								n/a
Haubenstricker	2/6/2006	3/15/2006				12,500	25,000	50,000					636,000
S.F.	2/6/2006	3/15/2006				0	58,000	116,000					1,475,520
Schuckenbrock	2/6/2006	3/15/2006								175,000	27.475	27.50	1,547,000
R.H. Swan	--	--	--	--	--	--	--	--	--	--	--	--	--

(a) Amounts shown represent the threshold, target and maximum awards that could be earned by the named executive officer under the CBP for 2006. Funding is based 100% on corporate performance as measured by earnings per share, free cash flow, and revenue. Actual bonuses paid for 2006 are shown in the Summary Compensation Table in the "Non-Equity Incentive Plan Compensation" column.

(b) Represents P-RSUs granted under the Incentive Plan and, for Mr. Rittenmeyer, a performance-vesting DSU award on September 1, 2006, under the EDP. P-RSUs are restricted stock units that vest approximately three years from the date of grant based on EDS' performance as measured by Operating Margin (50% weight), Net Asset Utilization (25% weight), and Organic Revenue Growth (25% weight). The performance period for the 2006 grant is the three-year period commencing on January 1, 2006. Following vesting of any P-RSUs, a participant will be prohibited from selling 50% of the vested shares for 12 months following the vesting date. Dividends or dividend equivalents are not paid or accrued on P-RSUs. The 2006 P-RSU grant minimum vesting for Messrs. Vargo and Haubenstricker is 50% of the target award since neither was an executive officer at the time of grant. For all other named executive officers, the 2006 P-RSU grant minimum vesting is 0% of the target award. Mr. Rittenmeyer's DSU award will vest on September 1, 2009, subject to the achievement of pre-established three-year average productivity yield (50% weight) and organic revenue growth (50% weight) targets. Vesting can range from 0 to 200% of the target award. Dividend equivalents will be credited on the vesting date and will be retroactively calculated as though periodically credited at the same time as on EDS common stock.

(c) *For Mr. Rittenmeyer*: Represents a time-vesting DSU award on September 1, 2006, pursuant to the EDP. The award will vest on September 1, 2009. Dividend equivalents will be credited at the same time dividends are paid on EDS common stock.

For Mr. Feld: Represents a grant of 129,895 time-vesting restricted stock units on December 4, 2006, upon his promotion to Senior Executive Vice President, Applications Services. The award will vest on November 30, 2009. The fair value of the award is $26.945 per stock unit (the fair market value of the EDS common stock on

the grant date). Dividend equivalents will be paid in cash at the same rate and time as dividends are paid on EDS common stock.

For Mr. Vargo: Represents a time-vesting restricted stock unit award granted on September 1, 2006, pursuant to the Incentive Plan upon his appointment as Executive Vice President and Chief Financial Officer. The award will vest in 25% increments on September 4, 2007, September 2, 2008, September 1, 2009, and September 1, 2010. Dividend equivalents will be credited at the same time dividends are paid on EDS common stock.

(d) Stock options were granted pursuant to the Incentive Plan on March 15, 2006, with an exercise price of $27.475, the average of high/low trading prices on the date of grant, which is the "fair market value" of the common stock on such date under the terms of that plan. The closing price of the common stock on that date was $27.50. Stock options vest on February 27, 2009, and have a seven-year term. Stock options issued to executive officers exercised within 12 months of vesting can only be exercised for shares and must be held for 12 months following the exercise date.

Outstanding Equity Awards as of December 31, 2006:

	Option Awards					Stock Awards				
Name	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price	Vesting Date	Option Expiration Date	Number of Shares or Units of Stock that have not Vested	Market Value of Shares or Units of Stock that have not Vested	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that have not Vested (b)	Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that have not Vested	Vesting Date
M.H. Jordan		600,000	$27.4750	2/27/2009	3/15/2013			210,000	$5,785,500	2/27/2009
		550,000	20.6650	2/29/2008	3/31/2012			250,000	6,887,500	2/29/2008
		550,000	24.9275	3/23/2007	3/24/2014					
		550,000	19.1750	3/23/2007	3/24/2014					
	500,000		15.5800		3/20/2013					
	500,000		20.2540		3/20/2013					
J.M. Heller		250,000	27.4750	2/27/2009	3/15/2013			90,000	2,479,500	2/27/2009
		188,000	20.6650	2/29/2008	3/31/2012			83,000	2,286,650	2/29/2008
		150,000	24.9275	3/23/2007	3/24/2014	25,000	$688,750			3/2/2007
		150,000	19.1750	3/23/2007	3/24/2014	130,000	3,581,500			3/1/2010
	25,870 [a]		15.5800		2/9/2007					
	125,000		20.2540		3/20/2013					
	125,000		15.5800		3/20/2013					
	175,000		68.8125		3/8/2007					
	120,000		40.5938		3/1/2008					
	500,000		45.0600		12/17/2011					
R.A. Rittenmeyer		175,000	27.4750	2/27/2009	3/15/2013	150,000	4,132,500			9/1/2009
		200,000	19.1900	7/6/2009	7/7/2012	558 [c]	15,366			9/1/2009
		75,000	19.1900	2/29/2008	7/7/2012			58,000	1,597,900	2/27/2009
								33,000	909,150	2/29/2008
								150,000	4,132,500	9/1/2009
C.S. Feld		130,000	27.4750	2/27/2009	3/15/2013			45,000	1,239,750	2/27/2009
		99,000	20.6650	2/29/2008	3/31/2012			44,000	1,212,200	2/29/2008
	50,000	50,000	19.1750	3/24/2008	3/24/2014	34,162	941,163			1/9/2007
	188,887	80,951	23.9550	1/9/2007	1/1/2009	129,895	3,578,607			11/30/2009
R.P. Vargo	20,000	20,000	19.1750	3/24/2008	3/24/2014	41,331	1,138,669			25% increments on 9/4/07, 9/2/08, 9/1/09, 9/1/10
						3,333	91,824			1/26/2007
								25,000	688,750	2/27/2009
								20,000	551,000	2/29/2008
T.A. Haubenstricker	17,000	5,667	19.1750	3/24/2007	3/24/2010			25,000	688,750	2/27/2009
	286		19.1750		3/24/2008			20,000	551,000	2/29/2008
		15,000	19.1750	3/24/2008	3/24/2014	400	11,020			3/2/2007
S.F. Schuckenbrock	10,000		27.4750		5/31/2007			8,056	221,943	2/27/2009
	202,379		23.9550		5/31/2007			17,945	494,385	2/29/2008
R.H. Swan	--	--	--	--	--	--	--	--	--	--

(a) These stock options were exercised on January 30, 2007, at a weighted average exercise price of $26.112 per share.

(b) Amounts shown reflect target P-RSU award levels.

(c) Represents unvested dividend equivalents credited to Mr. Rittenmeyer pursuant to his September 1, 2006, DSU award.

Stock Option Exercises and Restricted Stock Vesting

The following table contains information about stock options exercised by the named executive officers and the vesting of stock awards held by the named executive officers in 2006.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
M. H. Jordan[(a)]	40,500	$404,328	150,000	$4,164,000
J.M. Heller	-	-	25,000	684,875
	-	-	50,000	1,388,000
R.A. Rittenmeyer	-	-	-	-
C.S. Feld	-	-	34,163	850,659
	-	-	7,666	185,556
R.P. Vargo	-	-	3,333	82,408
T.A. Haubenstricker[(b)]	30,000	237,414	400	10,958
S.F. Schuckenbrock [(c)]	134,000	812,070	25,622	631,582
R.H. Swan [(d)]	393,000	4,041,804	23,141	593,335

(a) Value based on 40,500 options with an exercise price of $15.58 and exercised at $25.5634.

(b) Value based on 15,000 options with an exercise price of $16.205 and exercised at $25.5822 and 15,000 options with an exercise price of $19.175 and exercised at $25.6254.

(c) Upon Mr. Schuckenbrock's separation, 25,622 restricted shares vested at $24.65. In addition, his 2005 and 2006 target P-RSU awards were prorated based on months of service as follows: 17,945 P-RSUs granted in 2005 were earned upon separation but will vest based on EDS' performance as determined in February 2008; and 8,058 P-RSUs granted in 2006 were earned upon separation but will vest based on EDS' performance as determined in February 2009. Value of stock options is based on 100,000 options with an exercise price of $19.175 and exercised at $25.6008 and 34,000 options with an exercise price of $20.665 and exercised at $25.65.

(d) Includes the following stock options exercised by Mr. Swan following his resignation: (1) 275,000 options granted at $16.205 and exercised at $27.2399; (2) 18,000 options granted at $16.205 and exercised at $27.3237; and (3) 100,000 options granted at $19.175 and exercised at $27.2457.

Pension Benefits

The table below shows the present value of accumulated benefits payable to each named executive officer, including the number of years of service credited, as of October 31, 2006, under each of the Retirement Plan, the Restoration Plan and the SERP determined using the assumptions set forth in Note 13 of the Notes to Consolidated Financial Statements in our 2006 Form 10-K.

Name	Plan Name	Number of Years Credited Service (a)	Present Value of Accumulated Benefit	Payments During Last Fiscal Year
M.H. Jordan	Retirement Plan	3	$107,224	$0
	Restoration Plan	3	886,615	0
	SERP	n/a	n/a	n/a
J.M. Heller (b)	Retirement Plan	37	1,395,717	118,839
	Restoration Plan	37	5,905,055	502,785
	SERP	37	6,459,085	549,955
R.A. Rittenmeyer	Retirement Plan	3	51,940	0
	Restoration Plan	3	197,928	0
	SERP	3	237,079	0
C.S. Feld	Retirement Plan	14	86,873	0
	Restoration Plan	14	401,498	0
	SERP	14	2,410,434	0
R.P. Vargo	Retirement Plan	2	55,826	0
	Restoration Plan	2	95,081	0
	SERP	n/a	n/a	n/a
T.A. Haubenstricker	Retirement Plan	22	214,132	0
	Restoration Plan	22	196,421	0
	SERP	n/a	n/a	n/a
S.F. Schuckenbrock	Retirement Plan	8	56,492	0
	Restoration Plan	8	247,425	0
	SERP	8	433,664	0
R.H. Swan	Retirement Plan	3	0	0
	Restoration Plan	3	0	0
	SERP	3	0	0

(a) Under the terms of his employment agreement, Mr. Rittenmeyer will be awarded an additional one and one-half (1.5) years of credited service (a total of 2.5 years of credited service) under the SERP for each full year of service completed during his first four years of employment, and two (2) additional years of credited service (a total of 3 years credited service) for each full year of employment completed during the following three years. Pursuant to this agreement, his SERP benefit will fully vest on the five-year anniversary of his employment, or earlier if he is involuntarily terminated without cause. These additional years of credited service are used to calculate his SERP benefit if he becomes vested under the plan but are not used to determine vesting. Without the extra service credit in the SERP, Mr. Rittenmeyer would not have an accrued benefit under the SERP (the value of the Retirement and Restoration plan benefit values are not impacted by the extra service grant). In addition, Mr. Swan had been awarded an additional nine years of service for purposes of the SERP that would have become effective for vesting and benefit calculation purposes when he attained age 55. However, because he resigned from EDS prior to the five-year vesting applicable to all retirement plans at that time, he will not receive any retirement benefits from EDS.

(b) Mr. Heller, who originally retired from EDS in 2002, continues to draw monthly benefits from the Retirement Plan, the Restoration Plan, and the SERP of $9,903.25, $41,898.75 and $45,829.60 respectively, all payable as a 75% joint and survivor annuity. While he is eligible for increased benefit payments as a result of his current employment, it is unlikely his retirement income benefit will increase as a result of his subsequent retirement. Mr. Heller's employment agreement provides that his service will not result in a decrease in the retirement benefit he had been entitled to receive at the time he rejoined the company.

Benefits under the Retirement Plan provide for accruals, which are expressed as monthly credits added to participants' "personal pension accounts," or PPA. The Restoration Plan provides for a supplemental benefit to employees equal to the amount they would have received under the Retirement Plan if compensation and annual accruals were not limited under the Internal Revenue Code. Under the Restoration Plan, EDS maintains a "restoration account," or RA, reflecting benefit and interest credits made on behalf of a participant. Monthly credits are based on a participant's credited years of service together with age, divided by 12. The resulting quotient is the monthly allocation percentage, which is multiplied by the participant's monthly earnings to determine the monthly amount credited to the PPA and RA. Participants receive additional credits (i) if annual compensation exceeded $94,200 (Social Security wage base) and (ii) generally if the participant was hired or rehired by EDS after age 35.

The annual benefit payable under the SERP for normal retirement will generally equal (i) 55% of the average of the participant's total compensation (based on the highest five consecutive years within the last 10 years of employment) less (ii) the maximum covered compensation offset allowance, then prorated downward for service less than 30 years and reduced for commencement date beginning prior to age 62. The resulting benefit is then offset by any benefit accrued under the Retirement Plan and the Restoration Plan. The normal form of payment under the SERP is a single life annuity but the plan provides several actuarial equivalent forms of payment.

The final average compensation as defined under the SERP for the highest five consecutive years over the last 10-year period was as follows: Mr. Rittenmeyer, $1,343,750; Mr. Feld, $1,093,118; and Mr. Schuckenbrock, $1,160,186. Messrs. Jordan, Vargo and Haubenstricker do not participate in the SERP but do participate in the Retirement Plan and the Restoration Plan. Compensation under the retirement plans refers to total annual cash compensation plus any contributions to the EDS 401(k) Plan and EDS Flexible Benefits Plan, but excludes stock-based compensation under the Incentive Plan (except stock options granted in 2003 under the annual bonus plan and subsequently exercised) and extraordinary compensation (such as moving allowances and retention bonuses). For the Retirement Plan, compensation is limited to $220,000 for 2006 by the Internal Revenue Code.

Calculations are based on the 1994 group annuity mortality table, a 6% annual discount rate and 5.50% interest crediting rate. Mr. Jordan's calculations assume that he is currently eligible to retire. Mr. Rittenmeyer's calculations assume an age 64 plus one month retirement, which is the age he is eligible for unreduced benefits. Messrs. Vargo and Haubenstricker's calculations are based on an age 65 retirement assumption. Although Mr. Schuckenbrock is no longer employed by EDS, he remains eligible to receive unreduced benefits at age 62.

Mr. Feld is eligible for an early retirement benefit from the Retirement Plan, the Restoration Plan, and the SERP. Had he retired January 1, 2007, Mr. Feld's annual retirement benefits (paid for his life only without cost of living adjustment) would have been $8,490 from the Retirement Plan, $41,201 from the Restoration Plan and $221,460 from the SERP. Employees are eligible for early retirement if they are age 55, have five years of service, and their age plus service is greater than or equal to 70. Benefits under the Retirement and Restoration plans are determined based on the participant's cash balance converted to an annuity. SERP benefits are based on average pay, the maximum covered compensation offset allowance and service at retirement, offset by Retirement and Restoration Plan benefits. SERP benefits are unreduced at age 62.

Non-Qualified Deferred Compensation

Under the EDP, named executive officers may defer up to 50% of base salary and 100% of any bonus in 1% increments. The executive must decide to defer in the year prior to the year in which the compensation is payable. Executives can allocate their account balance between two recordkeeping accounts. The fixed income account provides a rate of interest equal to the return on 30-year U.S. treasury securities in effect as of the first business day in September of the prior year plus 50 basis points. The other account is deferred stock units under which executives do not have voting rights but receive dividend equivalents in the form of additional deferred stock units. The plan also provides a 401(k) make-up contribution in the form of additional deferred stock units. We provide a 1.5% match on the amount of compensation that exceeds the federal compensation limits on the 401(k) plan ($220,000 for 2006) if the executive defers an amount in deferred stock units under the EDP at least equal to the matching contribution. For 2006, Mr. Vargo was the only named executive officer to receive the 401(k) make-up contribution.

The following table summarizes contributions, earnings and withdrawals/distributions in 2006 for the EDP and the aggregate account balance as of December 31, 2006, for each named executive officer.

Name	Executive Contributions in 2006	Registrant Contributions in 2006	Aggregate Earnings in 2006	Aggregate Withdrawals/ Distributions	Aggregate Balance at 12/31/2006
M.H. Jordan	$0	$0	$24,448	$0	$185,122
J.M. Heller (a)	0	0	267,115	1,079,507	1,687,018
R.A. Rittenmeyer (b)	0	7,258,500	1,007,555	0	8,270,774
C.S. Feld	0	0	22,217	0	168,233
R.P. Vargo (c)	19,542	8,343	3,133	0	44,736
T.A. Haubenstricker	0	0	19,857	0	150,361
S.F. Schuckenbrock	0	0	1,902	15,974	0
R.H. Swan (d)	0	0	475,834	691,446	3,004,903

(a) Mr. Heller retired in 2002 and was rehired in 2003. As a result, he has two EDP accounts. The account balances are as follows: active account balance of $494,237 and account balance in payout status of $1,192,691.

(b) Represents the value of Time-vesting DSUs (150,000 units) and Performance DSUs (150,000 target DSUs) granted to Mr. Rittenmeyer on September 1, 2006. This award is also shown in the Grants of Plan-Based Awards table above.

(c) Represents base salary deferred by Mr. Vargo during 2006 and matching contributions by EDS. The amount contributed by Mr. Vargo is also reported as compensation in the Summary Compensation Table.

(d) Represents the unvested portion of Mr. Swan's account forfeited upon his resignation on March 15, 2006.

Agreements Related to Potential Payments Upon Termination of Employment

We have entered into Executive Severance Benefit Agreements ("Severance Agreements") and other agreements with the named executive officers providing for the payment of amounts and/or vesting of equity-based awards in connection with a termination of their employment upon specified events. We have also entered into Change-of–Control Employment Agreements ("CoC Agreements") with each named executive officer, other than Mr. Haubenstricker, providing for the payment of amounts and vesting of equity-based awards in connection with a termination of their employment upon specified events following a change of control of EDS (as such term is defined below). A description of these agreements is set forth below. If an executive would be entitled to receive benefits under a Severance Agreement or CoC Agreement following a termination of employment, the executive may elect to receive benefits under either agreement but not both.

Severance and Other Agreements

Severance Agreements with Messrs. Rittenmeyer, Feld and Vargo. Under the terms of these agreements, if the executive is involuntarily terminated without cause or resigns for good reason on or before December 31, 2010, he would be entitled to receive a payment equal to two times the sum of his final annual base salary and annual bonus target for the year in which the termination occurred. In addition, a prorated portion (based on the number of months elapsed through the performance period) of any unvested P-RSUs awarded to the executive on or after January 1, 2005, would vest on the scheduled vesting date, as provided in the P-RSU grant agreement, and be subject to the restrictions on sale or transfer specified in the grant agreement. A prorated portion (based on the number of months elapsed through the vesting period) of any restricted stock units and stock options awarded to the executive after January 1, 2005 (other than the options awarded to Mr. Rittenmeyer when he joined EDS, which will immediately vest and be exercisable for one year from the date of termination, the restricted stock units granted to Mr. Vargo in January 2004 and September 2006, the restricted stock units granted to Mr. Feld in December 2006, which will immediately vest on the date of termination, and the DSUs awarded to Mr. Rittenmeyer in September 2006, the disposition of which would be governed by that award agreement) that remain unvested on the date of termination shall immediately vest, be free of any restrictions on sale or transfer and, with regard to stock options, be exercisable for one year from the date of termination. All other then unvested equity-based awards granted prior to 2005 will immediately vest, be free of any restrictions on sale or transfer and, with regard to stock options, be exercisable for one year from the date of termination (other than options awarded to Mr. Feld as part of EDS' acquisition of The

Feld Group, which would be exercisable for the period provided for in that award agreement). These agreements also provide for the payment of $7,500 as equivalent to the annual amount for financial planning/counseling services currently provided to the executive and a payment equal to the estimated cost of 18 months of health care premiums.

In addition, with respect to Mr. Rittenmeyer, if he is involuntarily terminated without cause or resigns for good reason prior to his five-year anniversary of employment (excluding an involuntary termination following a change of control), his SERP benefit will immediately vest but will be limited to 99% of his then current base salary plus annual target bonus. Mr. Rittenmeyer is provided an enhanced benefit under the SERP described under "Pension Benefits" above.

For purposes of these Severance Agreements, "good reason" means a reduction in the executive's base salary or annual target bonus (other than a reduction in which he is treated no less favorably than similarly situated executives). "Cause" means the executive has: (a) been convicted of, or pleaded guilty to, a felony involving theft or moral turpitude; (b) willfully and materially failed to follow EDS' lawful and appropriate policies, directives or orders applicable to employees holding comparable positions that resulted in significant harm to EDS; (c) willfully and intentionally destroyed or stolen EDS property or falsified EDS documents; (d) willfully and materially violated the EDS Code of Business Conduct that resulted in significant harm to EDS; or (e) engaged in conduct that constitutes willful gross neglect with respect to employment duties that resulted in significant harm to EDS.

Employment Agreements with Messrs. Jordan and Heller. Under the terms of our employment agreements with each of Mr. Jordan and Mr. Heller, if we terminate the executive's employment without cause, or if he voluntarily terminates his employment after Mr. Jordan's replacement as CEO is appointed or the executive becomes subject to total disability or dies, the executive would be entitled to a payment equal to the pro rata portion (through his termination date) of any bonus payable under the CBP if and when payment is made to other executives. For purposes of these agreements, "cause" has the same meaning as in the Severance Agreements described above.

Employment Agreement with Mr. Feld. Mr. Feld joined EDS in connection with the acquisition of The Feld Group in January 2004. Under the terms of our employment agreement with Mr. Feld, he was entitled to receive a retention payment of $709,237, two-thirds of which has already been paid and the remaining one-third of which is to be paid when the closing trading price of EDS common stock exceeds $28.3808, contingent on his remaining employed at that time (unless his employment is terminated by us without cause or by him for good reason or due to death or disability). In connection with that acquisition, Mr. Feld received 113,875 shares of restricted common stock and options to purchase 269,838 shares of common stock with an exercise price of $23.96 per share. The restricted stock vested 40% on January 9, 2005, 30% on January 9, 2006, and 30% on January 9, 2007. The options had a five-year term and vested 8% on January 9, 2004, 32% on January 9, 2005, 30% on January 9, 2006, and 30% on January 9, 2007. If his employment is terminated for any reason other than termination by us without cause, termination by him for good reason or his death or disability, then he will forfeit all restricted stock and options that have not yet vested as of the date of termination. If his employment is terminated by us without cause, or by him for good reason, any then unvested restricted stock or options will immediately vest.

Change of Control Employment Agreements

Pursuant to the CoC Agreement with each named executive officer, in the event of the occurrence of a "change of control" of EDS, the executive's employment will be continued for a period of two years and, in the case of Messrs. Jordan, Heller and Rittenmeyer, all then unvested equity-based awards would immediately vest (with P-RSUs and DSUs vesting at the targeted amount), be free of any restrictions on sale or transfer and, with respect to stock options, be exercisable for one year. Throughout the two-year employment period, the executive will continue to receive at least the same base salary and target bonus he was receiving immediately prior to the change of control and will remain eligible to participate in all incentive and benefit plans generally available to peer executives until the end of the employment period. If during the employment period the executive's employment is terminated other than for "cause" or disability, or by the executive for "good reason," he would receive his unpaid salary through the date of termination and a lump sum payment equal to 2.99 times the sum of his final annual base salary and annual performance bonus target for the year in which he is terminated. In addition (except for Messrs. Jordan, Heller and Rittenmeyer, whose equity-based awards will have vested at the time of the change of control as noted above), all equity-based awards held by the executive on the date of termination will vest (with P-RSUs vesting at the targeted amount), be free of any restrictions on sale or transfer and, with regard to stock options, be exercisable for one year from the date of termination (other than those awarded to Mr. Feld as part of EDS' acquisition of The Feld Group, which would be exercisable for the period provided for in the award). If the executive's employment is terminated for cause or he voluntarily terminates his employment other than for good reason during the employment period, he

will receive all accrued but unpaid salary through the date of termination and be entitled to no other severance under the CoC Agreement. If any payment under the CoC Agreement is subject to federal excise taxes imposed on excess parachute payments, the executive will receive an additional amount to cover any such tax payable by him as well as a gross-up payment on all taxes due. The CoC Agreements have a termination date of December 31, 2010.

For purposes of the CoC Agreements, a "change of control" of EDS includes the following: (i) any person, other than exempt persons, becomes a beneficial owner of more than 50% of EDS' voting stock; (ii) a change in a majority of the Board of Directors, unless approved by a majority of the incumbent board members; or (iii) consummation of a reorganization, merger or sale of all or substantially all of EDS' assets, unless following the transaction (x) the EDS shareholders prior to the transaction own more than 50% of the common stock and voting stock of the resulting entity, (y) no person owns 40% or more of the common stock or voting stock of the resulting entity and (z) at least a majority of the board of the resulting entity were members of the EDS Board prior to the transaction. "Good Reason" means: (i) a reduction in the executive's base salary or annual target bonus opportunity; (ii) requiring the executive to be based at a location more than 50 miles from his principal work location preceding the change of control; or (iii) a reduction in the executive's title, position, authority, duties or responsibilities inconsistent with his role prior to the change of control. "Cause" shall have the same meaning as in the Severance Agreements described above.

Potential Payments Upon Termination or Change of Control

The following table sets forth the payments required to be made to each named executive officer in connection with the termination of their employment upon specified events assuming a $27.55 per share price for our common stock (the closing price on December 29, 2006). The amounts shown also assume that the termination was effective December 31, 2006, and thus include amounts earned through such time and are estimates of the amounts which would be paid out to the executives upon their termination. The actual amounts paid can only be determined at the time of the termination of the executive's employment.

Executive Benefits and Payments Upon Termination	Voluntary Termination (a)	Involuntary Not for Cause Termination (non-Change of Control) (a)(b)	For Cause Termination	Involuntary or Good Reason Termination (Change of Control)	Death or Disability (c)
Base Salary and Target Bonus					
M.H. Jordan	$0	$1,200,000	$0	$6,578,000	$0
J.M. Heller	$0	$935,000	$0	$5,337,150	$0
R.A. Rittenmeyer	$0	$4,000,000	$0	$5,980,000	$0
C.S. Feld	$0	$3,288,912	$0	$4,799,900	$236,412
R.P. Vargo	$0	$1,950,000	$0	$2,865,750	$100,000
T. A. Haubenstricker	$0	$219,231	$0	$100,000	$100,000
Stock Options					
M.H. Jordan	$9,880,375	$9,880,375	$0	$9,880,375	$8,333,175
J.M. Heller	$2,977,755	$2,977,755	$0	$2,977,755	$2,446,461
R.A. Rittenmeyer	$0	$2,028,438	$0	$2,312,125	$983,333
C.S. Feld	$411,677	$1,121,446	$0	$1,401,134	$1,121,446
R.P. Vargo	$0	$167,500	$0	$167,500	$167,500
T. A. Haubenstricker	$0	$0	$0	$0	$173,086
Restricted and Deferred Stock					
M.H. Jordan	$12,673,000	$12,673,000	$0	$12,673,000	$6,520,167
J.M. Heller	$4,766,150	$4,766,150	$0	$4,766,150	$2,350,933
R.A. Rittenmeyer	$0	$9,403,733	$0	$10,772,050	$5,271,233
C.S. Feld	$1,221,383	$5,741,154	$0	$6,971,720	$2,261,952
R.P. Vargo	$0	$1,827,410	$0	$2,470,243	$1,827,410
T. A. Haubenstricker	$0	$0	$0	$1,250,770	$607,937
Incremental Non-qualified Pension					
M.H. Jordan	$0	$0	$0	$0	$0
J.M. Heller	$0	$0	$0	$0	$0
R.A. Rittenmeyer	$0	$432,699	$0	$0	$0
C.S. Feld	$0	$0	$0	$0	$0
R.P. Vargo	$0	$0	$0	$0	$0
T. A. Haubenstricker	$0	$0	$0	$0	$0
Health/Welfare, Tax/Financial Planning					
M.H. Jordan	$0	$0	$0	$0	$0
J.M. Heller	$0	$0	$0	$0	$0
R.A. Rittenmeyer	$0	$7,500	$0	$0	$0
C.S. Feld	$0	$18,884	$0	$0	$0
R.P. Vargo	$0	$9,300	$0	$0	$0
T. A. Haubenstricker	$0	$1,347	$0	$0	$0
Tax Gross-up					
M.H. Jordan	$0	$0	$0	$8,737,599	$0
J.M. Heller	$0	$0	$0	$3,635,006	$0
R.A. Rittenmeyer	$0	$0	$0	$6,751,427	$0
C.S. Feld	$0	$0	$0	$3,653,659	$0
R.P. Vargo	$0	$0	$0	$1,644,093	$0
T. A. Haubenstricker	$0	$0	$0	$0	$0
Total					
M.H. Jordan	$22,553,375	$23,753,375	$0	$37,868,974	$14,853,342
J.M. Heller	$7,743,905	$8,678,905	$0	$16,716,061	$4,797,394
R.A. Rittenmeyer	$0	$15,872,370	$0	$25,815,602	$6,254,566
C.S. Feld	$1,633,060	$10,170,396	$0	$16,826,413	$3,619,810
R.P. Vargo	$0	$3,954,210	$0	$7,147,586	$2,094,910
T. A. Haubenstricker	$0	$220,578	$0	$1,350,770	$881,023

(a) *For Mr. Jordan.*

Assumes for purposes of his 2004 stock option agreements that a successor CEO has been named and he voluntarily terminates his employment/retires or involuntarily separates, in which event such options will immediately vest, be free of any restrictions on sale and be exercisable for the remaining term. If a successor

CEO has not been named and Mr. Jordan voluntarily terminates his employment, then such options are forfeited.

Assumes for purposes of his 2005 equity agreements that a successor CEO has been named and he voluntarily terminates his employment/retires or involuntarily separates with Board consent, in which event his 2005 P-RSU target award will be earned (with vesting based on actual results during the performance period) and his 2005 stock option award will immediately vest, with one-third exercisable on the vesting date and one-third exercisable on the one- and two-year anniversaries thereof. If a successor CEO has not been named and Mr. Jordan voluntarily terminates his employment/retires or involuntarily separates with Board consent, a prorated portion of his 2005 P-RSU target award will be earned (with vesting based on actual results during the performance period) and a prorated portion of his 2005 stock option award will immediately vest, be free of any restrictions on sale, and be exercisable for two years.

Assumes for purposes of his 2006 equity agreements that he voluntarily terminates his employment/retires with Board consent, in which event his 2006 P-RSU target award will be earned (with vesting based on actual results during the performance period), and his 2006 stock option award will vest on the scheduled vesting date and be exercisable for the remaining term. If Mr. Jordan is involuntarily separated, a prorated portion of his 2006 P-RSU target award will be earned (with vesting based on actual results during the performance period) and a prorated portion of his 2006 stock option award will immediately vest, be free of any restrictions on sale, and be exercisable for two years.

For Mr. Heller.

Assumes for purposes of his 2004 stock option agreements that a successor CEO has been named and he voluntarily terminates his employment/retires or involuntarily separates, in which event such options will immediately vest, be free of any restrictions on sale, and be exercisable for the remaining term. If a successor CEO has not been named and Mr. Heller voluntarily terminates his employment, then such options are forfeited.

Assumes for purposes of his 2005 equity agreements that a successor CEO has been named and he voluntarily terminates his employment/retires or involuntarily separates with Board consent, in which event his 2005 P-RSU target award will be earned (with vesting based on actual results during the performance period) and his 2005 stock option award will immediately vest, with one-third exercisable on the vesting date and one-third exercisable on the one- and two-year anniversaries thereof. If a successor CEO has not been named and Mr. Heller voluntarily terminates his employment/retires or involuntarily separates with Board consent, a prorated portion of his 2005 P-RSU target award will be earned (with vesting based on actual results during the performance period) and a prorated portion of his 2005 stock option award will immediately vest, be free of any restrictions on sale, and be exercisable for two years.

Assumes for purposes of his 2006 equity agreements that he voluntarily terminates his employment/retires with Board consent, his 2006 P-RSU target award will be earned (with vesting based on actual results during the performance period) and his 2006 stock option award will vest as scheduled and be exercisable for the remaining term. If He is involuntarily separated, a prorated portion of his 2006 P-RSU target award will be earned (with vesting based on actual results during the performance period) and a prorated portion of his 2006 stock option award will immediately vest, be free of any restrictions on sale and be exercisable for two years.

For Mr. Feld.

Assumes that any unvested P-RSU, and/or stock option awards granted to Mr. Feld in 2005 and 2006 will be prorated based on completed months of service and will immediately vest and be free of any restrictions regarding their sale or transfer.

(b) For Mr. Rittenmeyer.

Assumes that, under the terms of his 2006 DSU award agreements, his 2006 DSU awards will be forfeited if he voluntarily terminates his employment prior to vesting, other than for good reason or for any reason prior to the six-month anniversary of a new CEO, other than Mr. Rittenmeyer, being hired. If he voluntarily terminates his employment for good reason or six months after a new CEO is hired, his 2006 time-vesting DSUs will immediately vest (value of $4,132,500 based on the closing price of the common stock on December 31, 2006). If he voluntarily terminates his employment for good reason or six months after a new CEO is hired, his 2006 performance DSUs will immediately be earned based on actual EDS results during a portion of the performance period. The earned/vested portion of DSU awards will be distributed in shares of common stock on the later to occur of (i) January 31 in the year following the date of his separation or (ii) the first day of the month

following six completed calendar months after the date of such separation. All other unvested equity awards are forfeited upon voluntary termination.

Incremental non-qualified pension value shown represents value of additional years of credited service under SERP as of December 31, 2006, pursuant to the agreement with Mr. Rittenmeyer described in note (a) under "Pension Benefits" above. If Mr. Rittenmeyer is involuntarily terminated without cause or resigns for good reason prior to the five-year anniversary of his employment (excluding an involuntary termination following a change of control), his SERP benefit will immediately vest but will be limited to 99% of his then current base salary plus annual target bonus.

For Mr. Feld.

Base salary and target bonus amounts include $236,412 for the third installment of Mr. Feld's retention award related to EDS' acquisition of The Feld Group.

For Mr. Haubenstricker.

Pursuant to the EDS Severance Program, in the event of involuntarily separation he would be entitled to a payment equal to two weeks of base salary for each year of service, not to exceed a total of 20 weeks and a payment equal to one month of COBRA benefits.

(c) *For Mr. Jordan:*

Reflects immediate vesting of his 2004 equity awards and a prorated vesting of his 2005/2006 P-RSU target awards and stock option awards.

For Mr. Heller:

Assumes immediate vesting of his 2004 equity awards and a prorated vesting of his 2005/2006 P-RSU target awards and stock option awards.

For Mr. Rittenmeyer:

Reflects prorated vesting of DSUs and RSUs, performance DSUs and P-RSUs, and stock options. Pursuant to the terms of his time-vesting and performance DSUs, a minimum of 50% of the target award is assumed vested.

For Mr. Feld:

Base salary and target bonus amounts include $236,412 for the third installment of Mr. Feld's retention award related to EDS' acquisition of The Feld Group.

Assumes that any unvested DSU, RSU and/or stock option awards granted as part of the acquisition of The Feld Group will immediately vest and be free of any restrictions regarding their sale or transfer.

Assumes that any unvested DSU, RSU, P-RSU, and/or stock option awards granted that are not part of the acquisition of The Feld Group will be prorated based on completed months of service and will immediately vest and be free of any restrictions regarding their sale or transfer.

For Mr. Vargo:

Base salary and target bonus amounts include $100,000 for the second installment of a special cash retention award related to his appointment as interim co-chief financial officer.

Reflects immediate vesting of RSU and stock option awards and prorated vesting of P-RSUs and DSUs.

For Mr. Haubenstricker:

Base salary and target bonus amounts include $100,000 for the second installment of a special cash retention award related to his appointment as interim co-chief financial officer.

Reflects immediate vesting of RSU and stock option awards and prorated vesting of P-RSUs and DSUs.

Related Party Transactions

Related Party Transaction Approval Policy

The Board recognizes that related party transactions can present conflicts of interest and questions as to whether the transactions are in the best interest of EDS. Accordingly, effective as of January 1, 2007, the Board amended the Corporate Governance Guidelines to incorporate a policy and procedures for the review, approval and ratification of such transactions. For purposes of this policy, a "related party transaction" is a transaction or relationship involving a director, executive officer or 5% shareholder or their immediate family members that is reportable under the SEC's rules regarding such transactions.

Under this policy, a related party transaction should be approved or ratified based upon a determination that the transaction is in, or not opposed to, the best interest of EDS. The policy provides for the Governance Committee to review and approve a transaction involving a director, the CEO or 5% shareholder, and for the CEO to review and approve a transaction involving any executive officer (other than the CEO and any executive who is also a director). Notice of a decision by the CEO to approve a related party transaction should be sent to the Governance Committee prior to finalizing the transaction, which may seek more information or call a meeting to review the transaction in greater detail. If a director or executive officer becomes aware of a transaction that should have been but was not approved in advance under this policy, he or she should report the transaction to whomever would have approved the transaction had it been submitted for advance approval. If the transaction is ongoing and revocable, it should be reviewed to determine whether ratification or other action should be taken. If the transaction is completed and not revocable, it should be evaluated to determine if any mitigation or other action should be taken.

The employment of an immediate family member of an executive officer (other than the CEO) does not need to be reported to the Governance Committee prior to approval unless the employee is "pay-banded" under EDS' compensation structure or his or her compensation is reasonably expected to exceed $200,000 per year. In all other circumstances, the hiring should be approved in accordance with the process described above.

Management is expected to report to the Governance Committee any transaction with a related party that is not covered by this policy because it is not reportable under the SEC rules or that involves employment of an immediate family member not reported to the Governance Committee in advance as described above.

Certain Relationships and Related Party Transactions

In 2005 we retained Navigator Systems, Inc. to provide staff augmentation services related to our development of a Business Intelligence team to support our corporate metrics, analytics and dashboards initiatives. This engagement, which was entered into prior to the adoption of the related party transaction approval policy described above, followed a competitive bid process conducted by our purchasing organization. The project was expanded to include our ExcellerateHRO business in 2006. Jon Feld, a son of Senior Executive Vice President Charles Feld, is a co-founder, director, Chief Executive Officer and approximately 20% shareholder of Navigator. In February 2006, substantially all of the business and assets of Navigator were sold to Hitachi Consulting Corporation. Following that transaction, Jon Feld became a Vice President of Hitachi Consulting and, in his capacity as a shareholder of Navigator, will have an economic interest through 2007 in revenues of Hitachi Consulting attributable to the former Navigator business. In 2006, we retained Hitachi Consulting for services related to the strategy and planning of a new and expanded knowledge management program following a competitive bid process. We paid or will pay Navigator and Hitachi Consulting approximately $506,125 and $7,070,062, respectively, in respect of services provided in 2006 and expect to pay additional amounts to Hitachi Consulting in 2007.

Senior Executive Vice President Charles Feld's son, Kenny Feld, is an employee of EDS. Kenny Feld and Charles Feld joined EDS in connection with our purchase of The Feld Group in January 2004. Kenny Feld received a salary of $300,000 in 2006 and a bonus of $160,700 in respect of 2006 performance. He was awarded 8,000 PRSUs in connection with our 2006 long-term incentive grant. Charles Feld disclaims any interest in his son's compensation.

President and Chief Operating Officer Ronald Rittenmeyer's son, Chris Rittenmeyer, has been employed by EDS since 2001, prior to Ronald Rittenmeyer's joining the company in July 2005. Chris Rittenmeyer received a salary of $125,000 in 2006 and a bonus of $47,600 in respect of 2006 performance. Ronald Rittenmeyer disclaims any interest in his son's compensation.

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2006 Annual Report

This Annual Report contains an overview of our business and information regarding our operations during 2006 and other information that our shareholders may find useful.

BUSINESS

Overview

Electronic Data Systems Corporation, or EDS, is a leading global technology services company that delivers business solutions. EDS founded the information technology outsourcing industry more than 40 years ago. Today, we deliver a broad portfolio of information technology and business process outsourcing services to clients in the manufacturing, financial services, healthcare, communications, energy, transportation, and consumer and retail industries and to governments around the world.

As of January 31, 2007, EDS and its subsidiaries employed approximately 131,000 persons in the United States and 63 other countries around the world. Our principal executive offices are located at 5400 Legacy Drive, Plano, Texas 75024, telephone number: (972) 604-6000.

We make available free of charge on our Web site at *www.eds.com/investor* our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with the Securities and Exchange Commission, or SEC. We also make available on our Web site other reports filed with, or furnished to, the SEC under the Securities Exchange Act of 1934, including our proxy statements and reports filed by officers and directors under Section 16(a) of that Act. We do not intend for information contained on our Web site to be part of our Form 10-K or this Annual Report.

EDS Services

Infrastructure Services. EDS Infrastructure Services delivers hosting, workplace (desktop), storage, security and privacy, and communications services that enable clients to drive down their total cost of ownership and increase the productivity of their information technology (IT) environment across the globe. Infrastructure Services include:

- *Data Center Services.* EDS Data Center Services address the business and technology needs of our clients for hosting and storage services. These services establish the client's infrastructure using a set of highly modular, standard components that can be provisioned quickly and easily, serving as the integrated base platform to support business processes and applications. Data Center Services is composed of 6 principal offerings:
  - *Managed Server.* This service delivers secure midrange hosting within an EDS or client data center. EDS provides high-valued managed services by leveraging standardization, increased automation and virtualization. Services are provided in a fixed rate or a variable rate utility model.
  - *Enterprise Application Hosting Services.* EDS' Application Hosting Services provides data center services including managed servers, storage, network and support for mission-critical, packaged enterprise applications. This service extends EDS' full continuum of application support, providing our clients' application infrastructure and enabling security, privacy, and compliancy.
  - *Web Hosting Services.* This service includes the operational management and infrastructure for Web-enabled environments including managed servers, storage, network, and support. EDS Web Hosting Services offers clients base and uplift services provided in EDS leveraged data centers as well as in client data centers.
  - *Managed Mainframe.* These services include migration to a leveraged EDS service management center with processing environments for dedicated or shared logical partitions. Higher value services include the z/OS platform which provides the client standardization and increased automation in a utility model.
  - *Data Center Modernization.* These transformational services rationalize, consolidate, automate and virtualize the client's IT infrastructure and applications environment for reduced cost, increased quality of service and greater flexibility.

- *Storage Management Services.* We provide a fully managed suite of enterprise-wide services for storage management, information protection (backup and recovery) and information optimization (archival services) from the data center to the desktop.

- *EDS Workplace Services.* EDS Workplace Services delivers expert management and support of the end user's work environment from the software applications that support the client's business practices to the supporting network communications infrastructure. Workplace Services include:
  - *Workplace Management Services.* We offer comprehensive management of a client's total desktop environment, from acquisition to retirement, including infrastructure technology, software and support for all end user devices.
  - *Mobile Workplace Services*. EDS Mobile Workplace Services provide an end-to-end managed mobility solution that delivers voice and enterprise data regardless of a user's locality, device, network or application.
  - *Workplace Messaging and Collaboration Services*. Messaging solutions provide mailbox service as a base service to users through a hosted, locally or remotely managed messaging system. This service includes Antivirus and Security, and also includes migrating to more current releases and/or consolidating e-mail systems. Collaboration Services secure Instant Messaging and virtual team workspace to enable an organization to improve collaboration.
  - *Workplace Support Services*. EDS' Workplace Support Services provide a single point of contact for resolving IT issues in the desktop environment. Service Desk services may be accessed by various channels including telephone, the Web, e-mail and facsimile. Site support is provided for local, on-site technical assistance and troubleshooting when incidents cannot be resolved using remote diagnostic tools or through Service Desk support.

- *Security and Privacy Services.* We offer defined security, privacy and business continuity features embedded at the onset in every EDS offering. These features are the people, tools, processes and controls used by EDS across all portfolio offerings to meet clients' expectations and industry-specific standards and regulations for security, privacy, business continuity management and risk management.

- *EDS Networking Services*. EDS Networking Services help organizations manage the growing complexities of aligning their communications and network needs with their overall IT outsourcing strategies. Our capabilities include a global managed services environment targeting a joint compute/network space. This allows our clients to control the risk curve associated with transformation as we use the full breadth of service management to move them to a utility core.
  - *Network Management Services.* EDS' Network Management Services delivers scalable solutions, from design and deployment to monitoring and management, to simplify network operations and improve network performance. Our Enterprise Networking Services provide the management of multi-carrier wide area networks.
  - *IP Communications Services.* Our solutions enable secure, integrated enterprise-wide convergence of voice, data and communications applications and reduce the complexity of enterprise communications. Services include project management, site assessment, engineering, call plan development, migration planning, implementation to operation, asset and operating system management, hardware and software upgrades and ongoing support services with focus on device management.
  - *EDS Global Services Network.* This managed, end-to-end connection links EDS facilities to each other or to client sites and helps us deliver services reliably and securely to clients. The Global Services Network includes the local network within each EDS facility, the mesh of circuits connecting these facilities and the point where EDS assets interconnect with a carrier partner for final delivery to the client site.

Applications Services. EDS Applications Services helps organizations plan, develop, integrate and manage custom applications, packaged software and industry-specific solutions. We offer applications development and management services on an outsourced or project basis. Services range from outsourcing of all applications development and systems integration to the management and implementation of EDS-owned or third-party industry applications. Benefits to clients for these services can include reduced costs, extended value of technology investments, information sharing and enhanced ability to adapt to market changes. Our Applications Services include the following:

- *Applications Development Services.* We create new applications, providing full lifecycle support through delivery. We define the application requirements, analyze application characteristics, implement to a production environment and monitor performance for a warranted time. Services include custom application development, application testing, mobile applications, workforce enhancement, and enterprise application integration.

- *Application Management Services.* We offer outsourcing support for specific applications or entire applications portfolios, both custom and packaged, including services for enterprise applications and support for SAP®, Oracle® and PeopleSoft® software. We assess the specified applications, plan the transition and provide ongoing management to improve client productivity and operating efficiency. We also provide applications rationalization, content management integration and legacy application migration services.

- *Integrated Applications Services.* We engineer offerings such as Business Intelligence Services, Portals and Dashboards Services, Web Services and Enterprise Applications Integration Services to support the overall integration of the client's architecture or our own Agile Application Architecture. These services integrate and extend existing packaged and legacy applications.
- *Industry-Specific Application Solutions.* These solutions are designed to support industry-specific needs. Our industry solutions span eight vertical industry segments: communications, energy, financial, government, healthcare, manufacturing, retail and transportation.

Applications Services offerings and capabilities are available via the EDS Global Delivery Model, including the EDS Best Shore[SM] delivery approach which offers clients the ability to develop and manage applications in one or more of our Solution Centres strategically located in cost-effective countries. The delivery of our services offers a lifecycle approach to on-shore, near-shore and offshore applications development and management with globally integrated, consistent work processes and tools and project-sharing at multiple facilities on a 24 hours a day, seven days a week basis.

Business Process Outsourcing Services. Business Process Outsourcing (BPO) services help clients to achieve economies of scale and improve business performance. By leveraging a shared-services operating model, clients can reduce operational risk and control costs while improving control effectiveness and standardization.

Enterprise Services are or will be sold across multiple industries and include Customer Relationship Management (CRM), Human Resources (HR), and Finance and Accounting services. For each of these services, EDS manages all components from technology, administration and customer service to business intelligence and third-party relationships. Our integrated solutions combine best-practice business processes, leading technologies and experienced professionals along with skilled domain partners.

EDS also delivers industry-specific offerings and provides industry experts to assist clients in key process improvement redesign. One example is our suite of Government BPO Services. For more than 40 years EDS has provided Medicare and Medicaid claims processing to the U.S. federal and state governments helping to lower program costs while increasing efficiency and performance. EDS' offerings to governments also include fiscal agent services; decision support services; fraud, waste and abuse protection services; integrated pharmacy services; Health Insurance Portability and Accountability Act (HIPAA) compliance services; immunization registry and tracking services; and case management services. We also offer Internet-based enrollment and eligibility inquiry capabilities. Other industries supported by our industry-specific BPO offerings include financial services, manufacturing, healthcare, transportation, communications, energy and consumer/retail.

Many BPO services are supported by our reusable, multi-client utility platform. This platform is comprised of key components of the BPO portfolio, including CRM and call center services; financial process services such as credit services and insurance services, payment and settlement, card processing and billing and clearing transactions and content management services.

ExcellerateHRO LLP, our 85% owned joint venture with Towers Perrin, offers a comprehensive set of HR outsourcing solutions on a global basis across the core areas of benefits administration, compensation administration, payroll, recruitment and staffing, relocation, work force administration and work force development.

EDS Agile Enterprise

A key component of our multi-year operating plan is the development of the EDS Agile Enterprise technology platform, a network-based utility architecture intended to create a more flexible, open and cost-effective technology foundation for the delivery of a significant portion of our infrastructure outsourcing, applications, and BPO services. As part of this strategy, we have established alliance relationships with a number of leading technology companies to develop the Agile Enterprise technology platform. We refer to this "federation" of technology companies as the EDS Agility Alliance. In addition to the development of the Agile Enterprise Platform, we are integrating our alliance members' products and services into the EDS portfolio. We also jointly go to market by engaging in operational business planning and other initiatives related to new and existing clients with Agility Alliance members and others. See "Risk Factors" below for a discussion of certain risks relating to our multi-year operating plan.

TRADING PRICES OF COMMON STOCK AND RELATED SHAREHOLDER MATTERS

Our common stock is listed on the New York Stock Exchange (the "NYSE") under the symbol "EDS." The table below shows the range of reported per share sales prices on the NYSE Composite Tape for the common stock for the periods indicated.

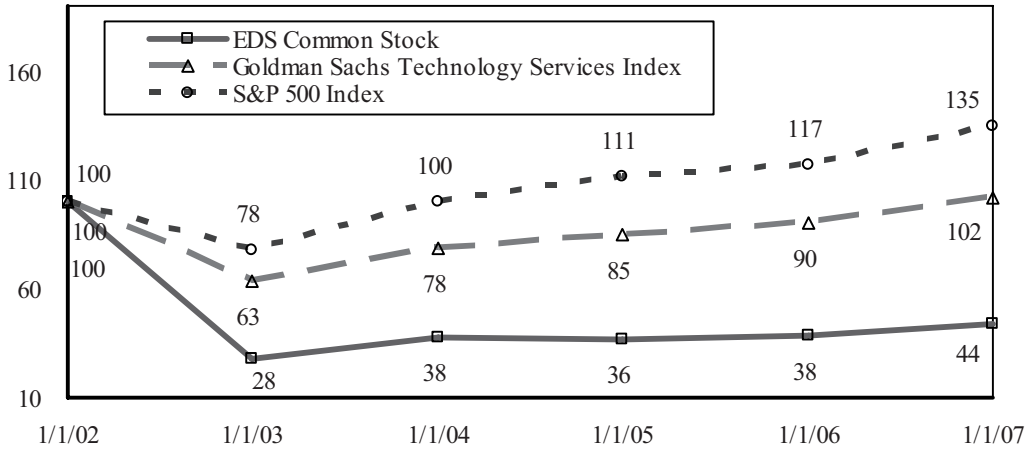
Calendar Year	High	Low
2005		
First Quarter	$ 23.35	$ 19.59
Second Quarter	21.11	18.59
Third Quarter	23.95	19.00
Fourth Quarter	24.82	21.16
2006		
First Quarter	$ 28.09	$ 23.83
Second Quarter	27.86	23.31
Third Quarter	24.59	22.42
Fourth Quarter	27.93	23.80

The last reported sale price of the common stock on the NYSE on February 21, 2007 was $29.32 per share. As of that date, there were approximately 103,531 record holders of common stock.

We declared quarterly dividends on our common stock at the rate of $0.05 per share in 2005 and 2006.

The following graph compares the cumulative total shareholder return on EDS Common Stock, including reinvestment of dividends, for the last five fiscal years with the cumulative total return of the Standard & Poor's 500 Stock Index and the Goldman Sachs Technology Services Index assuming an investment of $100 on January 1, 2002. **This graph is presented in accordance with SEC requirements. You are cautioned against drawing any conclusions from this information, as past results are not necessarily indicative of future performance. This graph in no way reflects a forecast of future financial performance.**

Comparison of Five Year Cumulative Return



SELECTED FINANCIAL DATA
(in millions, except per share amounts)

	As of and for the Years Ended December 31,				
	2006[1]	**2005[1]**	**2004[2]**	**2003[2]**	**2002[2][3]**
Operating results					
Revenues	$ 21,268	$ 19,757	$ 19,863	$ 19,758	$ 19,538
Cost of revenues	18,579	17,422	18,224	18,261	16,352
Selling, general and administrative	1,858	1,819	1,571	1,577	1,532
Other operating (income) expense	15	(26)	170	175	(2)
Other income (expense)[4]	(60)	(103)	(272)	(262)	(331)
Provision (benefit) for income taxes	257	153	(103)	(205)	451
Income (loss) from continuing operations	499	286	(271)	(312)	874
Income (loss) from discontinued operations	(29)	(136)	429	46	242
Cumulative effect on prior years of changes in accounting principles, net of income taxes	–	–	–	(1,432)	–
Net income (loss)	470	150	158	(1,698)	1,116
Per share data					
Basic earnings per share of common stock:					
Income (loss) from continuing operations	$ 0.96	$ 0.55	$ (0.54)	$ (0.65)	$ 1.82
Net income (loss)	0.91	0.29	0.32	(3.55)	2.33
Diluted earnings per share of common stock:					
Income (loss) from continuing operations	0.94	0.54	(0.54)	(0.65)	1.79
Net income (loss)	0.89	0.28	0.32	(3.55)	2.28
Cash dividends per share of common stock	0.20	0.20	0.40	0.60	0.60
Financial position					
Total assets	$ 17,954	$ 17,087	$ 17,744	$ 18,616	$ 18,880
Long-term debt, less current portion	2,965	2,939	3,168	4,148	4,148
Shareholders' equity	7,896	7,512	7,440	7,022	7,022

(1) We adopted a new method of accounting for share-based payments as of January 1, 2005. This change in accounting resulted in the recognition of pre-tax compensation expense of $123 million ($83 million net of tax) and $160 million ($110 million net of tax) for the years ended December 31, 2006 and 2005, respectively.

(2) Operating results for each of the years in the three year period ended December 31, 2004 have been restated to conform to the current presentation to reflect certain activities as discontinued operations during 2005.

(3) We adopted a new method of accounting for revenue recognition on long-term contracts effective January 1, 2003. Amounts for prior years are reported in accordance with our previous method of accounting for revenue recognition. Revenues for the year ended December 31, 2002 were $18,311 million on a comparable pro forma basis as if the aforementioned accounting change had been applied to all contracts at inception. Net income for the year ended December 31, 2002 was $460 million on a comparable pro forma basis as if the aforementioned accounting change had been applied to all contracts at inception.

(4) Other income (expense) includes net investment gains (losses) in the pre-tax amounts of $17 million, $(41) million, $6 million, $6 million and $(119) million for the years ended December 31, 2006, 2005, 2004, 2003 and 2002, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the consolidated financial statements and related notes that appear elsewhere in this document.

Overview

We are a leading provider of IT infrastructure, applications development and business process outsourcing services to corporate and government clients around the world. This section provides an overview of the principal factors and events that impacted our 2006 financial results and may impact our future financial results.

Results. We reported revenues of $21.3 billion in 2006, an increase of 8% over 2005 revenues of $19.8 billion. Revenues in 2006 increased 7% on an organic basis which excludes the impact of currency fluctuations, acquisitions and divestitures. Income from continuing operations increased $213 million in 2006 to $499 million compared with $286 million in 2005. Net income increased $320 million in 2006 to $470 million compared with $150 million in 2005.

The improvement in our results in 2006 is primarily due to the success of our initiatives outlined at the beginning of the year to achieve profitable growth through continued focus on cost competitiveness and service quality. Refer to "Results of Operations" below for additional information about our results for 2006, 2005 and 2004.

Investments in Infrastructure and Workforce Alignment. We continued to invest significant amounts in our infrastructure and workforce alignment initiatives in 2006. These investments represented approximately $0.80 per share of expenses during the year ended December 31, 2006, compared to approximately $0.44 per share during the year ended December 31, 2005.

The principal focus of our infrastructure investments in 2006 continued to be the development of our "Agile Enterprise" platform, a network-based utility architecture designed to create a flexible, open and cost-effective technology foundation for the delivery of a significant portion of our IT outsourcing and BPO services, and investments in automation and monitoring tools and products to improve productivity. This initiative includes investments to drive standardization and automation in our service delivery platforms. We migrated certain large clients to our new service delivery platforms in 2006 and expect to migrate additional clients in 2007. Our infrastructure investments also included the build-out of our global services network, which was substantially completed in 2006. Our infrastructure investments represented approximately $0.46 per share of expenses in 2006.

Our workforce alignment investments are focused on increasing our capabilities in lower-cost, Best Shore[SM] geographies, including India, Latin America, Hungary and China. These investments, which were principally comprised of severance payments, reflected the reduction in force of approximately 5,000 employees in higher cost geographies in 2006. We more than doubled the number of employees in Best Shore[SM] locations in 2006 from approximately 14,000 to 32,000 persons, including approximately 18,000 in India. Our Indian workforce includes approximately 13,000 employees of MphasiS Limited ("MphasiS"). We acquired a majority equity interest in MphasiS in June 2006. Our initiatives to increase capabilities in Best Shore[SM] locations also include the transfer of certain internal administrative functions, which are a principal component of our efforts to reduce our selling, general and administrative ("SG&A") expenses as a percentage of revenue while allowing for additional focus on sales resources. Our labor cost management initiatives in 2006 also benefited from increased productivity and our investments in automation and monitoring described above. These investments in workforce alignment represented approximately $0.34 per share of expenses in 2006.

Total Contract Value of New Contract Signings. A significant portion of our revenue is generated by long-term IT services contracts. Accordingly, the total contract value, or TCV, of new business signings is a key metric used by management to monitor new business activity. We refer you to the discussion of our calculation of TCV under the heading "Non-GAAP Financial Measures" below. The TCV of our new contract signings in 2006 was approximately $26.5 billion, compared to approximately $20.1 billion and $14.0 billion in 2005 and 2004, respectively. The increase for 2006 was driven by the $3.6 billion TCV related to our new contract with GM and the $3.9 billion TCV related to the extension of our NMCI contract, each discussed below. It also reflects an increase in "new logos" as a percentage of overall TCV in 2006 compared to 2005. See "2007 Priorities and Expectations" below for our expectations regarding the TCV of new contract signings in 2007.

Following is a quarterly summary of the TCV of contract signings (excluding contracts related to discontinued operations), for each of the last five years (in billions):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2002	$ 6.7	$ 5.6	$ 2.6	$ 7.6	$ 22.5
2003	2.6	3.0	3.1	3.9	12.6
2004	3.6	3.8	2.9	3.7	14.0
2005	6.9	2.6	5.3	5.3	20.1
2006	10.0	5.4	3.5	7.6	26.5

The TCV of contract signings can fluctuate significantly from year to year depending on a number of factors, including the number and timing of significant new and renewal contracts (sometimes referred to as "mega-deals") and the length of those contracts.

Acquisition of Majority Equity Interest in MphasiS. In June 2006, we acquired a majority interest (approximately 51%) in MphasiS, an applications and business process outsourcing services company based in Bangalore, India. The cash purchase price of the controlling interest, net of cash acquired, was $352 million. The acquisition of MphasiS enhances our delivery capabilities in priority growth areas of applications development and business process outsourcing services. We refer you to Note 16 in the accompanying Notes to Consolidated Financial Statements. Subsequent to the acquisition of MphasiS, the MphasiS board of directors and the board of directors of our wholly-owned Indian subsidiary approved the merger of that subsidiary into MphasiS, pending applicable approvals. If approved, the merger will enable us to consolidate our operations in India. The operational integration of the two entities is expected to be completed in the first quarter of 2007. The proposal is subject to approval of the stock exchanges in India, shareholders of both companies and court approval. Based on an independent valuation of the two entities, the merger would result in increasing our stake in MphasiS to approximately 62% from approximately 51% at present. In October 2006, we announced an open offer to acquire additional MphasiS common shares, which we expect to be completed in the first quarter of 2007. However, because the offer price is lower than the current trading price for such shares, we do not expect to acquire a significant number of additional shares pursuant to this offer.

General Motors Recompete. GM is our largest single client. Our 10-year Master Service Agreement, or MSA, with GM expired in June 2006. The MSA served as a framework for the negotiation and operation of service agreements representing a substantial majority of our revenues from GM. Following a recompete process, in February 2006 we were awarded approximately 70% of the contracts we bid on with a total contract value then estimated at approximately $3.6 billion over five years. Revenues from GM, which include revenues under the MSA through June 7, 2006, were approximately $1.7 billion, or 8% of our total revenues, in 2006. We expect annualized revenue from GM of approximately $1.3 billion to $1.5 billion over the remaining term of the new agreement, including the business awarded in the recompete and additional business not part of the recompete. Due to improvements in our cost structure already achieved and expected to be achieved in part through the implementation of our multi-year plan, we do not expect a significant change over the term of the new agreement in our operating margins attributable to this client compared to recent historical results.

NMCI Contract. We provide end-to-end IT infrastructure on a seat management basis to the Department of Navy (the "DoN"), which includes the U.S. Navy and Marine Corps, under a contract that has been extended through September 2010. Prior to 2006, this contract had a significant adverse impact on our operating results. In 2003, we incurred operating losses of $389 million, excluding a deferred contract cost write off of $559 million, and reported free cash flow usage of $824 million associated with this contract. In 2004, we incurred operating losses of $487 million, exclusive of a $375 million non-cash impairment charge to write down long-lived assets to estimated fair value, and reported free cash flow usage of $423 million (excluding the $522 million cash payment for the purchase of financial assets associated with a securitization facility referred to below) associated with this contract. In 2005, we incurred operating losses of $75 million and reported free cash flow of $125 million associated with this contract.

On March 24, 2006, we entered into a contract modification with the DoN pursuant to which the DoN exercised its option to extend this contract by three years through September 2010. The contract was also amended to, among other things, incorporate pricing for legacy support, restructure client satisfaction incentive methods to allow for objective metrics, extend the refresh period for a majority of desktop seats, establish the economic lives and valuation methodology for equipment and related infrastructure payable in the event of the DoN's election to purchase such equipment at contract termination, increase the DoN's minimum purchase requirements by an aggregate of $500 million over program years 2006 through 2010, provide for the payment to EDS of $100 million in cash (which was received in the second quarter of 2006), and provide for the release by EDS of certain claims related to the contract. The $100 million cash payment was allocated to future services and will be recognized as revenue on a straight-line basis over the remaining term of the contract. As a result of the contract modification, in compliance with Emerging Issues Task Force 01-8, *Determining Whether an Arrangement Contains a Lease*, we recognized sales-type capital lease revenue of $116 million in the first quarter of 2006 associated with certain assets previously accounted for as operating leases, and certain assets previously accounted for as capital leases with an aggregate net investment balance of $113 million are now accounted for as operating leases based on revised estimates of economic lives as agreed in the contract modification (20 years). We expect to recover a significant portion of our investment in this contract through the sale of NMCI infrastructure and desktop assets to the client at the end of the contract term, including amounts in excess of the expected carrying amounts of contract assets. Long-lived assets and lease receivables associated with the contract totaled approximately $278 million and $295 million, respectively, at December 31, 2006. As a result of the activity on the contract during the first quarter of 2006, including the sales-type capital lease revenue resulting from the contract modification, we recognized net non-recurring income of $0.02 per share during the first quarter. Operating profit for the contract during 2006 improved significantly over prior years as a result of higher levels of seat deployment and service delivery improvements. As part of the March 24, 2006 contract modification, we also became eligible to be compensated for certain communications costs when required to supplement the Government communications network, and we received orders of $40 million from the DoN related to the fourth quarter of 2005 through the third quarter of 2006. This amount is included in revenues in our consolidated statement of operations for the year ended December 31, 2006.

U.K. Ministry of Defence Contract. In March 2005, a consortium led by us was awarded a 10-year contract for the first increment of the U.K. Ministry of Defence (MoD) project to consolidate numerous existing information networks into a single next-generation infrastructure (the Defence Information Infrastructure Future project). The total contract value of the initial contract

was approximately $3.9 billion over 10 years. In December 2006, the contract was amended to include the second increment of such project, increasing the total contract value by approximately $1.27 billion over the remaining eight years of the contract. Our upfront expenditure and capital investment requirements for this contract have adversely impacted our free cash flow and earnings during certain fiscal periods since inception of the contract and may continue to do so in the future. Many of the services and service delivery challenges required by this contract are similar to those required by the NMCI contract discussed above, and accordingly, many of the risks are the same. We have applied lessons learned from our experience with the NMCI contract to this contract, including contract terms with clearly defined client and EDS accountability and improved program management. There have occurred and may occur in the future program changes and inabilities to achieve certain related dependencies that extend the initial development timeline. This contract provides for adjustments to be made to reflect the financial impact to EDS of certain program changes and any inability to achieve dependencies. During 2006, we reached a mutually satisfactory agreement with the client regarding some initial billing adjustments under the contract to reflect part of the financial impact to us of an extended initial development timeline. We will continue in the ongoing course of this contract to work with the client to agree upon any future appropriate adjustments under the contract which may be necessary. If we are unable to reach agreement with the client regarding such adjustments, our revenues, earnings and free cash flow for this contract, or the timing of the recognition thereof, could be adversely impacted.

Verizon. We provided IT services to MCI, Inc. pursuant to an IT services agreement that included minimum annual purchase obligations through January 2008. We also procured network telecommunications services from MCI pursuant to an agreement that included minimum annual purchase obligations through 2010. MCI was acquired by Verizon Communications, Inc. in January 2006. In December 2006, Verizon in-sourced most of the IT services we had been providing to MCI. We received a $90 million payment from Verizon in the fourth quarter of 2006 for assets and transition services. We also received a payment of $225 million in the first quarter of 2007 related to the termination of these services. As a result of this payment and certain services we will continue to provide and bill for in 2007, we do not expect that our free cash flow or income for this contract for the 2007 fiscal year will be significantly different from the results we would have experienced had the contract continued unchanged through January 2008. However, we do not expect to recognize any significant revenue or earnings from this client after 2007. Although the $225 million payment will be reflected in our first quarter 2007 free cash flow, the payment is expected to be reflected in our revenue and earnings for the first and third quarters of 2007 due to certain contingencies in our agreement with this client. In addition to the changes to our IT services agreement, the agreement pursuant to which we procure telecommunications network services was also amended to, among other things, reduce our minimum annual spend commitment by approximately 50% and provide additional flexibility in our ability to meet that commitment.

Divestiture of Global Field Services. On November 15, 2006, we completed the sale of Global Field Services, our desktop support services business located in Europe. As a result of this disposition, we incurred a pre-tax loss in the fourth quarter of 2006 of $23 million.

Divestiture of A. T. Kearney. We completed the sale of our A.T. Kearney management consulting subsidiary to the firm's management effective January 20, 2006. That subsidiary is classified as "held for sale" at December 31, 2005 and its results are included in income (loss) from discontinued operations. A.T. Kearney's results for the year ended December 31, 2005 include a pre-tax impairment charge of $118 million to write-down the carrying value of its long-lived assets, including tradename intangible, to estimated fair value less cost to sell. The estimated fair value was determined based on the terms of the sale. The impairment charge was partially offset by the recognition of $8 million previously unrecognized tax assets that were expected to be realized as a result of the sale. Income (loss) from discontinued operations also includes the net results of the maintenance, repair and operations (MRO) management services business which was transferred by A.T. Kearney to us prior to the divestiture of A.T. Kearney in January 2006. We refer you to Note 17 in the accompanying Notes to Consolidated Financial Statements.

Share Count. The weighted-average number of shares used to compute basic and diluted earnings per share were 519 million and 529 million, respectively, for the year ended December 31, 2006. On February 21, 2006, we announced that the Board of Directors had authorized a $1 billion share repurchase program over 18 months. Through December 31, 2006, we had purchased 26.2 million shares at a cost of $683 million under this repurchase program, including the shares purchased under a $400 million accelerated share repurchase ("ASR") agreement entered into in February 2006 (see Note 1 in the accompanying Notes to Consolidated Financial Statements). Our share count reflects the share repurchases referred to above, as well as shares issued under our employee stock-based compensation programs. Factors that could affect basic and dilutive share counts in the future include the share price and additional repurchases of shares under the authorization referred to above, offset by the dilutive effects of all our employee stock-based compensation plans and our contingently convertible senior notes. We are evaluating a "share neutral" approach, the objective of which would be to repurchase sufficient additional shares to approximately offset the dilutive effects of our employee stock-based compensation plans. Assuming we adopt such an approach, we expect the weighted-average number of shares used to compute diluted earnings per share to be approximately 545 million shares (which includes the dilutive impact of our contingently convertible senior notes).

Accounting Change. We adopted Statement of Financial Accounting Standards ("SFAS") No. 158 in 2006. We refer you to Note 1 in the accompanying Notes to Consolidated Financial Statements for additional information about this accounting change.

2007 Priorities and Expectations

In 2007, we will continue our initiatives to achieve profitable growth through focus on cost competitiveness and service quality. We expect to show continued improvement in our financial results as we benefit from our prior investments in infrastructure and workforce realignment, a reduction in the level of those investments compared to 2006 and our initiatives to further improve productivity and performance at the account level, leverage service delivery and reduce selling, general and administrative expense as a percent of revenues. In addition, we will continue our focus on improving service quality, client satisfaction and client innovation.

We currently expect 2007 revenues of approximately $22.0 billion to $22.5 billion, which would represent an increase in organic revenues of approximately 4% from 2006, driven principally by the increased level of contract signings in 2006.

We currently expect 2007 adjusted earnings per share of approximately $1.60, which excludes the impact of discontinued operations, gains and losses from divestitures, reversals of previously recognized restructuring expense and other identified items that management believes are not reflective of our core operating business. We refer you to the discussion of adjusted net income and adjusted earnings per share under "Non-GAAP Financial Measures" below. The expected increase in 2007 adjusted earnings per share reflects an anticipated improvement in operating margins.

We currently expect to generate free cash flow of $1.0 billion to $1.1 billion in 2007, an improvement from 2006 driven principally by the forecasted improvement in our operating margins. Refer to "Non-GAAP Financial Measures" below for a definition and discussion of free cash flow.

We currently expect the TCV of new contract signings in 2007 to be approximately $23 billion. We refer you to the discussion of the calculation of TCV under the heading "Non-GAAP Financial Measures" below.

The estimates for 2007 financial performance set forth in this Management's Discussion and Analysis of Financial Condition and Results of Operations rely on management's current assumptions, including assumptions concerning future events, and are subject to a number of uncertainties and other factors, many of which are outside the control of management, that could cause actual results to differ materially from such estimates. For a discussion of certain of these factors, we refer you to the discussion under "Risk Factors" below.

Non-GAAP Financial Measures

In addition to generally accepted accounting principles, or GAAP, results, we disclose the non-GAAP measures of adjusted net income, adjusted earnings per share (EPS), and free cash flow. Adjusted net income and adjusted earnings per share exclude the impact of certain special amounts, specifically earnings/losses from discontinued operations net of taxes, gains and losses from divestitures, reversals of previously recognized restructuring expense and other identified items that management believes are not reflective of our core operating business. Such amounts may have a material impact on our net income and earnings per share. We define free cash flow as net cash provided by operating activities, less capital expenditures. Capital expenditures is the sum of (i) net cash used in investing activities, excluding proceeds from sales of marketable securities, proceeds related to divested assets and non-marketable equity investments, payments for acquisitions, net of cash acquired, and non-marketable equity investments, and payments for purchases of marketable securities, and (ii) payments on capital leases. Free cash flow excludes items that are actual expenditures that impact cash available to EDS for other uses and should not be considered a measure of liquidity or an alternative to the cash flow measurements required by GAAP, such as net cash provided by operating activities or net increase/decrease in cash and cash equivalents. Refer to "Liquidity and Capital Resources" below for a reconciliation of free cash flow to the net increase (decrease) in cash and cash equivalents for the years ended December 31, 2006, 2005 and 2004. Management considers these non-GAAP measures an important measure of EDS' performance. Management uses these measures to evaluate EDS' core operating performance period over period, analyze underlying trends in EDS' business and establish operational goals and forecasts, including targets for performance-based compensation. EDS may not define adjusted net income, adjusted earnings per share or free cash flow in the same manner as other companies and, accordingly, the amounts reported by EDS for such measures may not be comparable to similarly titled measures reported by other companies.

We also disclose the total contract value, or TCV, of new business signings. Management considers TCV to be an important metric to monitor new business activity. There are no third-party standards or requirements governing the calculation of TCV. The TCV of a client contract represents our estimate at contract signing of the total revenue expected over the term of that contract. Contract signings include contracts with new clients and renewals, extensions and add-on business with existing clients. TCV does not include potential revenues that could be earned from a client relationship as a result of future expansion of service offerings to that client, nor does it reflect option years under non-governmental contracts that are subject to client discretion. TCV reflects a number of management estimates and judgments regarding the contract, including assumptions regarding demand-driven usage, scope of work and client requirements. In addition, our contracts may be subject to currency fluctuations and, for contracts with the U.S. federal government, annual funding constraints and indefinite delivery/indefinite quantity characteristics. Accordingly, the TCV we report should not be considered firm orders or predictive of future operating results.

Non-GAAP measures are a supplement to, and not a replacement for, GAAP financial measures. To gain a complete picture of our performance, management does (and investors should) rely on our GAAP financial statements.

Results of Operations

Revenues. As-reported growth percentages are calculated using revenues reported in the consolidated statements of operations. Organic growth percentages are calculated by removing from current year as-reported revenues the impact of the change in exchange rates between the local currency and the U.S. dollar from the current period and the comparable prior period. It further excludes revenue growth due to acquisitions in the period presented if the comparable prior period had no revenue from the same acquisition, and revenue decreases due to businesses divested in the period presented or the comparable prior period. Segment revenues for non-U.S. operations are measured using fixed currency exchange rates. Differences between the fixed and actual exchange rates are included in the "all other" category.

Following is a summary of revenues for the years ended December 31, 2006 and 2005 (in millions):

Consolidated revenues:	2006	2005	As-Reported Growth %	Organic Growth %
Revenues	$ 21,268	$ 19,757	8%	7%

Segment revenues:	2006	2005	% Increase (Decrease)
Americas	$ 9,588	$ 9,239	4%
EMEA	6,448	5,935	9%
Asia Pacific	1,479	1,377	7%
U.S. Government	3,350	2,842	18%
Other	23	22	–
Total Outsourcing	20,888	19,415	8%
All other	380	342	
Total	$ 21,268	$ 19,757	8%

Revenue growth in the Americas was primarily attributable to contracts with new clients in our retail, energy and transportation industry groups, add-on business with existing clients in our financial services industry group and in Latin America, and our ExcellerateHRO business which began operations in March 2005. Americas revenues in 2006 includes the recognition of a $90 million payment for assets and transition services related to the in-sourcing of services by Verizon described above. Revenue growth in EMEA was primarily attributable to increased revenues from the U.K. MoD contract and clients in North and South EMEA, partially offset by a decline in revenues from clients in Central EMEA and the U.K. Revenue growth in Asia Pacific was primarily attributable to our acquisition of MphasiS in the second quarter of 2006, partially offset by a decline in revenues from a client in the financial services industry in Australia. Revenue growth in U.S. Government was primarily attributable to the NMCI contract and several state Medicaid contracts, partially offset by the impact of the completion of a large federal contract in 2005. Refer to the "Overview" section above for a further discussion of the U.K. MoD, NMCI and Verizon contracts and of our acquisition of MphasiS.

Following is a summary of revenues for the years ended December 31, 2005 and 2004 (in millions):

Consolidated revenues:	2005	2004	As-Reported Growth %	Organic Growth %
Revenues	$ 19,757	$ 19,863	(1)%	(3)%

Segment revenues:	2005	2004	% Increase (Decrease)
Americas	$ 9,239	$ 9,251	–
EMEA	5,935	6,247	(5)%
Asia Pacific	1,377	1,289	7%
U.S. Government	2,842	2,893	(2)%
Other	22	24	–
Total Outsourcing	19,415	19,704	(1)%
All other	342	159	
Total	$ 19,757	$ 19,863	(1)%

The decrease in revenues in the Americas was primarily due to the termination of a significant commercial contract in August 2004 (see Note 3 in the accompanying Notes to Consolidated Financial Statements). The decrease in revenues in EMEA was

primarily due to the termination of our contract with the U.K. Government's Inland Revenue department effective June 2004, offset by an increase in revenue from other government and commercial clients, including our contract with the U.K. MoD. Revenue growth in Asia Pacific was primarily due to an increase in revenues from a client in the financial services industry in Australia. The decrease in the U.S. Government was primarily attributable to the completion of a large federal contract in early 2005, partially offset by an increase in revenue from our NMCI contract.

Gross margin. Our gross margin percentages [(revenues less cost of revenues)/revenues] were 12.6%, 11.8% and 8.3% in 2006, 2005 and 2004, respectively. The increase in our gross margin percentage in 2006 was primarily attributable to our enterprise-wide productivity initiatives, including improved performance on significant contracts, better sourcing and other cost structure improvements (240 basis points) and a pension obligation settlement loss associated with the termination of the Inland Revenue contract in 2005 (40 basis points), partially offset by incremental costs related to investments in our infrastructure, new service offerings and severance (190 basis points). Contracts with improved performance in 2006 include, among others, the NMCI contract (140 basis points), which includes the impact of the contract modification discussed above, and the Verizon contract (35 basis points), which includes the impact of the $90 million payment for assets and transition assistance services discussed above. The increase in our gross margin percentage in 2005 was primarily attributable to an improvement in the performance of the NMCI contract which had operating losses of $75 million in 2005 compared with operating losses of $487 million and an asset impairment charge of $375 million in 2004. Refer to Note 3 in the accompanying Notes to Consolidated Financial Statements. The NMCI contract had a 480 basis point negative impact on our 2004 gross margin percentage compared to a 90 basis point negative impact in 2005. Other items affecting our 2005 gross margin include a pension obligation settlement loss associated with the termination of the Inland Revenue contract (40 basis points), an increase in compensation expense attributable to the change in accounting for share-based payments (50 basis points), a deferred cost impairment charge associated with a large IT commercial contract (20 basis points) and litigation costs (20 basis points). These items were partially offset by favorable resolution of certain customer contract matters that permitted recognition of previously deferred revenue (40 basis points). Our gross margin in 2005 was also adversely affected by investments in our infrastructure and new service offerings and a decrease in revenues, including the termination of our contract with the U.K. Government's Inland Revenue department. An additional item affecting our 2004 gross margin was operating losses and other charges on our "other commercial contract" (150 basis points).

Selling, general and administrative. SG&A expenses as a percentage of revenues were 8.7%, 9.2% and 7.9% in 2006, 2005 and 2004, respectively. The decrease in our SG&A percentage in 2006 was primarily attributable to an increase in revenues (70 basis points) and a decrease in legal costs (20 basis points), including costs associated with the settlement of a consolidated securities action in 2005, partially offset by an increase in selling costs associated with increasing TCV of new business signings (10 basis points). The increase in our SG&A percentage in 2005 was primarily attributable to an increase in compensation expense resulting from the change in accounting for share-based payments, and performance-based RSUs (30 basis points) and incremental legal and regulatory costs (20 basis points), including costs associated with the settlement of a consolidated securities action. Our SG&A expense in 2005 was also impacted by higher sales and marketing costs, including commissions associated with increasing TCV of new business signings (40 basis points), and by certain investment initiatives (10 basis points).

We expect our operating margin [(revenues less costs and expenses)/revenues] to improve in 2007 driven by the benefits of our key productivity initiatives, the performance of significant contracts and a reduction in the level of spending on our investment initiatives.

Other operating (income) expense. Following is a summary of other operating (income) expense for the years ended December 31, 2006, 2005 and 2004 (in millions):

	2006	2005	2004
Other operating (income) expense:			
Restructuring costs, net of reversals	$ (7)	$ 68	$ 226
Early retirement offer	–	–	50
Pre-tax loss (gain) on disposal of businesses:			
Global Field Services	23	–	–
European wireless clearing	–	(93)	–
U.S. wireless clearing	(1)	–	(35)
Automotive Retail Group	–	–	(66)
Credit Union Industry Group	–	–	(4)
Other	–	(1)	(1)
Total	$ 15	$ (26)	$ 170

We refer you to Note 19 in the accompanying Notes to Consolidated Financial Statements for a further discussion of the components of other operating (income) expense.

Other income (expense). Other income (expense) includes interest expense, interest and dividend income, investment gains and losses, minority interest expense, and foreign currency transaction gains and losses. Following is a summary of other income (expense) for the years ended December 31, 2006, 2005 and 2004 (in millions):

	2006	2005	2004
Other income (expense):			
Interest expense	$ (239)	$ (241)	$ (321)
Interest income and other, net	179	138	49
Total	$ (60)	$ (103)	$ (272)

Interest income and other in 2006 includes net investment gains of $17 million compared to net investment losses of $41 million in 2005, including a write-down of $35 million relating to our leveraged lease investments. Interest income and other in 2006 compared with 2005 reflects an increase in interest and dividend income of $22 million, offset by an increase in net foreign currency transaction losses of $24 million. The increase in interest income and other in 2005 was primarily due to interest income on increased levels of cash and marketable securities, and foreign currency transaction gains. Interest income and other in 2004 includes net investment losses of $28 million, including a write-down of $34 million relating to our leveraged lease investments. The decrease in interest expense in 2005 was primarily due to the extinguishment of debt resulting from our debt exchange offer completed in 2004 and other scheduled debt repayments. See "Financial Position" and "Liquidity and Capital Resources" for a further discussion of our outstanding debt balance. Interest expense in 2004 includes $36 million in expenses resulting from our debt exchange offer. See Note 8 in the accompanying Notes to Consolidated Financial Statements for a further discussion of the exchange offer.

Income taxes. Our effective income tax rates on income from continuing operations were 34.0%, 34.9% and 27.5% for the years ended December 31, 2006, 2005 and 2004, respectively. The effective tax rate for 2006 was impacted by (i) the passage of a new Texas tax system requiring a $19 million write-off of net deferred tax assets, (ii) the recognition of additional valuation allowances of $44 million for losses incurred in certain foreign tax jurisdictions due to underperforming operations, and (iii) favorable changes to the liabilities for tax contingencies of $48 million, including settlements with the U.S. Internal Revenue Service ("IRS"). The effective tax rate in 2005 was impacted by (i) recognition of additional valuation allowances of $115 million for losses incurred in certain foreign tax jurisdictions due to underperforming operations, and (ii) reversal of certain tax contingency accruals of $40 million due to progress made in jurisdictional tax audits. Our effective tax rate could fluctuate periodically as a result of our adoption of SFAS No. 123R. As we record expense under SFAS No. 123R, a deferred tax asset is recorded. The realization of that asset is dependent upon the intrinsic value of an option on the date of exercise. Any unrealized deferred tax asset is charged to tax expense in the period of exercise or expiration and, accordingly, would result in a higher effective tax rate in such period. See "Application of Critical Accounting Policies" for a discussion of factors affecting income tax expense.

In June 2006, we agreed with the IRS on a settlement related to the R&D tax credit for years 1996-2002 and the closure of the audit of our 1996-1998 federal income tax returns. We had previously estimated the amount of the R&D credit that would be disallowed for each year and recorded a tax liability for such amount. Our analysis included the fact that the IRS had proposed disallowances of the entire R&D credit for tax years 1996-1998 and a portion of the R&D credit for tax years 1999-2002. The settlement resulted in a $50 million reduction of such liability in the second quarter of 2006.

Discontinued operations. Income (loss) from discontinued operations is comprised primarily of the net results of A.T. Kearney which was sold in 2006 and UGS PLM Solutions which was sold in 2005. Refer to Note 17 in the accompanying Notes to Consolidated Financial Statements for additional information related to discontinued operations.

Segment information. Refer to Note 12 in the accompanying Notes to Consolidated Financial Statements for a summary of certain financial information related to our reportable segments for 2006, 2005 and 2004, as well as certain financial information related to our operations by geographic region and by service line for such years.

Financial Position

At December 31, 2006, we held cash and marketable securities of $3.0 billion, had working capital of $3.0 billion, and had a current ratio (current assets/current liabilities) of 1.58-to-1. This compares to cash and marketable securities of $3.2 billion, working capital of $3.5 billion, and a current ratio of 1.68-to-1 at December 31, 2005. Approximately 5% of our cash and cash equivalents and marketable securities at December 31, 2006 were not available for debt repayment due to various commercial limitations on the use of these assets.

Days sales outstanding for trade receivables were 56 days at December 31, 2006 compared to 58 days at December 31, 2005. Days payable outstanding were 21 days at December 31, 2006 compared to 19 days at December 31, 2005.

Total debt was $3.1 billion at December 31, 2006 versus $3.3 billion at December 31, 2005. Total debt consists of notes payable and capital leases. The total debt-to-capital ratio (which includes total debt and minority interests as components of capital) was 28% at December 31, 2006 and 30% at December 31, 2005.

Off-Balance Sheet Arrangements and Contractual Obligations

In connection with certain service contracts, we may arrange a client supported financing transaction ("CSFT") with our client and an independent third-party financial institution or its designee. The use of these transactions enables us to offer clients more favorable financing terms. These transactions also enable the preservation of our capital and allow us to avoid client credit risk relating to the repayment of the financed amounts. Under these transactions, the independent third-party financial institution finances the purchase of certain IT-related assets and simultaneously leases those assets for use in connection with the service contract. The use of a CSFT on a service contract results in lower contract revenue and expense to EDS over the contract term.

In CSFTs, client payments are made directly to the financial institution providing the financing. If the client does not make the required payments under the service contract, under no circumstances do we have an ultimate obligation to acquire the underlying assets unless our nonperformance under the service contract would permit its termination, or we fail to comply with certain customary terms under the financing agreements, including, for example, covenants we have undertaken regarding the use of the assets for their intended purpose. We consider the possibility of our failure to comply with any of these terms to be remote.

The aggregate dollar values of assets purchased under our CSFT arrangements were $16 million, $8 million and $65 million during 2006, 2005 and 2004, respectively. No future asset purchases are expected to be financed under existing arrangements. As of December 31, 2006, there were outstanding an aggregate of $136 million under CSFTs yet to be paid by our clients. In the event a client contract is terminated due to nonperformance, we would be required to acquire only those assets associated with the outstanding amounts for that contract. Net of repayments, the estimated future maximum amount outstanding under existing financing arrangements is not expected to exceed $150 million. We believe we have sufficient alternative sources of capital to directly finance the purchase of capital assets to be used for our current and future client contracts without the use of these arrangements.

Performance guarantees. In the normal course of business, we may provide certain clients, principally governmental entities, with financial performance guarantees, which are generally backed by standby letters of credit or surety bonds. In general, we would be liable for the amounts of these guarantees in the event our nonperformance permits termination of the related contract by our client, the likelihood of which we believe is remote. We believe we are in compliance with our performance obligations under all service contracts for which there is a performance guarantee.

Following is a summary of the estimated expiration of financial guarantees outstanding as of December 31, 2006 (in millions):

		Estimated Expiration Per Period			
	Total	2007	2008	2009	Thereafter
Performance guarantees:					
CSFT transactions	$ 136	$ 107	$ 20	$ 7	$ 2
Standby letters of credit, surety bonds and other	574	276	25	14	259
Other guarantees	19	13	6	–	–
Total	$ 729	$ 396	$ 51	$ 21	$ 261

Contractual obligations. Following is a summary of payments due in specified periods related to our contractual obligations as of December 31, 2006 (in millions):

		Payments Due by Period			
	Total	2007	2008-2009	2010-2011	After 2011
Long-term debt, including current portion and interest[1]	$ 4,638	$ 336	$ 1,252	$ 979	$ 2,071
Operating lease obligations	1,516	343	517	288	368
Purchase obligations[2]	2,599	1,318	981	298	2
Total[3]	$ 8,753	$ 1,997	$ 2,750	$ 1,565	$ 2,441

(1) Amounts represent the expected cash payments (principal and interest) of our long-term debt and do not include any fair value adjustments or bond premiums or discounts. Amounts also include capital lease payments (principal and interest).

(2) Purchase obligations include material agreements to purchase goods or services, principally software and telecommunications services, that are enforceable and legally binding on EDS and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Purchase obligations exclude agreements that are cancelable without penalty. Purchase obligations also exclude our obligation to repurchase minority interests in joint ventures, including our obligation to repurchase Towers Perrin's minority interest in ExcellerateHRO. See Note 16 of the accompanying consolidated financial statements.

(3) We contributed $240 million and $346 million to our qualified and nonqualified pension plans in 2006 and 2005, respectively, and we expect to contribute approximately $100 million to these plans in 2007, including discretionary and statutory contributions. Our U.S. funding policy is to contribute amounts that fall within the range of deductible contributions for U.S. federal income tax purposes. See Note 13 of the accompanying consolidated financial statements for additional information about our retirement plans.

Liquidity and Capital Resources

Following is a summary of our cash flows for the years ended December 31, 2006, 2005 and 2004 (in millions):

	2006	2005	2004
Cash flows:			
Net cash provided by operating activities	$ 1,933	$ 1,296	$ 1,278
Net cash used in investing activities	(33)	(797)	(758)
Net cash used in financing activities	(834)	(681)	(663)
Free cash flow	887	619	304

Operating activities. The increase in cash provided by operating activities in 2006 compared to 2005 was due to a $48 million increase in cash provided by earnings (i.e., net income less non-cash operating items) and a $589 million change in operating assets and liabilities. The change in operating assets and liabilities resulted primarily from an improvement in receivable collections and lower vendor and tax payments, partially offset by an increase in contract costs and vendor prepayments and a decrease in customer prepayments. The change in operating liabilities was also impacted by various severance accruals recognized in 2006 that will be paid in 2007, and certain significant vendor payments in 2005 that had been recognized as expense in 2004. The increase in net cash provided by operating activities in 2005 compared to 2004 was due to a $150 million increase in earnings, adjusted to exclude non-cash operating items, offset by a $132 million change in operating assets and liabilities. The change in operating assets and liabilities resulted primarily from a decrease in receivables collections and an increase in tax payments, offset by an increase in deferred revenue.

Investing activities. The change in net cash used in investing activities in 2006 compared to 2005 was primarily due to an increase in net proceeds from sales of marketable securities, partially offset by a decrease in net proceeds from investments and real estate and an increase in payments for software. Payments for acquisitions relate primarily to the purchases of MphasiS in 2006 and the Towers Perrin pension, health and welfare administration services business in 2005. Refer to Note 16 in the accompanying Notes to Consolidated Financial Statements for additional information related to our acquisitions. Net proceeds from real estate sales resulted from the sales of real estate properties and land held for development. Refer to Notes 3 and 5 in the accompanying Notes to Consolidated Financial Statements for additional information related to our real estate sales. The change in net cash used in investing activities in 2005 compared to 2004 was primarily due to a decrease in proceeds from divestitures in 2005, and an increase in acquisition payments related to 2005 acquisitions (see Notes 16, 17 and 19 in the accompanying Notes to Consolidated Financial Statements). In addition, we realized net proceeds of $178 million in 2005 resulting from sales of real estate. Net cash used in investing activities in 2004 includes the proceeds from the divestitures of our U.S. wireless clearing business, UGS PLM Solutions and Automotive Retail Group ("ARG"). Divestiture proceeds were somewhat offset by net purchases of marketable securities. Net cash used in investing activities in 2004 also includes a $522 million cash payment related to the purchase of financial assets associated with the NMCI securitization facility.

Financing activities. The increase in net cash used in financing activities in 2006 was primarily due to purchases of treasury stock, partially offset by a reduction in debt payments and an increase in cash provided by employee stock transactions. Refer to the "Overview" section above and Note 1 in the accompanying Notes to Consolidated Financial Statements for additional information about our share repurchase authorization. Refer to "Off-Balance Sheet Arrangements and Contractual Obligations" above for a summary of expected payments related to our outstanding debt at December 31, 2006. The increase in net cash used in financing activities in 2005 compared to 2004 was primarily due to proceeds from our common stock issuance associated with a debt exchange in 2004. The increase in net cash used in financing activities in 2004 was primarily due to an increase in net payments on long-term debt and capital lease obligations, partially offset by proceeds from our common stock issuance associated with a debt exchange and by a reduction in dividend payments.

Free cash flow. We define free cash flow as net cash provided by operating activities, less capital expenditures. Capital expenditures is the sum of (i) net cash used in investing activities, excluding proceeds from sales of marketable securities, proceeds related to divested assets and non-marketable equity investments, payments related to acquisitions, net of cash acquired, and non-marketable equity investments, and payments for purchases of marketable securities, and (ii) capital lease payments. During 2004, we sold our UGS PLM Solutions subsidiary and repurchased financial assets outstanding under the NMCI contract securitization facility. Due to the significance of these transactions, the calculation of free cash flow for 2004 was adjusted to exclude $14 million in transaction fees paid during 2004 related to the UGS PLM Solutions disposition, and the $522 million cash payment related to the repurchase of financial assets associated with the NMCI securitization facility. The calculation of free cash flow for 2004 was also adjusted to include $85 million in cash generated through utilization of operating tax credits, predominantly related to 2004, to offset income tax associated with the UGS PLM Solutions disposition (such tax credits would otherwise have been available to offset future taxable income generated by operations). Free cash flow is a non-GAAP measure and should be viewed together with our consolidated statements of cash flows.

Following is a reconciliation of free cash flow to the net change in cash and cash equivalents for the years ended December 31, 2006, 2005 and 2004 (in millions):

	2006	2005	2004
Net cash provided by operating activities	$ 1,933	$ 1,296	$ 1,278
Capital expenditures:			
Proceeds from investments and other assets	264	310	68
Net proceeds from real estate sales	49	178	–
Payments for purchases of property and equipment	(729)	(718)	(666)
Payments for investments and other assets	(94)	(27)	(556)
Payments for purchases of software and other intangibles	(427)	(300)	(302)
Other investing activities	35	29	28
Capital lease payments	(144)	(149)	(167)
Total net capital expenditures	(1,046)	(677)	(1,595)
Adjustments:			
Utilization of tax credits related to the UGS PLM Solutions disposition	–	–	85
Transaction fees related to the UGS PLM Solutions disposition	–	–	14
Payment related to the repurchase of financial assets associated with the NMCI securitization facility	–	–	522
Free cash flow	887	619	304
Other investing and financing activities:			
Proceeds from sales of marketable securities	2,793	1,434	956
Net proceeds (payments) from divested assets and non-marketable equity securities	(49)	160	2,129
Payments for acquisitions, net of cash acquired, and non-marketable equity securities	(361)	(552)	(78)
Payments for purchases of marketable securities	(1,514)	(1,311)	(2,337)
Proceeds from long-term debt	–	5	6
Payments on long-term debt	(213)	(560)	(561)
Proceeds from issuance of common stock	–	–	198
Purchase of treasury stock	(667)	–	–
Employee stock transactions	285	107	76
Dividends paid	(104)	(105)	(200)
Other financing activities	9	21	(15)
Effect of exchange rate changes on cash and cash equivalents	7	(21)	48
Adjustments:			
Utilization of tax credits related to the UGS PLM Solutions disposition	–	–	(85)
Transaction fees related to the UGS PLM Solutions disposition	–	–	(14)
Payment related to the repurchase of financial assets associated with the NMCI securitization facility	–	–	(522)
Net increase (decrease) in cash and cash equivalents	$ 1,073	$ (203)	$ (95)

Our gross capital requirement was approximately $1.5 billion in 2006, including equipment and real estate leases and the use of CSFTs. We expect net capital expenditures of 5.0% to 5.5% of revenues in 2007, slightly higher than our 5.0% historical average due to the capital requirements associated with recent contract signings. Refer to the "Overview" section above for our current expectations regarding 2007 free cash flow.

Credit facilities. On June 30, 2006, we entered into a $1 billion Five Year Credit Agreement (the "Credit Agreement") with a bank group including Citibank, N.A., as Administrative Agent for the lenders, and Bank of America, N.A., as Syndication Agent. The Credit Agreement replaced our $550 million Three-and-One-Half Year Multi Currency Revolving Credit Agreement entered into in September 2004 and our $450 million Three-Year Multi Currency Revolving Credit Agreement entered into in September 2003. The Credit Agreement may be used for general corporate borrowing purposes and issuance of letters of credit, with a $500 million sub-limit for letters of credit. The Credit Agreement contains certain financial and other restrictive covenants which would allow any amounts outstanding thereunder to be accelerated, or restrict our ability to borrow thereunder, in the event of our noncompliance. Following is a summary of such covenants and the calculated ratios at December 31, 2006:

	Covenant	Actual
Leverage ratio	≤ 3.00	1.22
Interest coverage ratio	≥ 3.00	10.49

At December 31, 2006, there were no amounts outstanding under the Credit Agreement. We anticipate utilizing the Credit Agreement principally for the issuance of letters of credit, including the replacement of letters of credit issued under the replaced facilities which aggregated $171 million at December 31, 2006. The issuance of letters of credit under the Credit Agreement utilizes availability under the Credit Agreement, as was the case with the replaced facilities.

Credit ratings. Following is a summary of our senior long-term debt credit ratings by Moody's Investor Services, Inc. ("Moody's"), Standard & Poor's Rating Services ("S&P") and Fitch Ratings ("Fitch") at February 23, 2007:

	Moody's	S&P	Fitch
Senior long-term debt	Ba1	BBB–	BBB–
Outlook	Positive	Stable	Positive

On February 8, 2007, S&P revised our rating outlook from negative to stable. On November 21, 2006, Fitch revised our rating outlook to positive from stable. On November 14, 2006, Moody's revised our rating outlook to positive from stable. At December 31, 2006, we had no recognized or contingent material liabilities that would be subject to accelerated payment due to a ratings downgrade. We do not believe a negative change in our credit rating would have a material adverse impact on us under the terms of our existing client agreements.

Liquidity. At December 31, 2006, we had total liquidity of $3.7 billion, comprised of unrestricted cash and marketable securities of $2.9 billion and availability under our unsecured credit facilities of $829 million. Management currently intends to maintain unrestricted cash and marketable securities in an amount equal to at least 12 months of forecasted capital expenditures (as defined under "Free Cash Flow" above), interest payments, debt maturities and dividend payments.

Change in dividend rate. On July 27, 2004, our Board of Directors reduced the quarterly dividend on our common stock from $0.15 to $0.05 per share.

New Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement No. 157, *Fair Value Measurements*. This new standard defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The new standard is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those years. The provisions of the new standard are to be applied prospectively for most financial instruments and retrospectively for others as of the beginning of the fiscal year in which the standard is initially applied. We will be required to adopt this new standard in the first quarter of 2008. We are currently evaluating the requirements of Statement No. 157 and have not yet determined the impact on our consolidated financial statements.

In July 2006, the FASB issued Interpretation No. ("FIN") 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*. This interpretation clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. It prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on a tax return. This interpretation is effective for fiscal years beginning after December 15, 2006. We will be required to adopt this interpretation in the first quarter of 2007. We are currently evaluating the requirements of FIN 48 and have not yet determined the impact on our consolidated financial statements.

We adopted SFAS No. 158 in 2006. We refer you to Note 1 in the accompanying Notes to Consolidated Financial Statements for additional information about these accounting changes.

Application of Critical Accounting Policies

The preparation of our financial statements in conformity with generally accepted accounting principles in the United States ("GAAP") requires us to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Our estimates, judgments and assumptions are continually evaluated based on available information and experience. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates. Areas in which significant judgments and estimates are used include, but are not limited to, revenue recognition, accounts receivable collectibility, accounting for long-lived assets, deferred income taxes, retirement plans, performance guarantees and litigation.

Revenue recognition and associated cost deferral. We provide IT and business process outsourcing services under time-and-material, unit-price and fixed-price contracts, which may extend up to 10 or more years. Services provided over the term of these

arrangements may include one or more of the following: IT infrastructure support and management; IT system and software maintenance; application hosting; the design, development, or construction of software and systems ("Construct Service"); transaction processing; and business process management.

If a contract involves the provision of a single element, revenue is generally recognized when the product or service is provided and the amount earned is not contingent upon any future event. If the service is provided evenly during the contract term but service billings are irregular, revenue is recognized on a straight-line basis over the contract term. However, if the single service is a Construct Service, revenue is recognized under the percentage-of-completion method using a zero-profit methodology. Under this method, costs are deferred until contractual milestones are met, at which time the milestone billing is recognized as revenue and an amount of deferred costs is recognized as expense so that cumulative profit equals zero. If the milestone billing exceeds deferred costs, then the excess is recorded as deferred revenue. When the Construct Service is completed and the final milestone met, all unrecognized costs, milestone billings and profit are recognized in full. If the contract does not contain contractual milestones, costs are expensed as incurred and revenue is recognized in an amount equal to costs incurred until completion of the Construct Service, at which time any profit would be recognized in full. If total costs are estimated to exceed revenue for the Construct Service, then a provision for the estimated loss is made in the period in which the loss first becomes apparent.

If a contract involves the provision of multiple service elements, total estimated contract revenue is allocated to each element based on the relative fair value of each element. The amount of revenue allocated to each element is limited to the amount that is not contingent upon the delivery of another element in the future. Revenue is then recognized for each element as described above for single-element contracts, except revenue recognized on a straight-line basis for a non-Construct Service will not exceed amounts currently billable unless the excess revenue is recoverable from the client upon any contract termination event. If the amount of revenue allocated to a Construct Service is less than its relative fair value, costs to deliver such service equal to the difference between allocated revenue and the relative fair value are deferred and amortized over the contract term. If total Construct Service costs are estimated to exceed the relative fair value for the Construct Service contained in a multiple-element arrangement, then a provision for the estimated loss is made in the period in which the loss first becomes apparent.

In the rare event that fair value is not determinable for each service element of a multiple-element contract, the contract is considered one accounting unit, and revenue is recognized using the proportional performance method. Under this method, contract revenue is recognized for each service element based on the proportional performance of each service element to the total expected performance of each service element over the life of the contract.

We also defer and subsequently amortize certain set-up costs related to activities that enable the provision of contracted services to the client. Such activities include the relocation of transitioned employees, the migration of client systems or processes, and the exit of client facilities. Deferred contract costs, including set-up costs, are amortized on a straight-line basis over the remaining original contract term unless billing patterns indicate a more accelerated method is appropriate. The recoverability of deferred contract costs associated with a particular contract is analyzed whenever events or circumstances indicate that their carrying value may not be recoverable using the undiscounted estimated cash flows of the whole contract over its remaining contract term. If such undiscounted cash flows are insufficient to recover the long-lived assets and deferred contract costs, including contract concessions paid to the client, the deferred contract costs and contract concessions are written down by the amount of the cash flow deficiency. If a cash flow deficiency remains after reducing the balance of the deferred contract costs and contract concessions to zero, any remaining long-lived assets are evaluated for impairment. Any such impairment recognized would equal the amount by which the carrying value of the long-lived assets exceeds the fair value of those assets.

Accounts receivable. Reserves for uncollectible trade receivables are established when collection of amounts due from clients is deemed improbable. Indicators of improbable collection include client bankruptcy, client litigation, industry downturns, client cash flow difficulties or ongoing service or billing disputes. Receivables more than 180 days past due are automatically reserved unless persuasive evidence of probable collection exists. Our allowances for doubtful accounts as a percentage of total gross trade receivables were 1.9% and 2.0% at December 31, 2006 and 2005, respectively.

Long-lived assets. Our property and equipment, software and definite-lived intangible asset policies require the amortization or depreciation of assets over their estimated useful lives. An asset's useful life is the period over which the asset is expected to contribute directly or indirectly to our future cash flows. The useful lives of property and equipment are limited to the standard depreciable lives or, for certain assets dedicated to client contracts, the related contract term. The useful lives of capitalized software are limited to the shorter of the license period or the related contract term. The estimated useful lives of definite-lived intangible assets are based on the expected use of the asset and factors that may limit the use of the asset. We may utilize the assistance of a third-party appraiser in the assessment of the useful life of an intangible asset.

Goodwill is not amortized, but instead tested for impairment at least annually. The goodwill impairment test requires us to identify our reporting units, obtain estimates of the fair values of those units as of the testing date and compare the estimated fair value of each unit to its carrying value. Our reporting units are identified based on a review of our internal reporting structure and are

comprised of the components of our operating segments that share similar economic characteristics. The fair value of a reporting unit is the amount at which the unit as a whole could be bought or sold in a current transaction between willing parties. We estimate the fair values of our reporting units using discounted cash flow valuation models. Those models require estimates of future revenues, profits, capital expenditures and working capital for each unit. We estimate these amounts by evaluating historical trends, current budgets, operating plans and industry data. We utilize our weighted-average cost of capital to discount the estimated expected future cash flows of each unit. We conducted our annual goodwill impairment test for 2006 as of December 1, 2006. The estimated fair value of each of our reporting units exceeded its respective carrying value in 2006 indicating the underlying goodwill of each unit was not impaired.

We plan to conduct our annual impairment test as of December 1st of each year when our budgets and operating plans for the forthcoming year are expected to be finalized. The timing and frequency of additional goodwill impairment tests are based on an ongoing assessment of events and circumstances that would more than likely reduce the fair value of a reporting unit below its carrying value. We will continue to monitor our goodwill balance for impairment and conduct formal tests when impairment indicators are present. A decline in the fair value of any of our reporting units below its carrying value is an indicator that the underlying goodwill of the unit is potentially impaired. This situation would require the second step of the goodwill impairment test to determine whether the unit's goodwill is impaired. The second step of the goodwill impairment test is a comparison of the implied fair value of a reporting unit's goodwill to its carrying value. An impairment loss is required for the amount which the carrying value of a reporting unit's goodwill exceeds its implied fair value. The implied fair value of the reporting unit's goodwill would become the new cost basis of the unit's goodwill.

Deferred income taxes. We must make certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments occur in the calculation of certain tax assets and liabilities, which arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes. We must assess the likelihood that we will be able to recover our deferred tax assets. In assessing the realizability of deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized and adjust the valuation allowances accordingly. Factors considered in making this determination include the period of expiration of the tax asset, planned use of the tax asset, tax planning strategies and historical and projected taxable income as well as tax liabilities for the tax jurisdiction in which the tax asset is located. Valuation allowances will be subject to change in each future reporting period as a result of changes in one or more of these factors. A majority of the tax assets are associated with tax jurisdictions in which we have a large scale of operations and long history of generating taxable income, thereby reducing the estimation risk associated with recoverability analysis. However, in smaller tax jurisdictions in which we have less historical experience or smaller scale of operations, the assessment of recoverability of tax assets is largely based on projections of taxable income over the expiration period of the tax asset and is subject to greater estimation risk. Accordingly, it is reasonably possible the recoverability of tax assets in these smaller jurisdictions could be impaired as a result of poor operating performance over extended periods of time or a future decision to reduce or eliminate operating activity in such jurisdictions. Such an impairment would result in an increase in our effective tax rate and related tax expense in the period of impairment.

Liabilities for tax contingencies. We have recorded liabilities for tax contingencies related to positions we have taken that could be challenged by taxing authorities. These potential exposures result from the uncertainties in application of statutes, rules, regulations and interpretations. We recognize liabilities for anticipated tax audit issues in the U.S. and other tax jurisdictions based on our estimate of whether and the extent to which additional taxes will be due. Our estimate of the ultimate tax liability contains assumptions based on past experiences, judgments about potential actions by taxing jurisdictions as well as judgments about the likely outcome of issues that have been raised by taxing jurisdictions. Although we believe our reserves for tax contingencies are reasonable, they may change in the future due to new developments with each issue. We record an additional charge or benefit in our provision for taxes in the period in which we determine that the recorded tax liability is more or less than we expect the ultimate assessment to be.

Retirement plans. We offer pension and other postretirement benefits to our employees through multiple global pension plans. Our largest pension plans are funded through our cash contributions and earnings on plan assets. We use the actuarial models required by SFAS No. 87, *Employers' Accounting for Pensions*, to account for our pension plans. Two of the most significant actuarial assumptions used to calculate the net periodic pension benefit expense and the related pension benefit obligation for our defined pension benefit plans are the expected long-term rate of return on plan assets and the discount rate assumptions.

SFAS No. 87 requires the use of an expected long-term rate of return that, over time, will approximate the actual long-term returns earned on pension plan assets. We base this assumption on historical actual returns as well as anticipated future returns based on our investment mix. Given our relatively young workforce, we are able to take a long-term view of our pension investment strategy. Accordingly, plan assets are weighted heavily towards equity investments. Equity investments are susceptible to significant short-term fluctuations but have historically outperformed most other investment alternatives on a long-term basis. At December 31, 2006, 85% of pension assets were invested in public and private equity and real estate investments with the remaining assets being invested in fixed income securities. Such mix is consistent with that assumed in determining the expected

long-term rate of return on plan assets. Rebalancing our actual asset allocations to our planned allocations based on actual performance has not been a significant issue.

An 8.4% and 8.6% weighted-average expected long-term rate of return on plan assets assumption was used for the pension plan actuarial valuations in 2006 and 2005, respectively. A 100 basis point increase or decrease in this assumption results in an estimated pension expense decrease or increase, respectively, of $79 million in the subsequent year's pension expense (based on the most recent pension valuation and assuming all other variables are constant).

An assumed discount rate is required to be used in each pension plan actuarial valuation. This rate reflects the underlying rate determined on the measurement date at which the pension benefits could effectively be settled. High-quality bond yields on our measurement date, October 31, 2006, with maturities consistent with expected pension payment periods are used to determine the appropriate discount rate assumption. For the countries with the largest pension plans, actual participant data is used by our actuaries to determine the maturity of the benefit obligation which is matched to bonds available at the measurement date. In other countries, we use the average age of the participants to determine the maturity of the benefit obligation. A 5.4% weighted-average discount rate assumption was used for the 2006 pension plan actuarial valuations. The methodology used to determine the appropriate discount rate assumption has been consistently applied. A 100 basis point increase in the discount rate assumption will result in an estimated decrease of approximately $121 million in the subsequent year's pension expense, and a 100 basis point decrease in the discount rate assumption will result in an estimated increase of approximately $221 million in the subsequent year's pension expense (based on the most recent pension valuation and assuming all other variables are constant).

Our long-standing policy of making consistent cash pension plan contributions provided some protection against negative short-term market returns. In addition, positive investment returns from 2003 to 2006 resulted in our actual pension plan asset returns exceeding expected returns reflected in our assumptions. However, the impact of contributions and positive returns has been offset by declining discount rates in some recent years. Our pension plans' funded status, as of October 31, 2006 reflected total plan assets of $7.9 billion and total projected benefit obligations under all plans of $9.4 billion. As a result, under the requirements of SFAS No. 158, we have pension liabilities of $1.4 billion at December 31, 2006 with a corresponding reduction, net of tax, in the accumulated other comprehensive loss component of shareholders' equity of $684 million.

Our weighted-average long-term rate of return assumption for plan assets as of January 1, 2007 is 8.5%. Our 2007 net periodic benefit cost is expected to decrease from 2006 due to additional cash contributions made in recent years, returns on plan assets in excess of expectations and small increases in the discount rates of certain countries. Our required minimum amount of 2007 contributions will not exceed actual contributions made in 2006.

Stock-based compensation. We estimate the fair value of stock options using a Black-Scholes-Merton pricing model. The outstanding term of an option is estimated based on the vesting term and contractual term of the option, as well as expected exercise behavior of the employee who receives the option. Expected volatility during the estimated outstanding term of the option is based on historical volatility during a period equivalent to the estimated outstanding term of the option and implied volatility as determined based on observed market prices of our publicly traded options. Expected dividends during the estimated outstanding term of the option are based on recent dividend activity. Risk-free interest rates are based on the U.S. Treasury yield in effect at the time of the grant. We estimate the fair value of restricted stock units based on the market value of our stock on the date of grant, adjusted for any restrictive provisions affecting fair value, such as required holding periods after the date of vesting. Compensation expense for share-based payment is charged to operations over the vesting period of the award, and includes an estimate for the number of awards expected to vest. The initial estimate is based on historical results, and compensation expense is adjusted for actual results. If vesting of such an award is conditioned upon the achievement of performance goals, compensation expense during the performance period is estimated using the most probable outcome of the performance goals, and adjusted as the expected outcome changes.

Other liabilities. In the normal course of business, we may provide certain clients, principally governmental entities, with financial performance guarantees, which are generally backed by standby letters of credit or surety bonds. In general, we would only be liable for the amounts of these guarantees in the event that our nonperformance permits termination of the related contract by our client, the likelihood of which we believe is remote. We believe we are in compliance with our performance obligations under all service contracts for which there is a performance guarantee.

There are various claims and pending actions against EDS arising in the ordinary course of our business. See Note 15 in the accompanying Notes to Consolidated Financial Statements for a discussion of certain current litigation. Certain of these actions seek damages in significant amounts. In determining whether a loss accrual or disclosure in our consolidated financial statements is required, we consider, among other things, the degree to which we can make a reasonable estimate of the loss, the degree of probability of an unfavorable outcome, and the applicability of insurance coverage for a loss. The degree of probability and the loss related to a particular claim are typically estimated with the assistance of legal counsel.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in interest rates and foreign currency exchange rates. We enter into various hedging transactions to manage this risk. We do not hold or issue derivative financial instruments for trading purposes. A discussion of our accounting policies for financial instruments, and further disclosure relating to financial instruments, are included in the notes to the consolidated financial statements.

Interest rate risk. Interest rate risk is managed through our debt portfolio of fixed- and variable-rate instruments including interest rate swaps. Risk can be estimated by measuring the impact of a near-term adverse movement of 10% in short-term market interest rates. If these rates average 10% more in 2007 than in 2006, there would be no material adverse impact on our results of operations or financial position. During 2006, had short-term market interest rates averaged 10% more than in 2005, there would have been no material adverse impact on our results of operations or financial position.

Foreign exchange risk. We conduct business in the United States and around the world. Our most significant foreign currency transaction exposures relate to Canada, Mexico, the United Kingdom, Western European countries that use the euro as a common currency, Australia, India and Switzerland. The primary purpose of our foreign currency hedging activities is to protect against foreign currency exchange risk from intercompany financing and trading transactions. We enter into foreign currency forward contracts and may enter into currency options with durations of generally less than 30 days to hedge such transactions. We have not entered into foreign currency forward contracts for speculative or trading purposes.

Generally, foreign currency forward contracts are not designated as hedges for accounting purposes and changes in the fair value of these instruments are recognized immediately in earnings. In addition, since we enter into forward contracts only as an economic hedge, any change in currency rates would not result in any material gain or loss, as any gain or loss on the underlying foreign-denominated balance would be offset by the loss or gain on the forward contract. Risk can be estimated by measuring the impact of a near-term adverse movement of 10% in foreign currency rates against the U.S. dollar. If these rates average 10% more in 2007 than in 2006, there would be no material adverse impact on our results of operations or financial position. During 2006, had foreign currency rates averaged 10% more than in 2005, there would have been no material adverse impact on our results of operations or financial position.

RISK FACTORS

Because of the followin factors, as well as other variables affecting our operating results, past financial performance may not be a reliable indicator of future performance, and historical trends should not be used to anticipate results or trends in future periods.

Our engagements with clients may not be profitable. The pricing and other terms of our client contracts, particularly our long-term IT outsourcing agreements, require us to make estimates and assumptions at the time we enter into these contracts that could differ from actual results. These estimates reflect our best judgments regarding the nature of the engagement and our expected costs to provide the contracted services. Any increased or unexpected costs or unanticipated delays in connection with the performance of these engagements, including delays caused by factors outside our control, could make these contracts less profitable or unprofitable, which would have an adverse affect on our profit margin. Our exposure to this risk increases generally in proportion to the scope of the client contract and is higher in the early stages of such contract. In addition, a majority of our IT outsourcing contracts contain some fixed-price, incentive-based or other pricing terms that condition our fee on our ability to meet defined goals. Our failure to meet a client's expectations in any type of contract may result in an unprofitable engagement.

Our ability to recover significant capital investments in certain construct contracts is subject to risks. Some of our client contracts require significant investment, including asset purchases and operating losses, in the early stages which is recovered through billings over the life of the respective contract. These contracts often involve the construction of new computer systems and communications networks and the development and deployment of new technologies. Substantial performance risk exists in each contract with these characteristics, and some or all elements of service delivery under these contracts are dependent upon successful completion of the development, construction and deployment phases. At December 31, 2006, we had net deferred contract and set-up costs of $807 million, of which $487 million related to 20 contracts with active construct activities. These active construct contracts had other assets, including receivables, prepaid expenses, equipment and software, of $574 million at December 31, 2006. Some of these contracts have experienced delays in their development and construction phases, and certain milestones have been missed. It is reasonably possible that deferred costs associated with one or more of these contracts could become impaired due to changes in estimates of future contract cash flows.

Our exposure to certain industries and financially troubled customers may adversely affect our financial results. Our exposure to certain industries and financially troubled customers has had, and could in the future have, a material adverse affect on our

financial position and our results of operations. For example, we are a leading provider of IT outsourcing services to the United States automobile and airline industries, which sectors have been experiencing significant financial difficulties.

A decline in revenues from or loss of significant clients could reduce our revenues and profitability. Our success is to a significant degree dependent on our ability to retain our significant clients and maintain or increase the level of revenues from these clients, including in particular revenues from certain "mega-deal" long-term IT outsourcing agreements. We may lose clients due to their merger or acquisition, business failure, contract expiration or their conversion to a competing service provider or decision to in-source services. We may not be able to retain or renew relationships with our significant clients in the future. As a result of business downturns or for other business reasons, we are also vulnerable to reduced processing volumes from our clients, which can reduce the scope of services provided and the prices for those services. We may not be able to replace the revenue and earnings from any such lost client or reduction in services in the short or long-term. In addition, our contracts may allow a client to terminate the contract for convenience. In these cases we seek, through the terms of the contract, to recover our investment in the contract. There is no assurance we will be able to fully recover our investments in such circumstances.

Impact of rating agency downgrades. Any adverse action by Moody's, S&P or Fitch with respect to our long-term credit ratings could materially adversely impact our ability to compete for new business, our cost of capital and our ability to access capital.

Some of our contracts contain benchmarking provisions that could decrease our revenues and profitability. Some of our IT outsourcing agreements contain pricing provisions that permit a client to request a benchmark study by a mutually acceptable third-party benchmarker. Typically, benchmarking may not be conducted during the initial years of the contract term but may be requested by a client periodically thereafter, subject to restrictions which limit benchmarking to certain groupings of services and limit the number of times benchmarking may be conducted during the term of the contract. Generally, the benchmarking compares the contractual price of our services against the price of similar services offered by other specified providers in a peer comparison group, subject to agreed upon adjustment and normalization factors. Generally, if the benchmarking study shows that our pricing has a difference outside a specified range, and the difference is not due to the unique requirements of the client, then the parties will negotiate in good faith any appropriate adjustments to the pricing. This may result in the reduction of our rates for the benchmarked services. Due to the enhanced focus of our clients on reducing their technology costs, as well as the uncertainties and complexities inherent in benchmarking comparisons, our clients may increasingly attempt to obtain additional price reductions beyond those already embedded in our contract rates through the exercise of benchmarking provisions. Also, if we can not agree with our client on post-benchmarking pricing adjustments, the contract may permit the client to exercise an early termination right, which may or may not involve payment of a termination fee. Such activities could negatively impact our results of operations or cash flow in 2007 or thereafter to a greater extent than has been our prior experience.

Pending litigation could have a material adverse affect on our liquidity and financial condition. We are defendants in various claims and pending actions arising in the ordinary course of business or otherwise. We refer you to the discussion of "Pending Litigation and Proceedings" under Note 15 of the notes to the accompanying consolidated financial statements for a description of certain of these matters. We are not able to predict the ultimate impact of these matters on us or our consolidated financial statements. However, we may be required to pay judgments or settlements and incur expenses in aggregate amounts that could have a material adverse affect on our liquidity and earnings.

The markets in which we operate are highly competitive, and we may not be able to compete effectively. The markets in which we operate include a large number of participants and are highly competitive. Our primary competitors are IT service providers, large accounting, consulting and other professional service firms, application service providers, telecommunications companies, packaged software vendors and resellers and service groups of computer equipment companies. We also experience competition from numerous smaller, niche-oriented and regionalized service providers. Our business is experiencing rapid changes in its competitive landscape. We increasingly see our competitors moving operations offshore to reduce their costs as well as increasing direct competition from niche offshore providers, primarily India-based competitors. The competition from India-based companies is growing in intensity due to the abundance of highly skilled workers in the country, a pro-business regulatory environment and significantly lower costs of labor, which may allow these competitors to offer lower prices than we are able to offer. Any of these factors may impose additional pricing pressure on us, which could have an adverse affect on our revenues and profit margin.

Market changes may result in decreased profitability. The IT outsourcing market is commoditizing, which is shrinking margins on many of our core offerings. In addition, that market has experienced slower growth and lower margins in recent years. We are continuing to invest in new service offerings in the higher-margin segments such as BPO and applications development. However, if we are unable to implement our strategies to more effectively compete in such markets, our margins and profitability could be adversely affected.

We may not achieve the benefits we expect from our multi-year plan. We have implemented a multi-year plan designed to make significant changes in the way we do business. This plan includes the development of a new technology platform for the delivery of our services which we refer to as the "Agile Enterprise" as well as other initiatives intended to substantially reduce our cost structure. We have invested significant capital in the implementation of the multi-year plan and will invest additional capital in 2007. Although we believe this plan will enable us to achieve sustainable, profitable growth over the longer term, there can be no assurance as to the acceptance of our technology initiatives in the marketplace or our ability to recognize a return on our investment. Our ability to achieve the anticipated cost savings and other benefits from these initiatives on a timely basis is subject to many estimates and assumptions, including assumptions regarding the costs and timing of activities in connection with these initiatives. These estimates and assumptions are subject to significant economic, competitive and other uncertainties some of which are beyond our control. In addition, service pricing contained in certain of our contracts, including our contracts with GM and the U.K. Government's Department of Works and Pension, assume successful completion of our EDS Agile Enterprise initiatives on a timely basis. If these assumptions are not realized and we experience delays beyond those already experienced with respect to certain segments of these initiatives, or if other unforeseen events occur, our business and results of operations could be adversely affected and there could be a material adverse affect on the price of our securities.

Unanticipated changes in our tax provisions or exposure to additional tax liabilities could affect our profitability. We are subject to income taxes in the United States and numerous foreign jurisdictions. We are subject to ongoing tax audits in various jurisdictions. Tax authorities may disagree with our intercompany charges or other matters and assess additional taxes. Our provision for income taxes and cash tax liability in the future could be adversely affected by numerous factors including, but not limited to, income before taxes being lower than anticipated in countries with accumulated tax losses and higher than anticipated in countries with higher statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in tax laws, regulations, accounting principles or interpretations thereof, and the discovery of new information in the course of our tax return preparation process, which could adversely impact our results of operations and financial condition in future periods. In particular, the carrying value of deferred tax assets is dependent on our ability to generate future taxable income over the expiration period of the tax asset. An impairment of deferred tax assets would result in an increase in our effective tax rate and related tax expense in the period of impairment and could affect our profitability.

Risks associated with our international operations could negatively affect our earnings. International operations accounted for approximately one-half of our revenues in 2006 and will continue to represent a significant opportunity for growth in the IT industry. Our results of operations are affected by our ability to manage risks inherent in doing business abroad. These risks include exchange rate fluctuation, regulatory concerns, terrorist activity, restrictions with respect to the movement of currency, access to highly skilled workers, political and economic instability and our ability to protect our intellectual property. Any of these risks could impede our ability to increase our presence in certain jurisdictions or enter new jurisdictions. In addition, these risks could result in increased costs which could materially adversely affect our results of operations.

In June 2006, we acquired a majority interest (approximately 51%) in MphasiS Limited ("MphasiS"), a publicly traded applications and business process outsourcing services company based in Bangalore, India. In connection with this investment, we are exposed to additional international risks, including being subject to Indian securities laws and regulations. If we fail to comply with the requirements of the Stock Exchange Board of India, the stock exchanges upon which MphasiS is listed or any of the other applicable Indian regulatory authorities, our investment in MphasiS could be materially adversely affected, and such violation could result in significant legal consequences to us.

Our services or products may infringe upon the intellectual property rights of others. We cannot be sure that our services and products, or the products of others that we offer to our clients, do not infringe on the intellectual property rights of third parties, and we may have infringement claims asserted against us. These claims may harm our reputation, cost us money and prevent us from offering some services or products. We generally agree in our contracts to indemnify our clients for any expenses or liabilities they may incur resulting from claimed infringements of the intellectual property rights of third parties. In some instances, the amount of these indemnities may be greater than the revenues we receive from the client. Any claims or litigation in this area, whether we ultimately win or lose, could be time-consuming and costly, injure our reputation or require us to enter into royalty or licensing arrangements. We may, in limited cases, be required to forego rights to the use of intellectual property we help create, which limits our ability to also provide that intellectual property to other clients. Any limitation on our ability to provide a service or product could cause us to lose revenue-generating opportunities and require us to incur additional expenses to develop new or modified solutions for future projects.

A material weakness in our internal controls could have a material adverse affect on us. Effective internal controls are necessary for us to provide reasonable assurance with respect to our financial reports and to effectively prevent fraud. If we cannot provide reasonable assurance with respect to our financial reports and effectively prevent fraud, our reputation and operating results could be harmed. Pursuant to the Sarbanes-Oxley Act of 2002, we are required to furnish a report by management on internal control over financial reporting, including management's assessment of the effectiveness of such control. Internal control over financial

reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. Therefore, even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. In addition, projections of any evaluation of effectiveness of internal control over financial reporting to future periods are subject to the risk that the control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. If we fail to maintain the adequacy of our internal controls, including any failure to implement required new or improved controls, or if we experience difficulties in their implementation, our business and operating results could be adversely impacted, we could fail to meet our reporting obligations, and our business and stock price could be adversely affected.

In connection with our efforts to improve the processing efficiency of our general accounting functions, we implemented the SAP accounting system in the United States effective as of January 1, 2007, requiring changes in the processing of general ledger transactions, including journal entries, as of that date. We expect this implementation to be complete during the first quarter of 2007. With limited exceptions, our other accounting operations had already been using this system. We expect to implement other SAP systems in the United States, including for procurement, accounts payable and asset management, in the future. In addition, commencing in the first quarter of 2007, we will transition certain transaction and journal entry processing and preparation of general ledger account reconciliations from the existing accounting workforce to a newly hired workforce in lower cost Best Shore[SM] locations. We expect these actions will improve our internal controls over financial reporting by enabling us to conform general ledger processing to a single, global standard and operate a more centralized accounting function. We have taken steps to mitigate the control risks created by these actions, including establishment of monitoring controls and workforce management and training programs. However, if we are unable to timely and effectively complete these actions, our ability to maintain adequate internal control over financial reporting could be adversely impacted, we could fail to meet our reporting obligations, and our business and stock price could be adversely affected.

Cautionary Statement Regarding Forward-Looking Statements

The statements in this Report that are not historical statements are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements regarding estimated revenues, earnings, free cash flow, total contract value ("TCV") of new contract signings, operating margins and other forward-looking financial information. In addition, we have made in the past and may make in the future other written or oral forward-looking statements, including statements regarding future financial and operating performance, short- and long-term revenue, future cost savings, earnings and free cash flow, the timing of the revenue, earnings and free cash flow impact of new and existing contracts, liquidity, estimated future revenues from existing clients, the TCV of new contract signings, business pipeline, industry growth rates and our performance relative thereto, the impact of acquisitions and divestitures, and the impact of client bankruptcies. Any forward-looking statement may rely on a number of assumptions concerning future events and be subject to a number of uncertainties and other factors, many of which are outside our control, that could cause actual results to differ materially from such statements. In addition to the factors outlined above, these factors include, but are not limited to, the following: the performance of current and future client contracts in accordance with our cost, revenue and cash flow estimates, including our ability to achieve any operational efficiencies in our estimates; for contracts with U.S. federal government clients, including our NMCI contract, the government's ability to cancel the contract or impose additional terms and conditions due to changes in government funding, deployment schedules, military action or otherwise; our ability to access the capital markets, including our ability to obtain capital leases, surety bonds and letters of credit; the impact of third-party benchmarking provisions in certain client contracts; the impact on a historical and prospective basis of accounting rules and pronouncements; the impact of claims, litigation and governmental investigations; the success of our multi-year plan and cost-cutting initiatives and the timing and amount of any resulting benefits; the impact of acquisitions and divestitures; a reduction in the carrying value of our assets; the impact of a bankruptcy or financial difficulty of a significant client on the financial and other terms of our agreements with that client; with respect to the funding of pension plan obligations, the performance of our investments relative to our assumed rate of return; changes in tax laws and interpretations and failure to obtain treaty relief from double taxation; failure to obtain or protect intellectual property rights; fluctuations in foreign currency, exchange rates and interest rates; the impact of competition on pricing, revenues and margins; and the degree to which third parties continue to outsource IT and business processes.

We disclaim any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as may be required by law.

MANAGEMENT REPORT

MANAGEMENT RESPONSIBILITY FOR FINANCIAL INFORMATION

Responsibility for the objectivity, integrity, and presentation of the accompanying financial statements and other financial information presented in this report rests with EDS management. The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The financial statements include amounts that are based on estimates and judgments which management believes are reasonable under the circumstances.

KPMG LLP, independent auditors, is retained to audit EDS' consolidated financial statements and management's assessment of the effectiveness of the company's internal control over financial reporting. Its accompanying report is based on audits conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States).

The Audit Committee of the Board of Directors is composed solely of independent, non-employee directors, and is responsible for recommending to the Board the independent auditing firm to be retained for the coming year. The Audit Committee meets regularly and privately with the independent auditors, with the company's internal auditors, and with management to review accounting, auditing, internal control and financial reporting matters.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of EDS is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934. Those rules define internal control over financial reporting as a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. EDS' internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of EDS;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America;
- provide reasonable assurance that receipts and expenditures of EDS are being made only in accordance with authorization of management and directors of EDS; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of EDS' assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

EDS management assessed the effectiveness of EDS' internal control over financial reporting as of December 31, 2006. In making this assessment, management used the criteria described in "*Internal Control – Integrated Framework*" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included an evaluation of the design of EDS' internal control over financial reporting and testing of the operational effectiveness of its internal control over financial reporting. Management reviewed the results of its assessment with the Audit Committee of our Board of Directors.

Based on this assessment and those criteria, management believes that EDS maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006.

KPMG LLP, independent registered public accounting firm, who audited and reported on EDS' consolidated financial statements included in this report, has issued an attestation report on management's assessment of internal control over financial reporting.

Michael H. Jordan
CHAIRMAN OF THE BOARD AND
CHIEF EXECUTIVE OFFICER
March 1, 2007

Ronald P. Vargo
EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER
March 1, 2007

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Electronic Data Systems Corporation:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Electronic Data Systems Corporation and subsidiaries (the "Company") maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on criteria established in *Internal Control – Integrated Framework* issued by COSO. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control – Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Electronic Data Systems Corporation and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of operations, shareholders' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2006, and the related financial statement schedule, and our report dated March 1, 2007 expressed an unqualified opinion on those consolidated financial statements and schedule.

KPMG LLP
Dallas, Texas
March 1, 2007

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Electronic Data Systems Corporation:

We have audited the accompanying consolidated balance sheets of Electronic Data Systems Corporation and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of operations, shareholders' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2006. In connection with our audits of the consolidated financial statements, we have also audited the related financial statement schedule. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Electronic Data Systems Corporation and subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, during 2006, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – An Amendment of FASB Statements No. 87, 88, 106, and 132R*, and during 2005, the Company adopted SFAS No. 123R, *Share-Based Payment*.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Electronic Data Systems Corporation and subsidiaries' internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 1, 2007 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

KPMG LLP

KPMG LLP
Dallas, Texas
March 1, 2007

ELECTRONIC DATA SYSTEMS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share amounts)

	Years Ended December 31,		
	2006	**2005**	**2004**
Revenues	$ 21,268	$ 19,757	$ 19,863
Costs and expenses			
Cost of revenues	18,579	17,422	18,224
Selling, general and administrative	1,858	1,819	1,571
Other operating (income) expense	15	(26)	170
Total costs and expenses	20,452	19,215	19,965
Operating income (loss)	816	542	(102)
Interest expense	(239)	(241)	(321)
Interest income and other, net	179	138	49
Other income (expense)	(60)	(103)	(272)
Income (loss) from continuing operations before income taxes	756	439	(374)
Provision (benefit) for income taxes	257	153	(103)
Income (loss) from continuing operations	499	286	(271)
Income (loss) from discontinued operations, net of income taxes	(29)	(136)	429
Net income	$ 470	$ 150	$ 158
Basic earnings per share of common stock			
Income (loss) from continuing operations	$ 0.96	$ 0.55	$ (0.54)
Income (loss) from discontinued operations	(0.05)	(0.26)	0.86
Net income	$ 0.91	$ 0.29	$ 0.32
Diluted earnings per share of common stock			
Income (loss) from continuing operations	$ 0.94	$ 0.54	$ (0.54)
Income (loss) from discontinued operations	(0.05)	(0.26)	0.86
Net income	$ 0.89	$ 0.28	$ 0.32

See accompanying notes to consolidated financial statements.

As discussed in Note 1, the Company adopted SFAS No. 123R as of January 1, 2005 resulting in a change in the Company's method of recognizing stock-based compensation to employees.

ELECTRONIC DATA SYSTEMS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in millions, except share and per share amounts)

	December 31, 2006	December 31, 2005
ASSETS		
Current assets		
Cash and cash equivalents	$ 2,972	$ 1,899
Marketable securities	45	1,321
Accounts receivable, net	3,647	3,311
Prepaids and other	866	848
Deferred income taxes	727	778
Assets held for sale	–	345
Total current assets	8,257	8,502
Property and equipment, net	2,179	1,967
Deferred contract costs, net	807	638
Investments and other assets	636	684
Goodwill	4,365	3,832
Other intangible assets, net	749	640
Deferred income taxes	961	824
Total assets	$ 17,954	$ 17,087
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 677	$ 492
Accrued liabilities	2,689	2,430
Deferred revenue	1,669	1,329
Income taxes	72	208
Current portion of long-term debt	127	314
Liabilities held for sale	–	275
Total current liabilities	5,234	5,048
Pension benefit liability	1,404	1,173
Long-term debt, less current portion	2,965	2,939
Minority interests and other long-term liabilities	455	415
Commitments and contingencies		
Shareholders' equity		
Preferred stock, $.01 par value; authorized 200,000,000 shares; none issued	–	–
Common stock, $.01 par value; authorized 2,000,000,000 shares; 531,975,655 and 526,199,617 shares issued at December 31, 2006 and 2005, respectively	5	5
Additional paid-in capital	2,973	2,682
Retained earnings	5,630	5,371
Accumulated other comprehensive loss	(182)	(367)
Treasury stock, at cost, 17,658,428 and 2,913,605 shares at December 31, 2006 and 2005, respectively	(530)	(179)
Total shareholders' equity	7,896	7,512
Total liabilities and shareholders' equity	$ 17,954	$ 17,087

See accompanying notes to consolidated financial statements.

ELECTRONIC DATA SYSTEMS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)
(in millions)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Shareholders' Equity
	Shares Issued	Amount				Shares Held	Amount	
Balance at December 31, 2003	496	$ 5	$ 917	$ 5,812	$ (131)	15	$ (889)	$ 5,714
Comprehensive income:								
Net income	–	–	–	158	–	–	–	158
Currency translation adjustment, net of tax effect of $75	–	–	–	–	256	–	–	256
Unrealized losses on securities, net of tax effect of $(3), and reclassification adjustment	–	–	–	–	(5)	–	–	(5)
Change in minimum pension liability, net of tax effect of $(83)	–	–	–	–	(179)	–	–	(179)
Total comprehensive income								230
Dividends	–	–	–	(200)	–	–	–	(200)
Issuance of common stock	27	–	1,601	–	–	–	–	1,601
Stock award transactions	–	–	(85)	(278)	–	(8)	458	95
Balance at December 31, 2004	523	$ 5	$ 2,433	$ 5,492	$ (59)	7	$ (431)	$ 7,440
Comprehensive loss:								
Net income	–	–	–	150	–	–	–	150
Currency translation adjustment, net of tax effect of $(75)	–	–	–	–	(293)	–	–	(293)
Unrealized losses on securities, net of tax effect of $(3), and reclassification adjustment	–	–	–	–	(1)	–	–	(1)
Change in minimum pension liability, net of tax effect of $(7)	–	–	–	–	(14)	–	–	(14)
Total comprehensive loss								(158)
Dividends	–	–	–	(105)	–	–	–	(105)
Stock award transactions	3	–	249	(166)	–	(4)	252	335
Balance at December 31, 2005	526	$ 5	$ 2,682	$ 5,371	$ (367)	3	$ (179)	$ 7,512
Comprehensive income:								
Net income	–	–	–	470	–	–	–	470
Currency translation adjustment, net of tax effect of $70	–	–	–	–	313	–	–	313
Unrealized losses on securities, net of tax effect of $4, and reclassification adjustment	–	–	–	–	4	–	–	4
Change in minimum pension liability, net of tax effect of $229	–	–	–	–	434	–	–	434
Total comprehensive income								1,221
Adjustment to initially apply FASB Statement No. 158, net of tax effect of $(255)	–	–	–	–	(566)	–	–	(566)
Dividends	–	–	–	(104)	–	–	–	(104)
Purchase of treasury shares	–	–	–	–	–	26	(683)	(683)
Stock award transactions	6	–	291	(107)	–	(11)	332	516
Balance at December 31, 2006	532	$ 5	$ 2,973	$ 5,630	$ (182)	18	$ (530)	$ 7,896

See accompanying notes to consolidated financial statements.

ELECTRONIC DATA SYSTEMS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Years Ended December 31,		
	2006	**2005**	**2004**
Cash Flows from Operating Activities			
Net income	$ 470	$ 150	$ 158
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization and deferred cost charges	1,337	1,384	1,896
Deferred compensation	209	224	42
Other long-lived asset write-downs	19	164	537
Other (including pre-tax gain on sale of business of $844 in 2004)	15	80	(781)
Changes in operating assets and liabilities, net of effects of acquired companies:			
Accounts receivable	51	(310)	97
Prepaids and other	(155)	20	153
Deferred contract costs	(285)	(161)	(126)
Accounts payable and accrued liabilities	312	(207)	(466)
Deferred revenue	194	299	(51)
Income taxes	(234)	(347)	(181)
Total adjustments	1,463	1,146	1,120
Net cash provided by operating activities	1,933	1,296	1,278
Cash Flows from Investing Activities			
Proceeds from sales of marketable securities	2,793	1,434	956
Proceeds from investments and other assets	264	310	68
Net proceeds (payments) from divested assets and non-marketable equity securities	(49)	160	2,129
Net proceeds from real estate sales	49	178	–
Payments for purchases of property and equipment	(729)	(718)	(666)
Payments for investments and other assets	(94)	(27)	(556)
Payments for acquisitions, net of cash acquired, and non-marketable equity securities	(361)	(552)	(78)
Payments for purchases of software and other intangibles	(427)	(300)	(302)
Payments for purchases of marketable securities	(1,514)	(1,311)	(2,337)
Other	35	29	28
Net cash used in investing activities	(33)	(797)	(758)
Cash Flows from Financing Activities			
Proceeds from long-term debt	–	5	6
Payments on long-term debt	(213)	(560)	(561)
Capital lease payments	(144)	(149)	(167)
Proceeds from issuance of common stock	–	–	198
Purchase of treasury stock	(667)	–	–
Employee stock transactions	285	107	76
Dividends paid	(104)	(105)	(200)
Other	9	21	(15)
Net cash used in financing activities	(834)	(681)	(663)
Effect of exchange rate changes on cash and cash equivalents	7	(21)	48
Net increase (decrease) in cash and cash equivalents	1,073	(203)	(95)
Cash and cash equivalents at beginning of year	1,899	2,102	2,197
Cash and cash equivalents at end of year	$ 2,972	$ 1,899	$ 2,102

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Electronic Data Systems Corporation is a professional services firm that offers its clients a portfolio of related services worldwide within the broad categories of infrastructure, applications and business process outsourcing services. The Company also provided management consulting services through its A.T. Kearney subsidiary which was sold in January 2006 (see Note 17). Services include the design, construction or management of computer networks, information systems, information processing facilities and business processes. As used herein, the terms "EDS" and the "Company" refer to Electronic Data Systems Corporation and its consolidated subsidiaries.

Principles of Consolidation

The consolidated financial statements include the accounts of EDS and its controlled subsidiaries. The Company defines control as a non-shared, non-temporary ability to make decisions that enable it to guide the ongoing activities of a subsidiary and the ability to use that power to increase the benefits or limit the losses from the activities of that subsidiary. Subsidiaries in which other shareholders effectively participate in significant operating decisions through voting or contractual rights are not considered controlled subsidiaries. The Company's investments in entities it does not control, but in which it has the ability to exercise significant influence over operating and financial policies, are accounted for under the equity method. Under such method, the Company recognizes its share of the subsidiaries' income (loss) in other income (expense). If the Company is the primary beneficiary of variable interest entities, the consolidated financial statements include the accounts of such entities. No variable interest entities were consolidated during the periods presented.

Earnings Per Share

Basic earnings per share of common stock is computed using the weighted-average number of common shares outstanding during the period. Diluted earnings per share amounts reflect the incremental increase in common shares outstanding assuming the exercise of all employee stock options and stock purchase contracts and the issuance of shares in respect of restricted stock units that would have had a dilutive effect on earnings per share. Diluted earnings per share also assumes that any dilutive convertible debt outstanding was converted at the later of the date of issuance or the beginning of the period, with related interest and outstanding common shares adjusted accordingly. Following is a reconciliation of the number of shares used in the calculation of basic and diluted earnings per share for the years ended December 31, 2006, 2005 and 2004 (in millions):

	2006	2005	2004
Basic earnings per share of common stock:			
Weighted-average common shares outstanding	519	519	501
Effect of dilutive securities (Note 11):			
Restricted stock units	2	2	–
Stock options	8	5	–
Diluted earnings per share of common stock:			
Weighted-average common and common equivalent shares outstanding	529	526	501

All common stock options, restricted stock units, the assumed conversion of convertible debt and the effect of forward purchase contracts were excluded from the computation of diluted earnings per share for 2004 because their inclusion would have been antidilutive.

Securities that were outstanding but were not included in the computation of diluted earnings per share because their effect was antidilutive are as follows for the years ended December 31, 2006, 2005 and 2004 (in millions):

	2006	2005	2004
Common stock options and warrants	15	42	75
Restricted stock units	–	–	7
Convertible debt and forward purchase contracts	20	20	28

Accounting Changes

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – An Amendment of FASB Statements No. 87, 88, 106, and 132R*, effective December 31, 2006. This Statement requires recognition of the funded status of a defined benefit plan in the statement of financial position as an asset or liability if the plan is overfunded or underfunded, respectively. Changes in the funded status of a plan are required to be recognized in the year in which the changes occur, and reported in comprehensive income as a separate component of stockholders' equity. Further, certain gains and losses that were not previously recognized in the financial statements are required to be reported in comprehensive income, and certain disclosure requirements were changed. These changes are effective for fiscal years ending after December 15, 2006, with no retroactive restatement of prior periods. SFAS No. 158 also requires companies to measure a plan's assets and obligations that determine its funded status as of the end of the employer's fiscal year instead of the October 31 early measurement date the Company currently uses. This change is effective for fiscal years ending after December 15, 2008. The Company has not yet determined the impact of this change. Adoption of this standard did not impact the Company's compliance with financial debt covenants.

Following is the incremental impact of applying SFAS No. 158 on individual line items in the consolidated balance sheet at December 31, 2006 (in millions):

	Before Application of SFAS 158	Adjustments	After Application of SFAS 158
Investments and other assets	$ 872	$ (236)	$ 636
Deferred income taxes	706	255	961
Total assets	17,935	19	17,954
Accrued liabilities	2,653	36	2,689
Total current liabilities	5,198	36	5,234
Pension benefit liability	855	549	1,404
Accumulated other comprehensive income (loss)	384	(566)	(182)
Total shareholders' equity	8,462	(566)	7,896
Total liabilities and shareholders' equity	17,935	19	17,954

The Company adopted SFAS No. 123R, *Share-Based Payment*, as of January 1, 2005, using the modified prospective application method. This statement requires the recognition of compensation expense when an entity obtains employee services in stock-based payment transactions. This change in accounting resulted in the recognition of compensation expense of $123 million ($83 million net of tax) and $160 million ($110 million net of tax), respectively, for the years ended December 31, 2006 and 2005. Compensation expense presented in the 2006 consolidated statement of operations includes $75 million in cost of revenues, $32 million in selling, general and administrative, and $16 million in income (loss) from discontinued operations. Compensation expense presented in the 2005 consolidated statement of operations includes $94 million in cost of revenues, $40 million in selling, general and administrative, and $26 million in income (loss) from discontinued operations.

Prior to January 1, 2005, the Company recognized compensation cost associated with stock-based awards under the recognition and measurement principles of Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. Under APB No. 25, the difference between the quoted market price as of the date of the grant and the contractual purchase price of shares was charged to operations over the vesting period on a straight-line basis. No compensation cost was recognized for fixed stock options with exercise prices equal to the market price of the stock on the dates of grant and shares acquired by employees under the EDS Stock Purchase Plan or Nonqualified Stock Purchase Plan.

Pro forma net income and earnings per share disclosures as if the Company recorded compensation expense based on fair value for stock-based awards have been presented in accordance with the provisions of SFAS No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure*, and are as follows for the year ended December 31, 2004 (in millions, except per share amounts):

	2004
Net income:	
As reported	$ 158
Stock-based compensation costs included in reported net income, net of related tax effects	27
Total stock-based employee compensation expense determined under fair value-based method for all awards, net of related tax effects	(165)
Pro forma	$ 20
Basic earnings per share of common stock:	
As reported	$ 0.32
Pro forma	0.04
Diluted earnings per share of common stock:	
As reported	$ 0.32
Pro forma	0.04

Accounts Receivable

Reserves for uncollectible trade receivables are established when collection of amounts due from clients is deemed improbable. Indicators of improbable collection include client bankruptcy, client litigation, industry downturns, client cash flow difficulties, or ongoing service or billing disputes. Receivables more than 180 days past due are automatically reserved unless persuasive evidence of probable collection exists. Accounts receivable are shown net of allowances of $71 million and $69 million at December 31, 2006 and 2005, respectively.

Marketable Securities

Marketable securities consist of government and agency obligations, corporate debt and corporate equity securities. The Company classifies all of its debt and marketable equity securities as trading or available-for-sale. All such investments are recorded at fair value. Changes in net unrealized holding gains (losses) on trading securities are recognized in income, whereas changes in net unrealized holding gains (losses) on available-for-sale securities are reported as a component of accumulated other comprehensive loss, net of tax, in shareholders' equity until realized.

Investments in marketable securities are monitored for impairment and written down to fair value with a charge to earnings if a decline in fair value is judged to be other than temporary. The Company considers several factors to determine whether a decline in the fair value of an equity security is other than temporary, including the length of time and the extent to which the fair value has been less than carrying value, the financial condition of the investee, and the intent and ability of the Company to retain the investment for a period of time sufficient to allow a recovery in value.

Property and Equipment

Property and equipment are carried at cost. Depreciation of property and equipment is calculated using the straight-line method over the shorter of the asset's estimated useful life or the term of the lease in the case of leasehold improvements. The ranges of estimated useful lives are as follows:

	Years
Buildings	40-50
Facilities	5-20
Computer equipment	3-5
Other equipment and furniture	5-20

The Company reviews its property and equipment for impairment whenever events or changes in circumstances indicate the carrying values of such assets may not be recoverable. For property and equipment to be held and used, impairment is determined by a comparison of the carrying value of the asset to the future undiscounted net cash flows expected to be generated by the asset. If such assets are determined to be impaired, the impairment recognized is the amount by which the carrying value of the assets exceeds the fair value of the assets. Property and equipment to be disposed of by sale is carried at the lower of then current carrying value or fair value less cost to sell.

Investments and Other Assets

Investments in non-marketable equity securities are monitored for impairment and written down to fair value with a charge to earnings if a decline in fair value is judged to be other than temporary. The fair values of non-marketable equity securities are determined based on quoted market prices. If quoted market prices are not available, fair values are estimated based on an evaluation of numerous indicators including, but not limited to, offering prices of recent issuances of the same or similar equity instruments, quoted market prices for similar companies and comparisons of recent financial information, operating plans, budgets, market studies and client information to the information used to support the initial valuation of the investment. The Company considers several factors to determine whether a decline in the fair value of a non-marketable equity security is other than temporary, including the length of time and the extent to which the fair value has been less than carrying value, the financial condition of the investee, and the intent and ability of the Company to retain the investment for a period of time sufficient to allow a recovery in value.

Goodwill and Other Intangibles

The cost of acquired companies is allocated to the assets acquired and liabilities assumed based on estimated fair values at the date of acquisition. Costs allocated to identifiable intangible assets with finite lives, other than purchased software, are generally amortized on a straight-line basis over the remaining estimated useful lives of the assets, as determined by underlying contract terms or appraisals. Such lives range from one to 14 years. Identifiable intangible assets with indefinite useful lives are not amortized but instead tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. Intangible assets with indefinite useful lives are impaired when the carrying value of the asset exceeds their fair value.

The excess of the cost of acquired companies over the net amounts assigned to assets acquired and liabilities assumed is recorded as goodwill. Goodwill is not amortized but instead tested for impairment at least annually. The first step of the impairment test is a comparison of the fair value of a reporting unit to its carrying value. Reporting units are the geographic components of its reportable segments that share similar economic characteristics. The fair value of a reporting unit is estimated using the Company's projections of discounted future operating cash flows of the unit. Goodwill allocated to a reporting unit whose fair value is equal to or greater than its carrying value is not impaired and no further testing is required. A reporting unit whose fair value is less than its carrying value requires a second step to determine whether the goodwill allocated to the unit is impaired. The second step of the goodwill impairment test is a comparison of the implied fair value of a reporting unit's goodwill to its carrying value. The implied fair value of a reporting unit's goodwill is determined by allocating the fair value of the entire reporting unit to the assets and liabilities of that unit, including any unrecognized intangible assets, based on fair value. The excess of the fair value of the entire reporting unit over the amounts allocated to the identifiable assets and liabilities of the unit is the implied fair value of the reporting unit's goodwill. Goodwill of a reporting unit is impaired when its carrying value exceeds its implied fair value. Impaired goodwill is written down to its implied fair value with a charge to expense in the period the impairment is identified. As this impairment test is based on the Company's assessment of the fair value of its reporting units, future changes to these estimates could also cause an impairment of a portion of the Company's goodwill balance.

The Company conducts an annual impairment test for goodwill as of December 1st. The Company determines the timing and frequency of additional goodwill impairment tests based on an ongoing assessment of events and circumstances that would more than likely reduce the fair value of a reporting unit below its carrying value. Events or circumstances that might require the need for more frequent tests include, but are not limited to: the loss of a number of significant clients, the identification of other impaired assets within a reporting unit, the disposition of a significant portion of a reporting unit, or a significant adverse change in business climate or regulations. The Company also considers the amount by which the fair value of a particular reporting unit exceeded its carrying value in the most recent goodwill impairment test to determine whether more frequent tests are necessary.

Purchased or licensed software not subject to a subscription agreement is capitalized and amortized on a straight-line basis, generally over two to five years. Costs of developing and maintaining software systems incurred primarily in connection with client contracts are considered contract costs. Purchased software and certain development costs for computer software sold, leased or otherwise marketed as a separate product or as part of a product or process are capitalized and amortized on a product-by-product basis over their remaining estimated useful lives at the greater of straight-line or the ratio that current gross revenues for a product bear to the total of current and anticipated future gross revenues for that product. Estimated useful lives of software products to be sold, leased or otherwise marketed range from three to seven years. Software development costs incurred to meet the Company's internal needs are capitalized and amortized on a straight-line basis over three to five years. Software under subscription arrangements, whereby the software provider makes available current software products as well as products developed or acquired during the term of the arrangement, are executory contracts and expensed ratably over the subscription term.

Sales of Financial Assets

The Company accounts for the sale of financial assets when control over the financial asset is relinquished. The Company sold $51 million of financial assets, primarily lease receivables, during 2004. In most cases, the Company sold lease receivables to a legally isolated securitization trust. If a trust is not used, the receivables are sold to an independent substantive financial institution. None of these transactions resulted in any significant gain or loss, or servicing asset or servicing liability. No financial assets were sold by the Company during 2006 and 2005.

Revenue Recognition and Deferred Contract Costs

The Company provides IT and business process outsourcing services under time-and-material, unit-price and fixed-price contracts, which may extend up to 10 or more years. Services provided over the term of these arrangements may include one or more of the following: IT infrastructure support and management; IT system and software maintenance; application hosting; the design, development, and/or construction of software and systems ("Construct Service"); transaction processing; business process management and consulting services.

If a contract involves the provision of a single element, revenue is generally recognized when the product or service is provided and the amount earned is not contingent upon any future event. If the service is provided evenly during the contract term but service billings are irregular, revenue is recognized on a straight-line basis over the contract term. However, if the single service is a Construct Service, revenue is recognized under the percentage-of-completion method using a zero-profit methodology. Under this method, costs are deferred until contractual milestones are met, at which time the milestone billing is recognized as revenue and an amount of deferred costs is recognized as expense so that cumulative profit equals zero. If the milestone billing exceeds deferred costs, then the excess is recorded as deferred revenue. When the Construct Service is completed and the final milestone met, all unrecognized costs, milestone billings, and profit are recognized in full. If the contract does not contain contractual milestones, costs are expensed as incurred and revenue is recognized in an amount equal to costs incurred until completion of the Construct Service, at which time any profit would be recognized in full. If total costs are estimated to exceed revenue for the Construct Service, then a provision for the estimated loss is made in the period in which the loss first becomes apparent.

If a contract involves the provision of multiple service elements, total estimated contract revenue is allocated to each element based on the relative fair value of each element. The amount of revenue allocated to each element is limited to the amount that is not contingent upon the delivery of another element in the future. Revenue is then recognized for each element as described above for single-element contracts, except revenue recognized on a straight-line basis for a non-Construct Service will not exceed amounts currently billable unless the excess revenue is recoverable from the client upon any contract termination event. If the amount of revenue allocated to a Construct Service is less than its relative fair value, costs to deliver such service equal to the difference between allocated revenue and the relative fair value are deferred and amortized over the contract term. If total Construct Service costs are estimated to exceed the relative fair value for the Construct Service contained in a multiple-element arrangement, then a provision for the estimated loss is made in the period in which the loss first becomes apparent. If fair value is not determinable for all elements, the contract is treated as one accounting unit and revenue is recognized using the proportional performance method.

The Company also defers and subsequently amortizes certain set-up costs related to activities that enable the provision of contracted services to the client. Such activities include the relocation of transitioned employees, the migration of client systems or processes, and the exit of client facilities acquired upon entering into the client contract. Deferred contract costs, including set-up costs, are amortized on a straight-line basis over the remaining original contract term unless billing patterns indicate a more accelerated method is appropriate. The recoverability of deferred contract costs associated with a particular contract is analyzed on a periodic basis using the undiscounted estimated cash flows of the whole contract over its remaining contract term. If such undiscounted cash flows are insufficient to recover the long-lived assets and deferred contract costs, including contract concessions paid to the client, the deferred contract costs and contract concessions are written down by the amount of the cash flow deficiency. If a cash flow deficiency remains after reducing the balance of the deferred contract costs and contract concessions to zero, any remaining long-lived assets are evaluated for impairment. Any such impairment recognized would equal the amount by which the carrying value of the long-lived assets exceeds the fair value of those assets.

The Company's software licensing arrangements typically include multiple elements, such as software products, post-contract customer support, consulting and training. The aggregate arrangement fee is allocated to each of the undelivered elements in an amount equal to its fair value, with the residual of the arrangement fee allocated to the delivered elements. Fair values are based upon vendor-specific objective evidence. Fees allocated to each software element of the arrangement are recognized as revenue when the following criteria have been met: a) a written contract for the license of software has been executed, b) the Company has delivered the product to the customer, c) the license fee is fixed or determinable, and d) collectibility of the resulting receivable is deemed probable. If evidence of fair value of the undelivered elements of the arrangement does not exist, all revenue from the arrangement is deferred until such time evidence of fair value does exist, or until all elements of the arrangement are delivered.

Fees allocated to post-contract customer support are recognized as revenue ratably over the support period. Fees allocated to other services are recognized as revenue as the service is performed.

Deferred revenue of $1,669 million and $1,329 million at December 31, 2006 and 2005, respectively, represented billings in excess of amounts earned on certain contracts.

Currency Translation

Assets and liabilities of non-U.S. subsidiaries whose functional currency is not the U.S. dollar are translated at current exchange rates. Revenue and expense accounts are translated using an average rate for the period. Translation gains and losses are reflected in the accumulated other comprehensive loss component of shareholders' equity net of income taxes. Cumulative currency translation adjustment gains included in shareholders' equity were $502 million, $189 million and $482 million at December 31, 2006, 2005 and 2004, respectively. Net currency transaction gains (losses) are reflected in other income (expense) in the consolidated statements of operations and were $(18) million, $6 million and $(20) million, respectively, for the years ended December 31, 2006, 2005 and 2004.

Financial Instruments and Risk Management

Following is a summary of the carrying amounts and fair values of the Company's significant financial instruments at December 31, 2006 and 2005 (in millions):

	2006		2005	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Available-for-sale marketable securities (Note 2)	$ 45	$ 45	$ 1,321	$ 1,321
Investments in securities, joint ventures and partnerships, excluding equity method investments (Note 5)	10	10	23	23
Long-term debt (Note 8)	(3,092)	(3,196)	(3,253)	(3,351)
Foreign currency forward contracts, net asset (liability)	29	29	(5)	(5)
Interest rate swap agreements, net liability	(97)	(97)	(98)	(98)

Current marketable securities are carried at their estimated fair value based on current market quotes. The fair values of certain long-term investments are estimated based on quoted market prices for these or similar investments. For other investments, various methods are used to estimate fair value, including external valuations and discounted cash flows. The fair value of long-term debt is estimated based on the quoted market prices for the same or similar issues or based on the current rates offered to the Company for instruments with similar terms, degree of risk and remaining maturities. The fair value of foreign currency forward and interest rate swap contracts represents the estimated amount required to settle the contracts using current market exchange or interest rates. The carrying values of other financial instruments, such as cash equivalents, accounts and notes receivable, and accounts payable, approximate their fair value.

The Company makes investments, receives revenues and incurs expenses in many countries and has exposure to market risks arising from changes in interest rates, foreign exchange rates and equity prices. The Company has also invested in start-up companies to gain access to technology and marketplaces in which the Company intended to grow its business. The Company's ability to sell these investments may be constrained by market or other factors. Derivative financial instruments are used to hedge against these risks by creating offsetting market positions. The Company does not hold or issue derivative financial instruments for trading purposes.

The notional amounts of derivative contracts, summarized below as part of the description of the instruments utilized, do not necessarily represent the amounts exchanged by the parties and thus are not necessarily a measure of the exposure of the Company resulting from its use of derivatives. The amounts exchanged by the parties are normally calculated on the basis of the notional amounts and the other terms of the derivatives.

Foreign Currency Risk

The Company has significant international sales and purchase transactions in foreign currencies. The Company enters into foreign currency forward contracts and may enter into currency options with durations of generally less than 30 days to hedge such transactions. These derivative instruments are employed to eliminate or minimize certain foreign currency exposures that can be confidently identified and quantified. Generally, these instruments are not designated as hedges for accounting purposes, and changes in the fair value of these instruments are recognized immediately in other income (expense). The Company's currency hedging activities are focused on exchange rate movements, primarily in Canada, Mexico, the United Kingdom, Western European

countries that use the euro as a common currency, Australia, India, Israel and Switzerland. At December 31, 2006 and 2005, the Company had forward exchange contracts to purchase various foreign currencies in the amount of $1.9 billion and $1.9 billion, respectively, and to sell various foreign currencies in the amount of $1.0 billion and $1.2 billion, respectively.

Interest Rate Risk

The Company enters into interest rate swap agreements that convert fixed-rate instruments to variable-rate instruments to manage interest rate risk. The derivative financial instruments are designated and documented as fair value hedges at the inception of the contract. Changes in fair value of derivative financial instruments are recognized in earnings as an offset to changes in fair value of the underlying exposure which are also recognized in other income (expense). The impact on earnings from recognizing the fair value of these instruments depends on their intended use, their hedge designation, and their effectiveness in offsetting the underlying exposure they are designed to hedge.

The Company had interest rate swap fair value hedges outstanding in the notional amount of $1.8 billion in connection with its long-term notes payable at December 31, 2006 and 2005 (see Note 8). Under the swaps, the Company receives fixed rates ranging from 6.0% to 7.125% and pays floating rates tied to the London Interbank Offering Rate ("LIBOR"). The weighted-average floating rates were 7.64% and 6.39% at December 31, 2006 and 2005, respectively. At December 31, 2006 and 2005, respectively, the Company had $700 million of swaps and related debt which contained the same critical terms. Accordingly, no gain or loss relating to the change in fair value of the swap and related hedged item was recognized in earnings. At December 31, 2006 and 2005, $1.1 billion of the interest rate swaps contained different terms than the related underlying debt. Accordingly, the Company recognized in earnings the change in fair value of the interest rate swap and underlying debt which amounted to gains (losses) of $2.8 million and $(5.5) million during 2006 and 2005, respectively. Such gains are included in other income (expense) in the accompanying consolidated statements of operations.

Comprehensive Income (Loss) and Shareholders' Equity

Comprehensive income (loss) includes all changes in equity during a period, except those resulting from investments by and distributions to owners. For the years ended December 31, 2006, 2005 and 2004, reclassifications from accumulated other comprehensive loss to net income of net gains (losses) recognized on marketable security transactions were $(7) million, $(3) million and $1 million, net of the related tax expense (benefit) of $(4) million, $(1) million and $0.4 million, respectively.

Following is a summary of changes within each classification of accumulated other comprehensive loss for the years ended December 31, 2006 and 2005 (in millions):

	Cumulative Translation Adjustments	Unrealized Gains (Losses) on Securities	Defined Benefit Pension Plans	Accumulated Other Comprehensive Loss
Balance at December 31, 2004	$ 482	$ (3)	$ (538)	$ (59)
Change	(293)	(1)	(14)	(308)
Balance at December 31, 2005	189	(4)	(552)	(367)
Change	313	4	(132)	185
Balance at December 31, 2006	$ 502	$ –	$ (684)	$ (182)

In connection with its employee stock incentive plans, the Company issued 11.4 million, 4.5 million and 7.6 million shares of treasury stock at a cost of $332 million, $252 million and $458 million during 2006, 2005 and 2004, respectively. The difference between the cost and fair value at the date of issuance of such shares has been recognized as a charge to retained earnings of $107 million, $166 million and $278 million in the consolidated statements of shareholders' equity and comprehensive income (loss) during 2006, 2005 and 2004, respectively.

On February 21, 2006, the Company announced that its Board of Directors had authorized the Company to repurchase up to $1 billion of its outstanding common stock over the next 18 months in open market purchases or privately negotiated transactions. In connection with the share repurchase authorization, on February 23, 2006, the Company entered into a $400 million accelerated share repurchase agreement with a financial institution pursuant to which the Company expected to repurchase approximately 15.0 million shares of its common stock at a price of $26.61 per share. Under the final settlement of the agreement, the financial institution repurchased 15.3 million shares of common stock in the open market during the repurchase period which ended on May 31, 2006. The final amount paid under the arrangement was $26.16 per share, excluding fees and commissions. The Company also repurchased 10.9 million shares in the open market at a cost of $283 million, before commissions, during the year ended December 31, 2006.

During 2006, cumulative translation adjustments of approximately $40 million were transferred from accumulated other comprehensive loss to net income due to the divestitures of certain non-U.S. investments (see Notes 17 and 19).

Income Taxes

The Company provides for deferred taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be reversed. The deferral method is used to account for investment tax credits. Valuation allowances are recorded to reduce deferred tax assets to an amount whose realization is more likely than not. Income tax liabilities are recorded whenever there is a difference between amounts reported by the Company in its tax returns and the amounts the Company believes it would likely pay in the event of an examination by taxing authorities. The Company accrues interest on such amounts and includes the associated expense in provision (benefit) for income taxes in the accompanying consolidated statements of operations. Income taxes payable are classified in the accompanying consolidated balance sheets based on their estimated payment date.

Statements of Cash Flows

The Company considers the following asset classes with original maturities of three months or less to be cash equivalents: certificates of deposit, commercial paper, repurchase agreements and money market funds.

Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates. Areas in which significant judgments and estimates are used include, but are not limited to, cost estimation for Construct Service elements, projected cash flows associated with recoverability of deferred contract costs, contract concessions and long-lived assets, liabilities associated with pensions and performance guarantees, receivables collectibility, and loss accruals for litigation, exclusive of legal fees which are expensed as services are received. It is reasonably possible that events and circumstances could occur in the near term that would cause such estimates to change in a manner that would be material to the consolidated financial statements.

Concentration of Credit Risk

Accounts receivable, net, from General Motors ("GM") and its affiliates totaled $342 million and $256 million as of December 31, 2006 and 2005, respectively. In addition, the Company has several large contracts with major U.S. and foreign corporations, each of which may result in the Company carrying a receivable balance between $50 million and $300 million at any point in time. At December 31, 2006 and 2005, the Company had net operating receivables of $137 million and $169 million, respectively, and investments in leveraged leases of $28 million and $55 million, respectively, associated with travel-related industry clients, primarily airlines. Other than operating receivables from GM and aforementioned contracts, concentrations of credit risk with respect to accounts receivable are generally limited due to the large number of clients forming the Company's client base and their dispersion across different industries and geographic areas.

The Company is exposed to credit risk in the event of nonperformance by counterparties to derivative contracts. Because the Company deals only with major commercial banks with high-quality credit ratings, the Company believes the risk of nonperformance by any of these counterparties is remote.

Reclassifications

Certain reclassifications have been made to the 2005 and 2004 consolidated financial statements to conform to the 2006 presentation.

NOTE 2: MARKETABLE SECURITIES

Following is a summary of current available-for-sale marketable securities at December 31, 2006 and 2005 (in millions):

	2006			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Equity securities	$ 45	$ 1	$ (1)	$ 45
Total current available-for-sale securities	$ 45	$ 1	$ (1)	$ 45

	2005			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Government and agency obligations	$ 192	$ –	$ (1)	$ 191
Obligations of states and political subdivisions	19	–	–	19
Corporate debt securities	319	–	(2)	317
Mortgage-backed securities	306	–	(4)	302
Asset-backed securities	454	–	(4)	450
Total debt securities	1,290	–	(11)	1,279
Equity securities	43	–	(1)	42
Total current available-for-sale securities	$ 1,333	$ –	$ (12)	$ 1,321

Following is a summary of sales of available-for-sale securities for the years ended December 31, 2006, 2005 and 2004 (in millions). Specific identification was used to determine cost in computing realized gain or loss.

	2006	2005	2004
Proceeds from sales	$ 2,793	$ 1,434	$ 956
Gross realized gains	10	1	3
Gross realized losses	(12)	(8)	(4)

NOTE 3: PROPERTY AND EQUIPMENT

Following is a summary of property and equipment, net, at December 31, 2006 and 2005 (in millions):

	2006	2005
Land	$ 89	$ 86
Buildings and facilities	1,460	1,599
Computer equipment	4,586	4,620
Other equipment and furniture	429	424
Subtotal	6,564	6,729
Less accumulated depreciation	(4,385)	(4,762)
Total	$ 2,179	$ 1,967

During 2005, the Company sold sixteen domestic and international real estate properties in connection with its efforts to improve its cost competitiveness and enhance workplace capacity usage. Net proceeds from the sale were $178 million. Fourteen properties involved in the sale have been leased back by the Company for various extended periods. A deferred net gain of $14 million has been allocated to the various leased properties and will be recognized by the Company over the respective term of each lease. The Company recognized a net gain of $3 million on the sale of the remaining properties which is included in other income in the 2005 consolidated statement of operations.

The Company recorded a non-cash impairment charge of $375 million in 2004 to write-down long-lived assets used on the Company's Navy Marine Corps Intranet ("NMCI") contract to estimated fair value. The impairment charge is reported as a component of cost of revenues in the consolidated statement of operations and is reflected in the results of the U.S. Government segment. Fair value was measured by probability weighting future contract pre-tax cash flows discounted at a pre-tax risk free discount rate. The decline in the fair value of these assets is primarily a result of lower estimates of future revenues as a result of several events occurring during 2004. Such events include the failure to meet seat cutover schedules, a revision of the timeline for meeting performance service levels contained in a contract amendment signed September 30, 2004, a deceleration in customer satisfaction improvement rates, and delays in signing certain anticipated contract modifications and additions. Remaining long-lived assets and lease receivables associated with the contract totaled approximately $278 million and $295 million, respectively, at December 31, 2006.

The Company had a significant commercial contract under which it provided various IT services using the legacy IT systems acquired from the client while developing and deploying a new IT system dedicated to that client. This contract experienced delays in its development and construction phases, and milestones in the contract had been missed. Throughout the contract period, the Company negotiated with the client to resolve critical issues, including those associated with the pricing and technical specifications for the new IT system. In July 2004, the Company and the client reached an agreement to terminate the existing contract effective as of August 1, 2004, provide transition services for a limited period thereafter and settle each party's outstanding claims. During 2004, the Company recognized impairment charges of $128 million to write-down certain assets to fair value. In addition, the Company recognized $14 million of shutdown costs during 2004 to record contract-related vendor commitments and employee severance obligations associated with the contract. All of the aforementioned amounts associated with this contract are included in cost of revenues in the consolidated statements of operations and are reflected in the results of the Americas segment.

NOTE 4: DEFERRED CONTRACT COSTS

The Company defers certain costs relating to construction and set-up activities on client contracts. Following is a summary of deferred costs for the years ended December 31, 2006 and 2005 (in millions):

	Gross Carrying Amount	Accumulated Amortization	Total
Balance at December 31, 2004	$ 1,594	$ (886)	$ 708
Net Change	(50)	(20)	(70)
Balance at December 31, 2005	1,544	(906)	638
Net Change	367	(198)	169
Balance at December 31, 2006	$ 1,911	$ (1,104)	$ 807

During 2005, the Company identified deterioration in the projected performance of one of its commercial contracts based on, among other things, a change in management's judgment regarding the amount and likelihood of achieving anticipated benefits from contract-specific productivity initiatives, primarily related to the length of time necessary to achieve cost savings from planned infrastructure optimization initiatives. The Company determined that the estimated undiscounted cash flows of the contract over its remaining term were insufficient to recover the contract's deferred contract costs. As a result, the Company recognized a non-cash impairment charge of $37 million in the second quarter of 2005 to write-off the contract's deferred contract costs. The impairment charge is reported as a component of cost of revenues in the 2005 consolidated statement of operations and is included in the results of the Americas segment. Remaining long-lived assets associated with this contract totaled $168 million at December 31, 2006. The current estimate of cash flows includes cost reductions resulting from the expected optimization of the contract's service delivery infrastructure based on project plans and anticipated vendor rate reductions based on historical and industry trends. Some of the project plans have near-term milestones that are critical to meeting overall cost reduction goals. It is reasonably possible that these milestones may not be met or actual cost savings from these and other planned initiatives may not materialize in the near-term and, as a result, remaining long-lived assets associated with this contract will become fully impaired. The Company continues to pursue several opportunities to improve the financial performance of this contract, including leveraging the infrastructure through the addition of new business opportunities with the client.

Estimated amortization expense related to deferred costs at December 31, 2006 for each of the years in the five-year period ending December 31, 2011 and thereafter is (in millions): 2007 – $215; 2008 – $164; 2009 – $153; 2010 – $113; 2011 – $60; and thereafter – $102.

NOTE 5: INVESTMENTS AND OTHER ASSETS

Following is a summary of investments and other assets at December 31, 2006 and 2005 (in millions):

	2006	2005
Lease contracts receivable (net of principal and interest on non-recourse debt)	$ 45	$ 52
Estimated residual values of leased assets (not guaranteed)	22	22
Unearned income, including deferred investment tax credits	(20)	(25)
Total investment in leveraged leases (excluding deferred taxes of $17 million at December 31, 2006 and $18 million at December 31, 2005)	47	49
Leveraged lease partnership investment	28	55
Investments in equipment for lease	142	182
Investments in joint ventures and partnerships	44	58
Deferred pension costs	92	72
Other	283	268
Total	$ 636	$ 684

The Company holds interests in various equipment leases financed with non-recourse borrowings at lease inception accounted for as leveraged leases. The Company's investment in leveraged leases is comprised of a fiber optic equipment leveraged lease with a subsidiary of Verizon signed in 1988. For U.S. federal income tax purposes, the Company receives the investment tax credit (if available) at lease inception and has the benefit of tax deductions for depreciation on the leased asset and for interest on the non-recourse debt. All non-recourse borrowings have been satisfied in relation to these leases.

The Company holds an equity interest in a partnership which holds leveraged aircraft lease investments. The Company accounts for its interest in the partnership under the equity method. The carrying amounts of the Company's remaining equity interest in the partnership were $28 million and $55 million, respectively, at December 31, 2006 and 2005. The decrease in the carrying amount in 2006 was due to the sale of certain lease investments in the partnership and a related cash distribution to the Company. During 2005, the Company recorded write-downs of its investment in the partnership due to uncertainties regarding the recoverability of the partnership's investments in aircraft leased to Delta Air Lines which filed for bankruptcy on September 14, 2005, and the proposed sale of certain lease investments in the partnership. These write-downs were partially offset by the accelerated recognition of previously deferred investment tax credits associated with the investment. These write-downs totaled $35 million and are reflected in other income (expense) in the Company's 2005 consolidated statement of operations. During 2004, the Company recorded a write-down of $34 million of its investment in the partnership due to a reduction in the expected cash flows from the partnership. This reduction included a renegotiation of leases with a U.S. airline. These write-downs are reflected in other income (expense) in the Company's 2004 consolidated statement of operations. The partnership's remaining leveraged lease investments include leases with American Airlines and one non-U.S. airline. The Company's ability to recover its remaining investment in the partnership is dependent upon the continued payment of rentals by the lessees and the realization of expected future aircraft values. In the event such lessees are relieved from their obligation to pay such rentals as a result of bankruptcy, the investment in the partnership would be partially or wholly impaired.

Investments in securities, joint ventures and partnerships includes investments accounted for under the equity method of $34 million and $35 million at December 31, 2006 and 2005, respectively. The Company recognized impairment losses totaling $1 million in 2005 and 2004 due to other than temporary declines in the fair values of certain non-marketable equity securities. No impairment losses were recognized in 2006. These losses are reflected in other income (expense) in the Company's consolidated statements of operations.

Investments in equipment for lease is comprised of equipment to be leased to clients under long-term IT contracts and net investment in leased equipment associated with such contracts. On March 24, 2006, the Company and the Department of the Navy reached an agreement on the modification of the NMCI contract which, among other things, extended the contract term from 2007 to 2010 and defined the economic lives of certain desktop and infrastructure assets. As a result of the contract modification which changed lease payment terms, the Company recognized sales-type capital lease revenue of $116 million associated with certain assets previously accounted for as operating leases, and certain assets previously accounted for as capital leases with an aggregate net investment balance of $113 million are now being accounted for as operating leases. The net investment in leased equipment associated with the NMCI contract was $295 million and $408 million at December 31, 2006 and 2005, respectively. Future minimum lease payments to be received under the NMCI contract were $314 million and $358 million at December 31, 2006 and 2005, respectively. The unguaranteed residual values accruing to the Company were $3 million and $78 million, and unearned interest income related to these leases was $22 million and $28 million at December 31, 2006 and 2005, respectively. The net lease receivable balance is classified as components of prepaids and other and investments and other assets in the consolidated balance

sheets. Future minimum lease payments to be received were as follows: 2007 – $171 million; 2008 – $101 million; 2009 – $32 million; 2010 – $10 million.

During 2006, the Company sold land held for development to a real estate joint venture for cash and a minority equity interest in the joint venture. Net proceeds from the sale were $49 million. The Company recognized a net gain of $8 million on the sale which is included in other income (expense) in the consolidated statement of operations for the year ended December 31, 2006.

NOTE 6: GOODWILL AND OTHER INTANGIBLE ASSETS

Following is a summary of changes in the carrying amount of goodwill by segment for the years ended December 31, 2006 and 2005 (in millions):

	Americas	EMEA	Asia Pacific	Total
Balance at December 31, 2004	$ 1,965	$ 1,595	$ 75	$ 3,635
Additions	368	48	–	416
Deletions	–	(45)	–	(45)
Other	32	(199)	(7)	(174)
Balance at December 31, 2005	2,365	1,399	68	3,832
Additions	18	–	352	370
Deletions	(1)	–	–	(1)
Other	1	153	10	164
Balance at December 31, 2006	$ 2,383	$ 1,552	$ 430	$ 4,365

Goodwill additions resulted from acquisitions completed in 2006 and 2005 and include adjustments to the preliminary purchase price allocations (see Note 16). Goodwill deletions resulted from divestitures completed in 2005 (see Notes 17 and 19). Other changes to the carrying amount of goodwill were primarily due to foreign currency translation adjustments. The Company conducted its annual goodwill impairment tests as of December 1, 2006 and 2005. No impairment losses were identified as a result of these tests.

Intangible assets with definite useful lives are amortized over their respective estimated useful lives to their estimated residual values. Intangible assets with indefinite useful lives are not amortized but instead tested for impairment at least annually. Following is a summary of intangible assets at December 31, 2006 and 2005 (in millions):

	2006		
	Gross Carrying Amount	Accumulated Amortization	Total
Definite Useful Lives			
Software	$ 2,322	$ (1,771)	$ 551
Customer accounts	179	(100)	79
Other	354	(235)	119
Total	$ 2,855	$ (2,106)	$ 749

	2005		
	Gross Carrying Amount	Accumulated Amortization	Total
Definite Useful Lives			
Software	$ 2,101	$ (1,665)	$ 436
Customer accounts	192	(90)	102
Other	393	(291)	102
Total	$ 2,686	$ (2,046)	$ 640

Amortization expense related to intangible assets, including amounts pertaining to discontinued operations, was $394 million and $373 million for the years ended December 31, 2006 and 2005, respectively. Estimated amortization expense related to intangible assets subject to amortization at December 31, 2006 for each of the years in the five-year period ending December 31, 2011 and thereafter is (in millions): 2007 – $366; 2008 – $214; 2009 – $94; 2010 – $23; 2011 – $15; and thereafter – $37.

NOTE 7: ACCRUED LIABILITIES

Following is a summary of accrued liabilities at December 31, 2006 and 2005 (in millions):

	2006	2005
Accrued liabilities relating to:		
Contracts	$ 674	$ 609
Payroll	815	694
Restructuring activities	5	66
Property, sales and franchise taxes	333	266
Other	862	795
Total	$ 2,689	$ 2,430

NOTE 8: LONG-TERM DEBT

Following is a summary of long-term debt at December 31, 2006 and 2005 (in millions):

	2006		2005	
	Amount	Weighted-Average Rate	Amount	Weighted-Average Rate
Senior notes due 2013	$ 1,089	6.50%	$ 1,087	6.50%
Senior notes due 2009	700	7.12%	700	7.12%
Convertible notes due 2023	690	3.88%	690	3.88%
Senior notes due 2006 to 2029	299	7.45%	497	7.01%
Other, including capital lease obligations	314	–	279	–
Total	3,092		3,253	
Less current portion of long-term debt	(127)		(314)	
Long-term debt	$ 2,965		$ 2,939	

The Company had $1.1 billion aggregate principal amount of 6.0% unsecured Senior Notes due 2013 outstanding at December 31, 2006. Interest on the notes is payable semiannually. In the event the credit ratings assigned to the notes are below the Baa3 rating of Moody's or the rating BBB– of S&P, the interest rate payable on the notes will be 6.5%. On July 15, 2004, Moody's lowered the Company's long-term credit rating to Ba1 from Baa3. As a result of Moody's rating action, the interest rate payable on $1.1 billion of the Company's senior unsecured debt was increased from 6.0% to 6.5%. Further downgrades in the Company's credit rating will not affect this rate. However, in the event the Company's credit rating is subsequently increased to Baa3 or above by Moody's and its S&P credit rating remains at or above BBB–, this rate will return to 6.0%. The Company may redeem some or all of the notes at any time prior to maturity. In conjunction with the issuance of the Senior Notes, the Company entered into interest rate swaps with a notional amount of $1.1 billion under which the Company receives fixed rates of 6.0% and pays floating rates equal to the six-month LIBOR (5.37% at December 31, 2006) plus 2.275% to 2.494%. These interest rate swaps are accounted for as fair value hedges (see Note 1).

The Company had $690 million aggregate principal amount of 3.875% unsecured Convertible Senior Notes due 2023 outstanding at December 31, 2006. Interest on the notes is payable semiannually. Contingent interest is payable during any six-month period beginning July 2010 in which the average trading price of a note for the applicable five trading day reference period equals or exceeds 120% of the principal amount of the note as of the day immediately preceding the first day of the applicable six-month period. The five trading day reference period means the five trading days ending on the second trading day immediately preceding the relevant six-month interest period. The notes are convertible by holders into shares of the Company's common stock at an initial conversion rate of 29.2912 shares of common stock per $1,000 principal amount, representing an initial conversion price of $34.14 per share of common stock, under the following circumstances: a) during any calendar quarter, if the last reported sale price of EDS common stock for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the previous calendar quarter is greater than or equal to 120% or, following July 15, 2010, 110% of the conversion price per

share of EDS common stock on such last trading day; b) if the notes have been called for redemption; c) during any period in which the credit ratings assigned to the notes by either Moody's or S&P is lower than Ba2 or BB, respectively, or the notes are no longer rated by at least one of these rating services or their successors; or d) upon the occurrence of specified corporate transactions. The Company may redeem for cash some or all of the notes at any time on or after July 15, 2010. Holders have the right to require the Company to purchase the notes at a price equal to 100% of the principal amount of the notes plus accrued interest, including contingent interest and additional amounts, if any, on July 15, 2010, July 15, 2013 and July 15, 2018, or upon a fundamental change in the Company's ownership, control or the marketability of the Company's common stock prior to July 15, 2010.

In June 2001, the Company completed the public offering of 32.2 million units of a security, initially referred to as Income PRIDES, each with a stated price of $50 before underwriting discount. Each unit initially consisted of $50 principal amount of EDS senior notes due August 2006 and a purchase contract which obligated the investor to purchase $50 of EDS common stock no later than August 17, 2004 at a price ranging from $59.31 to $71.47 per share. On May 12, 2004, the Company completed an offer to exchange 0.843 shares of EDS common stock plus $1.58 in cash for each validly tendered and accepted Income PRIDES. The Company accepted all of the 28.2 million Income PRIDES tendered pursuant to the offer and issued 23.8 million shares plus $45 million in cash to the holders. The notes relating to the 4.0 million units not tendered totaling $198 million were remarketed on May 12, 2004 at an interest rate of 6.334% per annum and matured on August 17, 2006. Investors who did not tender their Income PRIDES in the exchange offer were obligated to purchase EDS common stock on August 17, 2004. On that date, the Company issued 3.3 million shares of common stock for consideration of $198 million.

As a result of the exchange, the Company increased shareholders' equity by $1,403 million in 2004 for the fair value of the purchase contracts and the fair value of the common stock issued. The remaining consideration was accounted for as an extinguishment of debt. Accordingly, the Company decreased liabilities by $1,418 million for the carrying value of the notes exchanged and the unpaid portion of contract adjustment payments that were recorded when the units were originally issued. In addition, the Company paid cash of $50 million and recognized a loss on debt extinguishment of $36 million in interest expense as a result of the exchange in 2004.

During 1999, the Company completed the public offering of senior notes in the principal amount of $1.5 billion. These notes included $500 million of 6.85% notes that matured on October 15, 2004, $700 million of 7.125% notes that mature in 2009, and $300 million of 7.45% notes that mature in 2029. The balance of the 7.45% notes was $299 million at December 31, 2006.

On June 30, 2006, the Company entered into a $1 billion Five Year Credit Agreement (the "Credit Agreement") with a bank group including Citibank, N.A., as Administrative Agent for the lenders, and Bank of America, N.A., as Syndication Agent. The Credit Agreement replaced the Company's $550 million Three-and-One-Half Year Multi Currency Revolving Credit Agreement entered into in September 2004 and its $450 million Three-Year Multi Currency Revolving Credit Agreement entered into in September 2003. The Credit Agreement may be used for general corporate borrowing purposes and issuance of letters of credit, with a $500 million sub-limit for letters of credit. The Credit Agreement contains certain financial and other restrictive covenants with which non-compliance would allow any amounts outstanding to be accelerated and would prohibit further borrowings. The Company pays an annual facility fee based on a percentage of the $1 billion commitment (0.125% at December 31, 2006). No amounts were outstanding under the Credit Agreement or the facilities it replaced at December 31, 2006 and 2005. The Company anticipates utilizing the Credit Agreement principally for the issuance of letters of credit which aggregated approximately $171 million at December 31, 2006. The issuance of letters of credit under the Credit Agreement utilizes availability under the Credit Agreement, as was the case with the replaced facilities.

The Company's Credit Agreement and the indentures governing its long-term notes contain certain financial and other restrictive covenants that would allow any amounts outstanding under the facilities to be accelerated, or restrict the Company's ability to borrow thereunder, in the event of noncompliance. The Company was in compliance with all covenants at December 31, 2006.

In addition to compliance with these financial covenants, it is a condition to the Company's ability to borrow under its Credit Agreement that certain of its representations and warranties under that agreement be true and correct as of the date of the borrowing. The Company's Credit Agreement, the indentures governing its long-term notes and certain other debt instruments also contain cross-default provisions with respect to a default in any payment under, or events resulting in or permitting the acceleration of, indebtedness greater than $50 million.

Expected maturities of long-term debt for years subsequent to December 31, 2006 are as follows (in millions):

2007	$ 127
2008	95
2009	768
2010	718
2011	8
Thereafter	1,376
Total	$ 3,092

NOTE 9: MINORITY INTERESTS AND OTHER LONG-TERM LIABILITIES

Other long-term liabilities were $305 million and $337 million at December 31, 2006 and 2005, respectively. Other long-term liabilities include liabilities related to the Company's purchased or licensed software, tax liabilities and interest rate swap agreements. Minority interests were $150 million and $78 million at December 31, 2006 and 2005, respectively. The increase in minority interests in 2006 was primarily due to the Company's purchase of a controlling interest in an Indian subsidiary (see Note 16).

NOTE 10: INCOME TAXES

Following is a summary of income tax expense for the years ended December 31, 2006, 2005 and 2004 (in millions):

	2006	2005	2004
Income (loss) from continuing operations	$ 257	$ 153	$ (103)
Income (loss) from discontinued operations	(26)	(38)	329
Shareholders' equity	34	(101)	(20)
Total	$ 265	$ 14	$ 206

Following is a summary of the provision (benefit) for income taxes on income (loss) from continuing operations for the years ended December 31, 2006, 2005 and 2004 (in millions):

	United States			
	Federal	State	Non-U.S.	Total
2006				
Current	$ 91	$ 22	$ 226	$ 339
Deferred	(116)	(9)	43	(82)
Total	$ (25)	$ 13	$ 269	$ 257
2005				
Current	$ 127	$ 13	$ 87	$ 227
Deferred	(233)	(29)	188	(74)
Total	$ (106)	$ (16)	$ 275	$ 153
2004				
Current	$ (377)	$ 2	$ 145	$ (230)
Deferred	31	(7)	103	127
Total	$ (346)	$ (5)	$ 248	$ (103)

Following is a summary of the components of income (loss) from continuing operations before income taxes for the years ended December 31, 2006, 2005 and 2004 (in millions):

	2006	2005	2004
U.S. income	$ 75	$ (170)	$ (814)
Non-U.S. income	681	609	440
Total	$ 756	$ 439	$ (374)

Following is a reconciliation of income tax expense using the statutory U.S. federal income tax rate of 35.0% to actual income tax expense for the years ended December 31, 2006, 2005 and 2004 (in millions):

	2006	2005	2004
Statutory federal income tax	$ 265	$ 154	$ (131)
State income tax, net	8	(10)	(17)
Foreign losses	50	75	64
Research tax credits	(29)	(54)	(45)
Tax reserves	(48)	(7)	31
Other	11	(5)	(5)
Total	$ 257	$ 153	$ (103)
Effective income tax rate	34.0%	34.9%	27.5%

Following is a summary of the tax effects of significant types of temporary differences and carryforwards which result in deferred tax assets and liabilities as of December 31, 2006 and 2005 (in millions):

	2006		2005	
	Assets	Liabilities	Assets	Liabilities
Leasing basis differences	$ –	$ 111	$ –	$ 178
Other accrual accounting differences	429	10	429	21
Employee benefit plans	352	31	337	18
Depreciation/amortization differences	385	391	337	257
Net operating loss and tax credit carryforwards	1,432	–	996	–
Employee-related compensation	312	3	233	–
Other	176	476	294	269
Subtotal	3,086	1,022	2,626	743
Less valuation allowances	(376)	–	(281)	–
Total deferred taxes	$ 2,710	$ 1,022	$ 2,345	$ 743

The net changes in the valuation allowances for the years ended December 31, 2006 and 2005 were increases of $95 million and $48 million, respectively. Of the net change in 2006, $40 million was an increase in valuation allowances for losses incurred in certain foreign tax jurisdictions, which increased current year income tax expense from continuing operations. The remaining change in the valuation allowance in 2006 was primarily due to the sale of A.T. Kearney in January 2006 (see Note 17) and foreign currency translation adjustments. Approximately three-fourths of the Company's net operating loss and tax carryforwards expire over various periods from 2007 through 2026, and the remainder are unlimited.

In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized and adjusts the valuation allowance accordingly. Factors considered in making this determination include the period of expiration of the tax asset, planned use of the tax asset, tax planning strategies and historical and projected taxable income as well as tax liabilities for the tax jurisdiction in which the tax asset is located. The ultimate realization of deferred tax assets is dependent on the generation of future taxable income during the periods in which those temporary differences become deductible. Based on tax planning strategies, the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, the Company believes it is more likely than not it will realize the benefits of the deductible differences, net of existing valuation allowances at December 31, 2006. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

U.S. income taxes have not been provided for on $697 million of undistributed earnings of certain foreign subsidiaries, as such earnings have been permanently reinvested in the business. As of December 31, 2006, the unrecognized deferred tax liability associated with these earnings amounted to approximately $101 million.

NOTE 11: STOCK PURCHASE AND INCENTIVE PLANS

Stock Purchase Plan

Under the Stock Purchase Plan, eligible employees may purchase EDS common stock at the end of each fiscal quarter at a purchase price equal to 85% of the lower of the market price on the first or last trading day of the quarter, through payroll deductions of up to 10% of their compensation, not to exceed $25,000 per year in market value. Shares of EDS common stock purchased under the plan may not be sold or transferred within one year of the date of purchase. The number of shares originally authorized for issuance under this plan is 57.5 million. Total compensation expense recognized under this plan was $6 million and $6 million, respectively, during the years ended December 31, 2006 and 2005. See Note 1 for pro forma expense associated with stock-based incentive compensation for the year ended December 31, 2004.

PerformanceShare and EDS Global Share Plans

PerformanceShare and Global Share are "broad-based" plans that permit the grant of stock options to any eligible employee of EDS or its participating subsidiaries other than executive officers. As of December 31, 2006, options for 16.0 million shares had been granted under PerformanceShare (principally in a broad-based grant in May 1997) and options for 25.9 million shares had been granted under Global Share (principally in two broad-based grants in July 2000 and February 2002). The number of shares originally authorized for issuance under PerformanceShare and Global Share is 20 million and 27 million, respectively. As of December 31, 2006, no shares were available for future issuance under these plans.

Incentive Plan

The Incentive Plan is authorized to issue up to 136.5 million shares of common stock. The Incentive Plan permits the granting of stock-based awards in the form of stock grants, restricted shares, restricted stock units, stock options or stock appreciation rights to eligible employees and non-employee directors. A restricted stock unit is the right to receive shares. The exercise price for stock options granted under this plan must be equal to or greater than the fair market value on the date of the grant.

Transition Incentive Plan

The Transition Incentive Plan permits the grant of nonqualified stock options to eligible employees. This plan was intended to be used exclusively for the grant of stock options to former employees of Structural Dynamics Research Corporation ("SDRC"), which was acquired in August 2001, and UGS PLM Solutions Inc., which became a wholly owned subsidiary in September 2001, and was used exclusively for that purpose. UGS PLM Solutions (which was the successor by merger to SDRC) was sold by the Company in May 2004. Such options have an exercise price equal to the fair market value per share of common stock on the grant date, vested in May 2004 in connection with the sale of UGS PLM Solutions, and were exercisable for two years from the date of such sale. The number of options originally authorized for issuance under this plan is 3.7 million.

Transition Inducement Plan

The Transition Inducement Plan permits awards in the form of nonqualified stock options, stock appreciation rights, restricted stock units, restricted stock awards or stock grants to eligible employees. This plan was adopted in October 2002 in anticipation of then proposed New York Stock Exchange rules which provide that awards issued to induce new employment or in exchange for awards under an "acquired" plan are not subject to shareholder approval. All options granted under this plan must have an exercise price not less than the fair market value per share of common stock on the grant date. The maximum number of shares that can be issued under this plan is 7.0 million, of which not more than 2.0 million are available for awards other than in the form of stock options.

Stock Options

The fair value of each stock option award is estimated on the date of grant using the Black-Scholes-Merton valuation model that uses the assumptions noted below. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by employees who receive equity awards, and subsequent events are not indicative of the reasonableness of the original estimates of fair value made by the Company under SFAS No. 123R. The outstanding term of an option is estimated based on the vesting term and contractual term of the option, as well as expected exercise behavior of the employee who receives the option. Expected volatility during the estimated outstanding term of the option is based on historical volatility during a period equivalent to the estimated outstanding term of the option and implied volatility as determined based on observed market prices of the Company's publicly traded options. Expected dividends during the estimated outstanding term of the option are based on recent dividend activity. Risk-free interest rates are based on the U.S. Treasury yield in effect at the time of the grant. The weighted-average fair values of options granted were $8.87, $10.46 and $8.60 for the years ended December 31, 2006, 2005 and 2004,

respectively. The fair value of each option was estimated at the date of grant, with the following weighted-average assumptions for the years ended December 31, 2006, 2005 and 2004, respectively: dividend yields of 0.7%, 1.0% and 2.9%; expected volatility of 35.0%, 60.3% and 61.7%; risk-free interest rate of 4.7%, 4.1% and 2.7%; and expected lives of 5.0 years, 5.0 years and 4.8 years. The total intrinsic value of options exercised during the years ended December 31, 2006, 2005 and 2004 were $115 million, $23 million and $13 million, respectively, resulting in tax deductions of $40 million, $8 million and $5 million, respectively. During 2005, the Company issued new shares and utilized treasury shares to satisfy share option exercises and the vesting of restricted share awards. The Company plans to utilize treasury shares acquired under the repurchase program authorized in February 2006 to satisfy future share option exercises and the vesting of restricted share awards (see Note 1).

Following is a summary of options activity under the Company's various stock-based incentive compensation plans during the years ended December 31, 2006, 2005 and 2004:

	Shares (millions)	Weighted-Average Exercise Price
Fixed options:		
Outstanding at December 31, 2003	50.3	$ 38
Granted	33.7	20
Exercised	(2.9)	16
Forfeited and expired	(10.2)	34
Outstanding at December 31, 2004	70.9	31
Granted	1.5	20
Exercised	(4.7)	17
Forfeited and expired	(15.8)	51
Outstanding at December 31, 2005	51.9	26
Granted	1.8	27
Exercised	(14.5)	18
Forfeited and expired	(4.2)	37
Outstanding at December 31, 2006	35.0	28
Exercisable	23.0	30

At December 31, 2006, the weighted-average remaining contractual terms of outstanding and exercisable options were 4.6 years and 3.9 years, respectively, and the aggregate intrinsic values of these options were $200 million and $135 million, respectively. Total compensation expense recognized for stock options was $117 million and $154 million during the years ended December 31, 2006 and 2005, respectively. See Note 1 for pro forma expense associated with stock-based incentive compensation, including stock options for the year ended December 31, 2004. As of December 31, 2006, there was approximately $29 million of unrecognized compensation cost related to nonvested options, which is expected to be recognized over a weighted-average period of 1.5 years.

The Company receives a tax deduction equal to the intrinsic value of a stock option on the date of exercise. Cash retained as a result of this tax deductibility is reported as other cash flows from financing activities in the consolidated statements of cash flows.

Certain stock option grants contain market conditions that accelerate vesting if the Company's stock reaches target prices. At December 31, 2006, approximately 3.7 million options were outstanding that will become exercisable if the price of the Company's stock at the close of the trading day is above $28.76 per share for 10 consecutive trading days. This would result in acceleration of unamortized compensation expense of approximately $10 million as of December 31, 2006. During 2006, approximately 7.6 million outstanding stock options became exercisable when the Company's stock reached certain target prices, accelerating the recognition of compensation expense of approximately $25 million.

Restricted Stock Units

The Company began using restricted stock units as its primary stock-based incentive compensation in March 2005. Prior to such time, stock options were primarily used for stock-based incentive compensation. Restricted stock units granted are generally scheduled to vest over periods of three to ten years. The March 31, 2006 and 2005 grants consisted of performance-vesting restricted stock units. The number of awards that vest is dependent upon the Company's performance over a three-year period with vesting thereafter.

The fair value of each restricted stock unit is generally the market price of the Company's stock on the date of grant. However, if the shares have a mandatory holding period after the date of vesting, a discount is provided based on the length of the holding period. A discount was applied in determining the fair value of all restricted stock unit awards to adjust for the present value of foregone dividends during the period the award is outstanding and unvested. An additional discount of 10% and 15% was applied during 2006 and 2005, respectively, in determining the fair value of all units subject to transfer restrictions for a one-year period following vesting. This transferability discount was derived based on the value of a one-year average-strike lookback put option.

Following is a summary of the status of the Company's nonvested restricted stock units as of December 31, 2006, and changes during the years ended December 31, 2006, 2005 and 2004:

	Shares (millions)	Weighted-Average Grant Date Fair Value
Nonvested restricted stock units:		
Nonvested at December 31, 2003	4.8	$ 38
Granted	1.2	22
Vested	(2.1)	38
Forfeited	(0.4)	41
Nonvested at December 31, 2004	3.5	33
Granted	7.3	19
Vested	(1.5)	34
Forfeited	(0.4)	18
Nonvested at December 31, 2005	8.9	22
Granted	7.1	25
Vested	(1.2)	30
Forfeited	(1.4)	22
Nonvested at December 31, 2006	13.4	23

As of December 31, 2006, there was approximately $169 million of total unrecognized compensation cost related to nonvested restricted stock units. Such cost is expected to be recognized over a weighted-average period of 1.9 years. Total compensation expense for restricted stock units was $86 million ($59 million net of tax), $64 million ($42 million net of tax) and $42 million ($27 million net of tax), respectively, for the years ended December 31, 2006, 2005 and 2004. The aggregate fair value of shares vested during the years ended December 31, 2006, 2005 and 2004 were $33 million, $33 million and $41 million, respectively, at the date of vesting, resulting in tax deductions to realize benefits of $10 million, $12 million and $14 million, respectively, as compared to aggregate fair values of $38 million, $52 million and $80 million, respectively, on the dates of their grants.

Executive Deferral Plan

The Executive Deferral Plan is a nonqualified deferred compensation plan established for a select group of management and highly compensated employees which allows participants to contribute a percentage of their cash compensation and restricted stock units into the plan and defer income taxes until the time of distribution. The plan is a nonqualified plan for U.S. federal income tax purposes and as such, its assets are part of the Company's general assets. The Company makes matching contributions on a portion of amounts deferred by plan participants that are invested in EDS stock units. Matching contributions vest upon contribution. The fair market price of common stock on the date of matching contributions is charged to operations in the period made. The Company also makes discretionary contributions that vest over periods up to five years as determined by the Board of Directors. The fair market price of common stock on the date of discretionary contributions is charged to operations over the vesting period. During the years ended December 31, 2006, 2005 and 2004, employer contributions to the plan were 4 thousand, 31 thousand and 37 thousand shares, respectively, with a weighted-average fair value of $24.06, $23.13 and $23.10, respectively.

During September 2006, the Company granted 150 thousand time-vesting deferred stock units and 150 thousand performance-based deferred stock units to an employee each with a grant date fair value of $22.97 per unit. The grant date fair value of deferred stock units is determined using the same method as restricted stock units. The time-vesting units and performance-based units are scheduled to vest in September 2009. The number of performance-based deferred stock units that will vest will be from 0-200% of the number of units granted, and is dependent upon the Company's achievement of certain financial performance metrics over a three-year performance period and the employee's continued employment. The Company estimates the number of units that will vest based on the Company's financial performance since inception of the performance period and current expectations of the Company's future financial performance over the remainder of the performance period. Compensation expense for units is recorded on a straight-line basis over the vesting period. Cumulative compensation expense for each grant is adjusted in the period

in which there is a change in the estimated number of units that will vest. As of December 31, 2006, there was approximately $6 million of total unrecognized compensation cost related to the 300 thousand nonvested deferred stock units. Such cost is expected to be recognized over a period of 2.7 years. Total compensation expense for deferred stock units was $766 thousand ($498 thousand net of tax) for the year ended December 31, 2006.

NOTE 12: SEGMENT INFORMATION

The Company uses operating income (loss) to measure segment profit or loss. Segment information for non-U.S. operations is measured using fixed currency exchange rates in all periods presented. The Company adjusts its fixed currency exchange rates if and when the statutory rate differs significantly from the fixed rate to better align the two rates. Prior period segment information presented below has been restated to reflect a change in the fixed exchange rates of certain non-U.S. currencies and other segment attribute changes in 2006. The Asia Pacific segment includes the operations of MphasiS Limited, of which the Company acquired a controlling interest (approximately 51%) on June 20, 2006, and the Company's other EDS India operations which collectively represented $139 million in revenues and $20 million in operating income for the year ended December 31, 2006. The "all other" category is primarily comprised of corporate expenses, including stock-based compensation, and also includes differences between fixed and actual exchange rates. Operating segments that have similar economic and other characteristics have been aggregated to form the Company's reportable segments. The accompanying segment information excludes the net results of A.T. Kearney which are included in discontinued operations in the consolidated statements of operations (see Note 17). The results of the NMCI contract are included in the U.S. Government segment.

Following is a summary of certain financial information by reportable segment as of and for the years ended December 31, 2006, 2005 and 2004 (in millions):

	2006		
	Revenues	Operating Income (Loss)	Total Assets
Americas	$ 9,588	$ 1,509	$ 4,351
EMEA	6,448	945	3,335
Asia Pacific	1,479	173	1,000
U.S. Government	3,350	618	1,350
Other	23	(642)	2,070
Total Outsourcing	20,888	2,603	12,106
All other	380	(1,787)	5,848
Total	$ 21,268	$ 816	$ 17,954

	2005		
	Revenues	Operating Income (Loss)	Total Assets
Americas	$ 9,239	$ 1,353	$ 4,261
EMEA	5,935	818	3,569
Asia Pacific	1,377	103	529
U.S. Government	2,842	305	1,441
Other	22	(533)	1,993
Total Outsourcing	19,415	2,046	11,793
All other	342	(1,504)	5,294
Total	$ 19,757	$ 542	$ 17,087

	2004		
	Revenues	Operating Income (Loss)	Total Assets
Americas	$ 9,251	$ 973	$ 3,770
EMEA	6,247	870	3,399
Asia Pacific	1,289	107	533
U.S. Government	2,893	(485)	1,617
Other	24	(335)	1,736
Total Outsourcing	19,704	1,130	11,055
All other	159	(1,232)	6,689
Total	$ 19,863	$ (102)	$ 17,744

Following is a summary of depreciation and amortization and deferred cost charges included in the calculation of operating income (loss) above for the years ended December 31, 2006, 2005 and 2004 (in millions):

	2006	2005	2004
Americas	$ 392	$ 429	$ 613
EMEA	390	366	616
Asia Pacific	108	107	138
U.S. Government	179	138	222
Other	179	149	113
Total Outsourcing	1,248	1,189	1,702
All other	89	183	148
Total	$ 1,337	$ 1,372	$ 1,850

Following is a summary of revenues and property and equipment by country as of and for the years ended December 31, 2006, 2005 and 2004 (in millions):

	2006		2005		2004	
	Revenues	Property and Equipment	Revenues	Property and Equipment	Revenues	Property and Equipment
United States	$ 11,148	$ 1,223	$ 10,349	$ 1,153	$ 10,258	$ 1,186
United Kingdom	4,213	322	3,696	325	3,983	339
All other	5,907	634	5,712	489	5,622	656
Total	$ 21,268	$ 2,179	$ 19,757	$ 1,967	$ 19,863	$ 2,181

Revenues and property and equipment of non-U.S. operations are measured using fixed currency exchange rates in all periods presented. Differences between fixed and actual exchange rates are included in the “all other” category.

Following is a summary of the Company’s revenues by service line for the years ended December 31, 2006, 2005 and 2004 (in millions):

	2006	2005	2004
Infrastructure services	$ 11,992	$ 11,048	$ 11,500
Applications services	5,888	5,572	5,623
Business process outsourcing services	2,967	2,810	2,613
All other	421	327	127
Total	$ 21,268	$ 19,757	$ 19,863

Revenues of non-U.S. operations are measured using fixed currency exchange rates in all periods presented. Differences between fixed and actual exchange rates are included in the “all other” category.

For the years ended December 31, 2006, 2005 and 2004, revenues from contracts with GM and its affiliates totaled $1.7 billion, $1.8 billion and $2.0 billion, respectively. Revenues from contracts with GM were reported in the Company’s Americas segment.

NOTE 13: RETIREMENT PLANS

The Company has several qualified and nonqualified pension plans (the "Plans") covering substantially all its employees. The majority of the Plans are noncontributory. In general, employees become fully vested upon attaining two to five years of service, and benefits are based on years of service and earnings. The actuarial cost method currently used is the projected unit credit cost method. The Company's U.S. funding policy is to contribute amounts that fall within the range of deductible contributions for U.S. federal income tax purposes.

Following is a reconciliation of the changes in the Plans' benefit obligations and fair value of assets (using October 31, 2006 and 2005 measurement dates), and a statement of the funded status as of December 31, 2006 and 2005 (in millions):

	2006	2005
Reconciliation of Benefit Obligation:		
Benefit obligation at beginning of year	$ 8,310	$ 7,837
Service cost	354	344
Interest cost	471	456
Employee contributions	25	33
Actuarial loss	81	532
Curtailments and settlements	(69)	(280)
Plan amendments	(57)	–
Business divestitures	(46)	–
Foreign currency exchange rate changes	500	(441)
Benefit payments	(237)	(223)
Special termination benefit	–	15
Other	28	37
Benefit obligation at end of year	9,360	8,310
Reconciliation of Fair Value of Plan Assets:		
Fair value of plan assets at beginning of year	6,404	5,895
Actual return on plan assets	1,185	912
Foreign currency exchange rate changes	355	(289)
Employer contributions	248	324
Employee contributions	25	33
Benefit payments	(237)	(223)
Business divestitures	(66)	–
Settlements	(18)	(270)
Other	14	22
Fair value of plan assets at end of year	7,910	6,404
Funded status at end of year	(1,450)	(1,906)
Unrecognized transition obligation	–	9
Unrecognized prior service cost	–	(185)
Unrecognized net actuarial loss	–	1,686
Adjustments from October 31 to December 31	112	120
	$ (1,338)	$ (276)

Following is a summary of the amounts reflected on the Company's consolidated balance sheets for pension benefits as of December 31, 2006 and 2005 (in millions):

	2006	2005
Prepaid benefit cost	$ 86	$ 53
Intangible asset	–	19
Current liability	(36)	–
Long-term liability	(1,388)	(1,183)
Minimum pension liability	–	835
	$ (1,338)	$ (276)

Following is a summary of amounts in accumulated other comprehensive loss as of December 31, 2006 and 2005 that have not yet been recognized in the consolidated statements of operations as components of net periodic benefit cost (in millions):

	2006	2005
Net actuarial loss	$ 1,199	$ –
Prior service credit	(213)	–
Transition obligation	7	–
Minimum pension liability	–	835
	$ 993	$ 835

The tables above include plans that transitioned to A.T. Kearney in January 2006 (see Note 17). The pension benefit liabilities related to these plans are presented in the consolidated balance sheets as "held for sale" and was $26 million at December 31, 2005. Settlement gains of $23 million were recognized in 2006 for these plans. The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for these plans were $63 million, $54 million and $61 million, respectively, at December 31, 2005. Net periodic benefit cost for these plans was $8 million and $7 million, respectively, for the years ended December 31, 2005 and 2004.

The Company has additional defined benefit retirement plans outside the U.S. not included in the tables above due to their individual insignificance. These plans collectively represent an additional pension benefit liability of approximately $16 million and plan assets of approximately $4 million.

The accumulated benefit obligation for all defined benefit pension plans was $8,513 million and $7,542 million at October 31, 2006 and 2005, respectively. The projected benefit obligation and fair value of plan assets for pension plans with projected benefit obligations in excess of plan assets were $8,713 million and $7,251 million, respectively, at December 31, 2006, and $7,933 million and $5,971 million, respectively, at December 31, 2005. The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were $3,326 million, $2,795 million and $1,995 million, respectively, at December 31, 2006, and $7,624 million, $6,963 million and $5,721 million, respectively, at December 31, 2005.

Following is a summary of the components of net periodic benefit cost recognized in the consolidated statements of operations for the years ended December 31, 2006, 2005 and 2004 (in millions):

	2006	2005	2004
Service cost	$ 354	$ 344	$ 321
Interest cost	471	456	413
Expected return on plan assets	(555)	(522)	(440)
Amortization of transition obligation	2	2	2
Amortization of prior-service cost	(36)	(32)	(32)
Amortization of net actuarial loss	83	55	66
Net periodic benefit cost	319	303	330
Curtailment (gain) loss	(5)	1	3
Special termination benefit	–	15	48
Settlement (gain) loss	(57)	71	2
Net periodic benefit cost after curtailments and settlements	$ 257	$ 390	$ 383

Prior-service costs are amortized on a straight-line basis over the average remaining service period of active participants. Gains or losses in excess of 10% of the greater of the benefit obligation and the market-related value of assets are amortized over the average remaining service period of active participants.

The estimated net actuarial loss, prior service credit and transition obligation for defined benefit plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are $33 million, $37 million and $2 million, respectively.

As a result of the termination of the Company's service contract with the U.K. Government's Inland Revenue department, the contract's workforce transitioned to the new IT provider in July 2004. Most of the pension liability associated with this workforce also transitioned to the new provider, resulting in the recognition of a settlement loss of $77 million in 2005. The Company recorded special termination benefits of $15 million during 2005 related to reductions in force in the U.K., and $48 million during 2004 related to an early retirement offer in the U.S. These charges are included in restructuring and other in the consolidated statements of operations (see Note 19).

At December 31, 2006 and 2005, the plan assets consisted primarily of equity securities and, to a lesser extent, government obligations and other fixed income securities. The plan assets include EDS common stock with a market value of approximately $15 million at October 31, 2006. The U.S. pension plan is a cash balance plan that uses a benefit formula based on years of service, age and earnings. Employees are allocated the current value of their retirement benefit in a hypothetical account. Monthly credits based upon age, years of service, compensation and interest are added to the account. Upon retirement, the value of the account balance is converted to an annuity. The Company allows employees to elect to direct up to 33% of their monthly credits to the EDS 401(k) Plan. The Company contributed $3 million, $4 million and $3 million to the EDS 401(k) Plan related to these elections during the years ended December 31, 2006, 2005 and 2004, respectively. These amounts are not included in net periodic benefit cost shown in the table above.

Following is a summary of the weighted-average assumptions used in the determination of the Company's benefit obligation for the years ended December 31, 2006, 2005 and 2004:

	2006	2005	2004
Discount rate at October 31	5.4%	5.4%	5.7%
Rate increase in compensation levels at October 31	3.2%	3.2%	3.4%

Following is a summary of the weighted-average assumptions used in the determination of the Company's net periodic benefit cost for the years ended December 31, 2006, 2005 and 2004:

	2006	2005	2004
Discount rate at October 31	5.4%	6.0%	6.0%
Rate increase in compensation levels at October 31	3.2%	3.4%	3.3%
Long-term rate of return on assets at January 1	8.4%	8.6%	8.6%

Following is a summary of the weighted-average asset allocation of all plan assets at December 31, 2006 and 2005, by asset category:

	2006	2005
Equity securities	78%	77%
Debt securities	14%	15%
Cash and cash equivalents	1%	1%
Real estate	1%	1%
Other	6%	6%
Total	100%	100%

In determining net periodic benefit cost recognized in its consolidated statements of operations, the Company utilizes an expected long-term rate of return that, over time, should approximate the actual long-term returns earned on pension plan assets. The Company derives the assumed long-term rate of return on assets based upon the historical return of actual plan assets and the historical long-term return on similar asset classes as well as anticipated future returns based upon the types of invested assets. The type and mix of invested assets are determined by the pension investment strategy, which considers the average age of the Company's workforce and associated average periods until retirement. Since the average age of the Company's workforce is relatively low and average periods until retirement exceed 15 years, plan assets are weighted heavily towards equity investments.

Equity investments, while susceptible to significant short-term fluctuations, have historically outperformed most other investment alternatives on a long-term basis. The Company utilizes an active management strategy through third-party investment managers to maximize asset returns. As of December 31, 2006, the weighted-average target asset allocation for all plans was 78% equity; 15% fixed income; 1% real estate; and 6% other. The Company expects to contribute approximately $100 million to its pension plans during fiscal year 2007, including discretionary and statutory contributions.

Estimated benefit payments, which include amounts to be earned by active plan employees through expected future service for all pension plans over the next 10 years are: 2007 – $257 million; 2008 – $222 million; 2009 – $241 million; 2010 – $262 million; 2011 – $328 million; and 2012 through 2016 – $1,934 million.

In addition to the plans described above, the EDS 401(k) Plan provides a long-term savings program for participants. The EDS 401(k) Plan allows eligible employees to contribute a percentage of their compensation to a savings program and to defer income taxes until the time of distribution. Participants may invest their contributions in various publicly traded investment funds or EDS common stock. The EDS 401(k) Plan also provides for employer-matching contributions. Until December 31, 2006, employer contributions were made in the form of EDS common stock, which participants could elect to transfer to another investment option within the EDS 401(k) Plan after two years from the date of contribution. Participants were 40% vested in the employer-matching contributions after two years of service, vested another 20% per year of service thereafter, and were fully vested after five years of service. Beginning January 1, 2007, participants' employer-matching contributions follow the investment allocation of their salary deferrals. Participants will be 40% vested after two years of service, and 100% vested after three years of service. Participants with more than three but less than five years of service at January 1, 2007 will be fully vested at that date. Participants with more than two but less than three years of service at January 1, 2007 will fully vest after three years of service. Participants hired after January 1, 2007 will fully vest after three years of service. During the years ended December 31, 2006, 2005 and 2004, employer-matching contributions totaled $40 million, $37 million and $40 million, respectively.

NOTE 14: COMMITMENTS AND RENTAL EXPENSE

Total rentals under cancelable and non-cancelable leases of tangible property and equipment included in costs and charged to expenses were $557 million, $552 million and $580 million for the years ended December 31, 2006, 2005 and 2004, respectively. Commitments for rental payments under non-cancelable operating leases of tangible property and equipment net of sublease rental income are: 2007 – $343 million; 2008 – $300 million; 2009 – $217 million; 2010 – $166 million; 2011 – $122 million; and all years thereafter – $368 million.

The Company has signed certain service agreements with terms of up to ten years with certain vendors to obtain favorable pricing and commercial terms for services that are necessary for the ongoing operation of its business. These agreements relate to software and telecommunications services. Under the terms of these agreements, the Company has committed to contractually specified minimums over the contractual periods. The contractual minimums are: 2007 – $1,318 million; 2008 – $609 million; 2009 – $372 million; 2010 – $251 million; 2011 – $47 million; and all years thereafter – $2 million. Amounts paid under these agreements were $1,452 million, $991 million and $821 million during the years ended December 31, 2006, 2005 and 2004, respectively. To the extent that the Company does not purchase the contractual minimum amount of services, the Company must pay the vendors the shortfall. The Company believes that it will meet the contractual minimums through the normal course of business.

NOTE 15: CONTINGENCIES

In connection with certain service contracts, the Company may arrange a client supported financing transaction ("CSFT") with a client and an independent third-party financial institution or its designee. Under CSFT arrangements, the financial institution finances the purchase of certain IT-related assets and simultaneously leases those assets for use in connection with the service contract.

In a CSFT, all client contract payments are made directly to the financial institution providing the financing. After the predetermined monthly obligations to the financial institution are met, the remaining portion of the customer payment is made available to the Company. If the client does not make the required payments under the service contract, under no circumstances does the Company have any obligation to acquire the underlying assets unless nonperformance under the service contract would permit its termination, or the Company fails to comply with certain customary terms under the financing agreements, including, for example, covenants the Company has undertaken regarding the use of the assets for their intended purpose. The Company considers the likelihood of its failure to comply with any of these terms to be remote. In the event of nonperformance under applicable contracts which would permit their termination, the Company would have no additional or incremental performance risk with respect to the ownership of the assets, because it would have owned or leased the same or substantially equivalent assets in order to fulfill its obligations under its service contracts. Performance under the Company's service contracts is generally measured by contract terms relating to project deadlines, IT system deliverables or level-of-effort measurements.

As of December 31, 2006, an aggregate of $136 million was outstanding under CSFTs yet to be paid by the Company's clients. The Company believes it is in compliance with performance obligations under all service contracts for which there is a related CSFT and the ultimate liability, if any, incurred in connection with such financings will not have a material adverse affect on its consolidated results of operations or financial position.

In the normal course of business, the Company may provide certain clients, principally governmental entities, with financial performance guarantees, which are generally backed by standby letters of credit or surety bonds. In general, the Company would only be liable for the amounts of these guarantees in the event that nonperformance by the Company permits termination of the related contract by the Company's client, which the Company believes is remote. At December 31, 2006, the Company had $574 million outstanding standby letters of credit and surety bonds relating to these performance guarantees. The Company believes it is in compliance with its performance obligations under all service contracts for which there is a financial performance guarantee, and the ultimate liability, if any, incurred in connection with these guarantees will not have a material adverse affect on its consolidated results of operations or financial position. In addition, the Company had $19 million of other financial guarantees outstanding at December 31, 2006 relating to indebtedness of others.

At December 31, 2006, the Company had net deferred contract and set-up costs of $807 million, of which $487 million related to 20 contracts with active construct activities. These active construct contracts had other assets, including receivables, prepaid expenses, equipment and software, of $574 million at December 31, 2006. Some of the Company's client contracts require significant investment in the early stages which is expected to be recovered through billings over the life of the respective contracts. These contracts often involve the construction of new computer systems and communications networks and the development and deployment of new technologies. Substantial performance risk exists in each contract with these characteristics, and some or all elements of service delivery under these contracts are dependent upon successful completion of the development, construction and deployment phases. Some of these contracts have experienced delays in their development and construction phases, and certain milestones have been missed. It is reasonably possible that deferred costs associated with one or more of these contracts could become impaired due to changes in estimates of future contract cash flows.

The Company provides IT services to Delphi Corporation ("Delphi") through a long-term agreement. On October 8, 2005, Delphi filed for protection under Chapter 11 of the United States Bankruptcy Code. Due to uncertainties regarding the recoverability of certain pre-bankruptcy receivables associated with the Delphi contract, the Company recorded receivable reserves of $17 million during the year ended December 31, 2005. This amount is reflected in cost of revenues in the Company's 2005 consolidated statements of operations. The Company recognized revenues of approximately $150 million under the Delphi services agreement during the year ended December 31, 2006. Total receivables outstanding under the Delphi agreement were $43 million at December 31, 2006. In addition, the Company had equipment and other assets with a net book value of approximately $18 million at December 31, 2006 deployed on the Delphi agreement. The assets associated with the Company's agreement with Delphi are expected to be recovered through collection or future operations.

The Company has received tax assessments from various taxing authorities and is currently at varying stages of appeals regarding these matters. The Company has provided for the amounts it believes will ultimately result from those proceedings. In June 2006, the Company agreed with the U.S. Internal Revenue Services ("IRS") on a settlement related to research tax credits for years 1996-2002 and the closure of the audit of its 1996-1998 federal income tax returns. In February 2007, the Company reached a tentative agreement with the Appeals Office of the IRS for all outstanding issues for the period 1999-2002 consistent with the Company's tax reserves as of December 31, 2006.

Pending Litigation and Proceedings

The Company and certain of its former officers are defendants in numerous shareholder class action suits filed from September through December 2002 in response to its September 18, 2002 earnings pre-announcement, publicity about certain equity hedging transactions that it had entered into, and the drop in the price of EDS common stock. The cases allege violations of various federal securities laws and common law fraud based upon purported misstatements or omissions of material facts regarding the Company's financial condition. In addition, five class action suits were filed on behalf of participants in the EDS 401(k) Plan against the Company, certain of its current and former officers and, in some cases, its directors, alleging the defendants breached their fiduciary duties under the Employee Retirement Income Security Act ("ERISA") and made misrepresentations to the class regarding the value of EDS shares. All of the foregoing cases have been centralized in the U.S. District Court for the Eastern District of Texas (the "District Court"). In addition, representatives of two committees responsible for administering the EDS 401(k) Plan notified the Company of their demand for payment of amounts they believe are owing to plan participants under Section 12(a)(1) of the Securities Act of 1933 (the "Securities Act") as a result of an alleged failure to register certain shares of EDS common stock sold pursuant to the plan during a period of approximately one year ending on November 18, 2002.

On July 7, 2003, the lead plaintiff in the consolidated securities action and the lead plaintiffs in the consolidated ERISA action each filed a consolidated class action complaint. The amended consolidated complaint in the securities action alleges violations of Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), Rule 10b-5 thereunder and Section 20(a) of the Exchange Act. The plaintiffs allege that the Company and certain of its former officers made false and misleading statements about the financial condition of EDS, particularly with respect to the NMCI contract and the accounting for that contract. The consolidated complaint in the ERISA action alleges violation of fiduciary duties under ERISA by some or all of the defendants and violation of Section 12(a)(1) of the Securities Act by selling unregistered EDS shares to plan participants. The defendants in the ERISA claims are EDS, certain current and former officers of EDS, members of the Compensation and Benefits Committee of its Board of Directors, and certain current and former members of the two committees responsible for administering the plan.

On November 1, 2005, the Company entered into a memorandum of understanding with the lead plaintiff and class representative to settle the consolidated securities action, subject to final approval of the settlement by the District Court. The District Court approved that settlement on March 7, 2006. The terms of the settlement provide for a cash payment of $137.5 million, substantially all of which was paid during the first quarter of 2006. The amount paid by the Company aggregated $77.5 million, with the remainder paid by its insurers (in addition to amounts paid by such insurers in respect of legal fees related to this action). The Company recorded incremental reserves of $24 million in 2005 in connection with this settlement. The remaining cost of the settlement was recognized in the Company's financial statements prior to 2004. Two appeals have been filed with respect to the District Court's approval of this settlement. One appeal challenges the amount of attorneys fees awarded to the counsel for plaintiffs. The other appeal challenges the approval of the settlement on the grounds that there is a subclass who receives no economic benefit, the release is overbroad, and the claims form was overly burdensome.

On November 8, 2004, the District Court certified a class in the ERISA action on certain of the allegations of breach of fiduciary duty, of all participants in the EDS 401(k) Plan and their beneficiaries, excluding the defendants, for whose accounts the plan made or maintained investments in EDS stock through the EDS Stock Fund between September 7, 1999 and October 9, 2002. Also on that date the court certified a class in the ERISA action on the allegations of violation of Section 12(a)(1) of the Securities Act of all participants in the Plan and their beneficiaries, excluding the defendants, for whose accounts the Plan purchased EDS stock through the EDS Stock Fund between October 20, 2001 and November 18, 2002. On December 29, 2004, the Fifth Circuit Court of Appeal granted the Company's petition to appeal the class certification order from the District Court, and oral arguments were heard on the appeal on April 5, 2005. On January 18, 2007, the Fifth Circuit Court of Appeal issued its decision vacating the district court's class certification decision and remanding the matter to the district court to re-evaluate whether the action may be maintained as a class certification in light of the Fifth Circuit's opinion and instructions. The Company intends to defend this action vigorously.

In addition, there are three derivative complaints filed by shareholders in the District Court of Collin County, Texas against certain current and former Company directors and officers and naming EDS as a nominal defendant. The actions allege breach of fiduciary duties, abuse of control and gross mismanagement based upon purported misstatements or omissions of material facts regarding the Company's financial condition similar to those raised in the class actions described above. These cases have been consolidated into a single action. This action will be defended vigorously.

On February 25, 2004, a derivative complaint was filed by a shareholder against certain current and former directors and officers of the Company in the District Court. The plaintiff relies upon substantially the same factual allegations as the consolidated securities action discussed above. However, the plaintiff brings the suit on behalf of the Company against the named defendants claiming that they breached their fiduciary duties by failing in their oversight responsibilities and by making and/or permitting material, false and misleading statements to be made concerning the Company's business prospects, financial condition and expected financial results which artificially inflated its stock and resulted in numerous class action suits. Plaintiff seeks contribution and indemnification for the claims and litigation resulting from the defendants' alleged breach of their fiduciary duties. This action had been stayed pending the outcome of the consolidated securities action. On March 13, 2006, the District Court filed an order lifting the stay in this action based upon that court's final approval of the settlement of the consolidated securities action. This action will be defended vigorously.

In October 2004, two derivative complaints were filed in the District Court by shareholders against certain current and former directors and officers of the Company. The allegations against the Company include breach of fiduciary duties, abuse of control, gross mismanagement, constructive fraud, waste and unjust enrichment based upon purported misstatements or omissions of material facts regarding the Company's financial condition similar to those raised in the class actions described above. Plaintiffs seek damages, disgorgement by individual defendants, governance reforms, and punitive damages. The actions had also been stayed pending resolution of the above referenced securities action. On March 13, 2006, the District Court filed an order lifting the stay in this action based upon that court's final approval of the settlement of the consolidated securities action. These actions will be defended vigorously.

The Company does not expect these actions to have a material adverse impact on its consolidated results of operations or financial position.

The SEC staff is conducting a formal investigation of matters relating to the Company's derivatives contracts in connection with its program to manage the future stock issuance requirements of its employee stock incentive plans, the Company's NMCI contract, a contract with a client of the Company that contained a prepayment provision, and the Company's guidance and other events leading up to its third quarter 2002 earnings announcement. The SEC has deposed current and former members of the Company's management and the NMCI account team as well as other witnesses regarding these issues. The SEC staff is also investigating allegations that a former employee working in India for a branch of a former subsidiary of the Company made questionable payments allegedly to further that entity's business in India, a matter which the Company self-reported to the SEC staff and other relevant governmental authorities. In 2004, the Company voluntarily reported to the SEC staff a matter regarding payments made and credits given by the Company to Delphi during 2000 and 2001 and certain payments made by Delphi to the Company for services in 2002 and in early 2003. In October 2006, the SEC filed a lawsuit against Delphi, former Delphi personnel and other persons not employed by Delphi, including one current and two former employees of the Company, alleging violations of securities laws related to these and other matters. The lawsuit was simultaneously settled by Delphi and certain of the other persons charged by the SEC, including the two former employees of the Company. The Company was not charged in this lawsuit.

In February 2007, the Company reached an agreement with the Division of Enforcement of the SEC (the "Division") as to the terms of a proposed settlement that the Division has agreed to recommend to other SEC staff offices and to the Commissioners of the SEC for their approval. The proposed settlement would resolve all matters under investigation by the SEC related to the Company. Such settlement, if approved by the SEC, would not have a material adverse impact upon the Company. However the Division has no authority to bind the Commission to any settlement. The Commissioners of the SEC are not obligated to accept the recommendation of the Division and may approve or disapprove this settlement. Accordingly, the Company is unable to predict the ultimate outcome of the investigation or any action the SEC might ultimately take.

On December 19, 2003, Sky Subscribers Services Limited ("SSSL") and British Sky Broadcasting Limited ("BSkyB"), a former client of the Company, served a draft pleading seeking redress for the Company's alleged failure to perform pursuant to a contract between the parties. Under applicable legal procedures, the Company responded to the allegations. Despite the response, on August 17, 2004, SSSL and BSkyB issued and served upon the Company a pleading alleging the following damages, each presented as an alternative cause of action: (1) pre-contract deceit in 2000 in the amount of £320 million (approximately $630 million); (2) pre-contract negligent misrepresentation in 2000 in the amount of £127 million (approximately $250 million); (3) deceit inducing the Letter of Agreement in July 2001 in the amount of £261 million (approximately $510 million); (4) negligent misrepresentation inducing the Letter of Agreement in July 2001 in the amount of £116 million (approximately $230 million); and, (5) breach of contract from 2000 through 2002 in the amount of £101 million (approximately $200 million). On November 12, 2004, the Company filed its defense and counterclaim denying the claims and seeking damages in the amount of £4.7 million (approximately $9.2 million). On December 21, 2005, SSSL and BSkyB filed a Re-Amended Particulars of Claim alleging the following damages, still as alternative causes of action: (1) pre-contract deceit in the amount of £480 million (approximately $940 million); (2) pre-contract negligent misrepresentation in the amount of £480 million (approximately $940 million); (3) deceit inducing the Letter of Agreement and negligent misrepresentation inducing the Letter of Agreement of £415 million (approximately $810 million); (4) breach of contract in the amount of £179 million (approximately $350 million). The principal stated reason for the increases in amount of damages is that the claimants have now taken the opportunity to re-assess their alleged lost profits and increased costs to deliver the project in light of the extended timetable they now require. Claimants say they will further re-assess these alleged losses prior to trial. The dispute surrounds a contract the Company entered into with BSkyB in November 2000, which was terminated by the Company in January 2003 for BSkyB's failure to pay its invoices. The contract had an initial total contract value of approximately £61 million. The Company intends to defend against these allegations vigorously. Discovery is ongoing in this matter and trial is scheduled for October 2007. Although there can be no assurance as to the outcome of this matter, the Company does not believe it will have a material adverse impact on its consolidated results or financial position.

There are other various claims and pending actions against the Company arising in the ordinary course of its business. Certain of these actions seek damages in significant amounts. The amount of the Company's liability for such claims and pending actions at December 31, 2006 was not determinable. However, in the opinion of management, the ultimate liability, if any, resulting from such claims and pending actions will not have a material adverse affect on the Company's consolidated results of operations or financial position.

NOTE 16: ACQUISITIONS

On June 20, 2006, the Company acquired a controlling interest (approximately 51%) in MphasiS Limited, an applications and business process outsourcing services company based in Bangalore, India. The cash purchase price of the controlling interest, net of cash acquired, was $352 million. The acquisition of MphasiS enhances the Company's capabilities in priority growth areas of applications development and business process outsourcing services. The consolidated statements of operations include the results of the acquired business since the date of acquisition. The preliminary purchase price allocation is as follows: accounts receivable – $45 million; other current assets – $14 million; property and equipment – $27 million; goodwill – $352 million; other intangibles – $47 million; current liabilities – $34 million; deferred tax liabilities – $29 million and minority interest – $70 million. Factors contributing to a purchase price that resulted in recognition of goodwill included the Company's and MphasiS management's projections of operating results of the acquired business, and the ability to accelerate the Company's growth in the applications and business process outsourcing services markets. Had the Company completed the acquisition as of the earliest date presented, results of operations on a pro forma basis would not have been materially different from actual historical results.

On May 19, 2005, the Company purchased the outstanding minority interest in its Australian subsidiary for a cash purchase price of approximately $135 million. The transaction was accounted for as an acquisition by the Company, and the excess carrying value of the minority interest liability over the purchase price paid was allocated as a reduction to property and equipment – $(19) million; deferred contract costs – $(2) million; and other intangible assets – $(3) million.

On March 1, 2005, the Company and Towers Perrin entered into a joint venture whereby Towers Perrin contributed cash and its pension, health and welfare administration services business and the Company contributed cash and its payroll and related human resources ("HR") outsourcing business to a new company, known as ExcellerateHRO LLP. Upon closing of the transaction, Towers Perrin received $417 million in cash and a 15% minority interest, representing total consideration paid by the Company to Towers Perrin, and the Company received an 85% interest in the new company. The acquisition enabled the Company to offer a comprehensive set of HR outsourcing solutions across the core areas of benefits, payroll, compensation management, workforce administration and relocation, recruitment and staffing, and workforce development. The consolidated statements of operations include the results of the acquired business since the date of acquisition. The transaction was accounted for as an acquisition by the Company with the purchase price being allocated as follows: property and equipment – $19 million; other intangibles – $41 million; goodwill – $423 million; other assets – $5 million; accrued expenses – $4 million; and minority interest – $67 million. Factors contributing to a purchase price that resulted in recognition of goodwill included the Company's and its advisors' projections of operating results of the new company, the ability to accelerate the Company's growth in the HR outsourcing market and the competitive differentiation offered by the relationship with Towers Perrin. Towers Perrin may require the Company to purchase its minority interest in the joint venture at any time after March 1, 2010, or prior to that date upon the occurrence of certain events (including the breach by the Company of certain transaction related agreements, the failure of the joint venture to achieve certain financial results or certain events related to the Company), at a price based on the fair market value of such interest, with a minimum purchase price based on the joint venture's annual revenue. In addition, the Company may require Towers Perrin to sell its minority interest in the joint venture to the Company at any time after March 1, 2012, or prior to that date upon the occurrence of certain events (including the breach by Towers Perrin of certain transaction related agreements or certain events related to Towers Perrin), at a price based on the fair market value of such interest, with a minimum purchase price based on the joint venture's annual revenue. Had the Company completed the acquisition as of the earliest date presented, results of operations on a pro forma basis would not have been materially different from actual historical results.

On January 9, 2004, the Company acquired The Feld Group, a privately held technology management firm that specialized in reorganizing and realigning technology organizations to better meet the needs of their enterprises. The acquisition enhanced the Company's offerings and expertise in the transformational business process outsourcing/business transformation services market and enabled the Company to finalize appointments to its executive management team. The aggregate purchase price of The Feld Group was $53 million, comprised of $50 million in cash payments and warrants with a fair value of $3 million. In addition, the Company issued contingent warrants with a fair value of $4 million in connection with the acquisition. The aggregate purchase price of The Feld Group was adjusted by $2.3 million in 2006 when the contingencies associated with a portion of these warrants were resolved. The excess of the aggregate purchase price over the fair value of acquired assets and assumed liabilities of $47 million was allocated to goodwill in the Americas segment in 2004. An additional $2.3 million of goodwill was recorded in 2006 when a portion of the contingent warrants became exercisable as discussed above, and another $1.3 million of goodwill was recorded in 2007 when the last of the contingent warrants became exercisable. The Company also issued restricted stock awards and options to acquire EDS common stock with an aggregate fair value of $40 million to certain employee shareholders of The Feld Group who became employees of the Company. Such awards and options vest over three years and are contingent upon the continuing employment of these individuals.

NOTE 17: DISCONTINUED OPERATIONS

Income (loss) from discontinued operations includes the results of the Company's A.T. Kearney subsidiary which was sold in 2006, and the Company's UGS PLM Solutions subsidiary and its Soft Solution business which were sold in 2004. The net assets of A.T. Kearney are classified as "held for sale" at December 31, 2005. A.T. Kearney and UGS PLM Solutions were previously reported as separate segments by the Company. The Soft Solution business was previously included in the Company's Outsourcing segment. No interest expense has been allocated to discontinued operations for any of the periods presented.

Income (loss) from discontinued operations also includes the net results of the maintenance, repair and operations (MRO) management services business which was transferred by A.T. Kearney to the Company prior to the Company's divestiture of A.T. Kearney in January 2006. The Company expects to complete the sale of the MRO business in the first quarter of 2007. Under the terms of the proposed sale and related customer contract amendments, the Company will retain accounts receivable and certain other assets of the business but will transfer the tangible assets related to the MRO business to the buyer. The Company will continue to provide the buyer and a major customer with certain services during a transition period which may extend until the end of the 2007 calendar year. Upon completion of this transition period, the Company will have no continuing involvement in operations of the MRO management services business.

Following is a summary of assets and liabilities at December 31, 2006 and 2005 which are reflected in the consolidated balance sheets as "held for sale" (in millions):

	2006	2005
Marketable securities	$ –	$ 23
Accounts receivable, net	–	217
Prepaids and other	–	34
Deferred income taxes	–	14
Property and equipment, net	–	26
Investments and other assets	–	3
Goodwill	–	–
Other intangibles, net	–	28
Assets held for sale	$ –	$ 345
Accounts payable	–	105
Accrued liabilities	–	138
Deferred revenue	–	–
Pension benefit liability	–	26
Minority interest and other long-term liabilities	–	6
Liabilities held for sale	$ –	$ 275

Following is a summary of income (loss) from discontinued operations for the years ended December 31, 2006, 2005 and 2004 (in millions):

	2006	2005	2004
Revenues	$ 69	$ 780	$ 1,171
Costs and expenses	123	846	1,144
Operating income (loss)	(54)	(66)	27
Other income (expense)	–	2	(8)
Gains (losses), net	(1)	(110)	739
Income (loss) from discontinued operations before income taxes	(55)	(174)	758
Income tax benefit (expense)	26	38	(329)
Income (loss) from discontinued operations, net of income taxes	$ (29)	$ (136)	$ 429

A.T. Kearney's results for the year ended December 31, 2005 include a pre-tax impairment charge of $118 million to write-down the carrying value of its long-lived assets, including tradename intangible, to estimated fair value less cost to sell. The impairment charge is partially offset by the recognition of $8 million previously unrecognized tax assets that were expected to be realized as a result of the sale.

Income (loss) from discontinued operations for the years ended December 31, 2006 and 2005 includes after-tax net gains of $8 million and $18 million, respectively, related to the settlement of contingencies associated with sales of certain businesses classified as discontinued operations in prior years.

NOTE 18: SUPPLEMENTARY FINANCIAL INFORMATION

Following is supplemental financial information for the years ended December 31, 2006, 2005 and 2004 (in millions):

	2006	2005	2004
Property and equipment depreciation (including capital leases)	$ 761	$ 831	$ 1,058
Intangible asset and other amortization	401	378	540
Deferred cost amortization and charges	175	175	298
Cash paid for:			
Income taxes, net of refunds	442	378	343
Interest	235	232	328

The Company acquired $185 million, $160 million and $112 million of equipment utilizing capital leases in 2006, 2005 and 2004, respectively.

NOTE 19: OTHER OPERATING (INCOME) EXPENSE

Following is a summary of other operating (income) expense for the years ended December 31, 2006, 2005 and 2004 (in millions):

	2006	2005	2004
Restructuring costs, net of reversals	$ (7)	$ 68	$ 226
Early retirement offer	–	–	50
Pre-tax loss (gain) on disposal of businesses:			
Global Field Services	23	–	–
European wireless clearing	–	(93)	–
U.S. wireless clearing	(1)	–	(35)
Automotive Retail Group	–	–	(66)
Credit Union Industry Group	–	–	(4)
Other	–	(1)	(1)
Total	$ 15	$ (26)	$ 170

The following table summarizes accruals associated with restructuring and other employee reduction programs for the years ended December 31, 2006, 2005 and 2004 (in millions):

	Employee Separations	Exit Costs	Other Employee Reductions	Total
Balance at December 31, 2003	$ 165	$ 9	$ –	$ 174
2003 Plan charges	146	–	–	146
Amounts utilized	(240)	(2)	–	(242)
Other employee reductions programs	–	–	80	80
Balance at December 31, 2004	71	7	80	158
Amounts incurred	–	–	100	100
Amounts utilized	(47)	(3)	(103)	(153)
Reversal of prior years' accruals	(8)	(4)	(20)	(32)
Balance at December 31, 2005	16	–	57	73
Amounts utilized	(8)	–	(53)	(61)
Reversal of prior years' accruals	(6)	–	(1)	(7)
Balance at December 31, 2006	$ 2	$ –	$ 3	$ 5

Restructuring actions contemplated under prior restructuring plans are essentially complete as of December 31, 2006 with remaining accruals of $2 million comprised primarily of future severance-related payments to terminated employees.

During 2006, the Company sold its Global Field Services ("GFS") business in Europe which resulted in a pre-tax loss of $23 million. During 2005, the Company sold its European wireless clearing business which resulted in a pre-tax gain of $93 million. In connection with the sale, the Company recognized a $32 million valuation allowance related to deferred tax assets in certain European countries that may no longer be recoverable as a result of the sale. Net assets of the business included goodwill of $45 million. During 2004, the Company sold its U.S. wireless clearing business and its Automotive Retail Group ("ARG") which

resulted in pre-tax gains of $101 million. The net results of GFS, the European wireless clearing business, the U.S. wireless clearing business, and ARG are not included in discontinued operations due to the Company's level of continuing involvement with the businesses.

NOTE 20: QUARTERLY FINANCIAL DATA (UNAUDITED)

(in millions, except per share amounts)

	Year Ended December 31, 2006[1]				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Revenues	$ 5,078	$ 5,194	$ 5,292	$ 5,704	$ 21,268
Gross profit from operations	527	627	667	868	2,689
Other operating (income) expense	(1)	(4)	(1)	21	15
Income from continuing operations	33	109	130	227	499
Loss from discontinued operations	(9)	(5)	(5)	(10)	(29)
Net income	24	104	125	217	470
Basic earnings per share of common stock:					
Income from continuing operations	$ 0.06	$ 0.21	$ 0.25	$ 0.44	$ 0.96
Net income	0.05	0.20	0.24	0.42	0.91
Diluted earnings per share of common stock:					
Income from continuing operations	$ 0.06	$ 0.21	$ 0.25	$ 0.42	$ 0.94
Net income	0.05	0.20	0.24	0.40	0.89
Cash dividends per share of common stock	0.05	0.05	0.05	0.05	0.20

	Year Ended December 31, 2005[2][3][4]				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Revenues	$ 4,737	$ 5,000	$ 4,874	$ 5,146	$ 19,757
Gross profit from operations	456	550	594	735	2,335
Other operating (income) expense	(4)	31	(81)	28	(26)
Income from continuing operations	14	32	114	126	286
Loss from discontinued operations	(10)	(6)	(106)	(14)	(136)
Net income	4	26	8	112	150
Basic earnings per share of common stock:					
Income from continuing operations	$ 0.03	$ 0.06	$ 0.22	$ 0.24	$ 0.55
Net income	0.01	0.05	0.02	0.21	0.29
Diluted earnings per share of common stock:					
Income from continuing operations	$ 0.03	$ 0.06	$ 0.22	$ 0.24	$ 0.54
Net income	0.01	0.05	0.02	0.21	0.28
Cash dividends per share of common stock	0.05	0.05	0.05	0.05	0.20

(1) Approximately 20 million shares were added to weighted-average shares outstanding and approximately $5 million of tax-effected interest was added to income from continuing operations and net income in the computation of diluted earnings per share in the third and fourth quarters of 2006 due to the dilutive effect of the Company's contingently convertible debt during those periods. Such debt was antidilutive in the first and second quarters and for the year ended December 31, 2006, as well as in each quarter and for the year ended December 31, 2005.

(2) Includes a pre-tax charge of $77 million recognized in the second quarter associated with the settlement of pension obligations for employees transitioned to a third party in connection with the termination of the Company's services contract with U.K. Inland Revenue as of June 2004.

(3) Includes a pre-tax charge of $37 million recognized in the second quarter for the impairment of deferred costs associated with a large IT commercial contract.

(4) Includes a pre-tax charge of $24 million recognized in the third quarter related to reserves established for shareholder litigation.

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Leadership Information

Board of Directors

Michael H. Jordan	EDS Chairman of the Board and Chief Executive Officer
Jeffrey M. Heller	EDS Vice Chairman
W. Roy Dunbar	President, Global Technology and Operations of MasterCard International
Roger A. Enrico*	Chairman of the Board of DreamWorks Animation SKG, Inc.
Martin C. Faga	Former President and Chief Executive Officer of The MITRE Corporation
S. Malcolm Gillis	Professor of Economics and former President of Rice University
Ray J. Groves	Former Chairman and Chief Executive Officer of Ernst & Young LLP
Ellen M. Hancock	President and Chief Operating Officer of Jazz Technologies, Inc. and former Chairman and Chief Executive Officer of Exodus Communications, Inc.
Ray L. Hunt	Chairman of the Board, President and Chief Executive Officer of Hunt Consolidated Inc. and Chief Executive Officer of Hunt Oil Company
Edward A. Kangas	Former Chairman and Chief Executive Officer of Deloitte Touche Tohmatsu
James K. Sims	Chairman and Chief Executive Officer of GEN3 Partners, Inc.
R. David Yost	Chief Executive Officer of AmerisourceBergen Corporation

EDS Executive Leadership

Michael H. Jordan	Chairman of the Board and Chief Executive Officer
Jeffrey M. Heller	Vice Chairman
Ronald A. Rittenmeyer	President and Chief Operating Officer
Charles S. Feld	Senior Executive Vice President, Applications Services
Tina M. Sivinski	Senior Executive Vice President and Chief Administrative Officer
Paul W. Currie	Executive Vice President, Corporate Strategy and Business Development
Storrow M. Gordon	Executive Vice President, General Counsel and Secretary
Jeffrey D. Kelly	Executive Vice President, North America
William G. Thomas	Executive Vice President, Europe, Middle East & Africa
Ronald P. Vargo	Executive Vice President and Chief Financial Officer

* Not standing for re-election at the 2007 Annual Shareholders' Meeting.

Stock Data

Trading: Electronic Data Systems Corporation is listed on the New York Stock Exchange and the London Stock Exchange. NYSE Ticker symbol: EDS

Stock Transfer Agent

The Bank of New York is the transfer agent for EDS. For inquiries concerning registered shareholder accounts and stock transfer matters, including dividend checks, change of address, stock transfers, direct deposits and similar matters, contact The Bank of New York.

Inside the United States, call:
1 800 250 5016
Outside the United States, call:
1 212 815 3700
Internet address: http://www.stockbny.com
e-mail: shareowners@bankofny.com

Address shareholder inquiries to:

The Bank of New York
Church Street Station
P.O. Box 11258
New York , NY 10286-1258

Answers to many of your shareholder questions and requests for forms are available by visiting The Bank of New York's Web site at www.stockbny.com.

Quarterly Earnings

Listen to our 2007 quarterly earnings release conference calls via live webcast at eds.com/investor.

EDS 2006 Online Annual Report

An Adobe Acrobat Portable Document Format (PDF) file of the print version is available at eds.com/06annual.

Investor Relations

Securities analysts, institutional investors and portfolio managers should contact:

Dave Kost
Vice President, Investor Relations
Phone: 1 972 605 6660
Fax: 1 972 605 6662
Toll-free: 1 888 610 1122
e-mail: invest@eds.com

Independent Auditors

KPMG LLP, Dallas, Texas USA

Other Information

EDS has included as Exhibits 31.1 and 31.2 to its Annual Report on Form 10-K for the year ended December 31, 2006, filed with the Securities and Exchange Commission ("Form 10-K") certificates of its Chief Executive Officer and Chief Financial Officer certifying the quality of EDS' public disclosure, and EDS has submitted to the New York Stock Exchange a certificate of its Chief Executive Officer certifying that he is not aware of any violation by EDS of New York Stock Exchange corporate governance listing standards.

A copy of the Form 10-K can be viewed, without exhibits, on our Web site at eds.com/investor. Shareholders may also request a copy of the Form 10-K, without charge, by contacting:

EDS Investor Relations
5400 Legacy Drive
Mail Stop H1-2D-05
Plano, Texas 75024
1 888 610 1122 or 1 972 605 6661

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/// Contact us

Corporate Headquarters

United States

5400 Legacy Drive
Plano, Texas 75024
USA
1 800 566 9337

Regional Headquarters

Asia

36F, Shanghai Information Tower
211 Century Avenue
Pudong, Shanghai
China 200120
86 21 2891 2888

Australia & New Zealand

Level 1, The Bond
30 Hickson Road
Millers Point
Sydney
New South Wales 2000
Australia
612 8965 0500

Canada

33 Yonge Street
Toronto, Ontario
M5E 1G4
Canada
1 416 814 4500
1 800 814 9038
(in Canada only)

Europe, Middle East & Africa

2nd Floor
Lansdowne House
Berkeley Square
London W1J 6ER
44 20 7569 5100

Latin America

Avenida Presidente Juscelino
Kubitschek, 1830
5th Floor – Tower 4
04543-900
São Paulo
Brazil
55 11 3707 4100

EDS

About EDS

EDS (NYSE: EDS) is a leading global technology services company delivering business solutions to its clients. EDS founded the information technology outsourcing industry more than 40 years ago. Today, EDS delivers a broad portfolio of information technology and business process outsourcing services to clients in the manufacturing, financial services, healthcare, communications, energy, transportation, and consumer and retail industries and to governments around the world. Learn more at eds.com.

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2005 **ANNUAL REPORT**

A Message From Michael H. Jordan • 2006 Annual Meeting Notice • Proxy Statement • 2005 Financial Information

5400 Legacy Drive
Plano, Texas 75024

To Our Shareholders,

By all accounts, 2005 was a successful year for EDS. Your company broke into stride, establishing a strong and competitive position in the marketplace. We reignited our sales engine, met key financial targets and continued deployment of our Agile Enterprise Platform with clients.

Last year's results marked a culmination of our "stabilize, fix and invest-to-grow" strategy. During the last few years, we moved EDS from a confederation of accounts to a more globally integrated company centered on its core business.

While EDS today is a force to contend with, we've only begun to demonstrate the power behind our technology vision and delivery capabilities – all underpinned by the steadfast commitment of EDS people to our clients' success. We will build on 2005's momentum, strengthening our ability to achieve market leadership.

Business Highlights

Our investment strategy has begun to pay off. In 2005, we:

- **Reignited our sales engine.** Total contract value of new business signings of $20.1 billion reflected almost a doubling of our win rate over the prior year. We added nine $100-million-plus, new-logo accounts, all contributing new revenue to the company. Existing and new clients clearly saw the value EDS delivers.
- **Strengthened our core operations.** We reduced operational complexity by increasing our use of standardized processes and building a consistent operating environment. Our standards-driven approach enabled us to develop and deliver high-quality services more consistently and efficiently.
- **Developed an advanced technology platform.** Our secure global service network, service delivery automation and legacy modernization help make our clients more competitive in a shifting world economy. EDS' Agility Alliance partners played a key role in driving innovative technology into our core offerings. Last year, we opened two Agility Alliance Development Centers in the United States to further that effort.
- **Further aligned our employees' skills to the marketplace.** EDS has embarked on a bold training and development initiative. More than 50,000 EDS employees upgraded their skills in 2005, completing nearly 2 million training hours. This action gives us a well-skilled, competitive work force to keep pace with changing market demands.
- **Solidified our relationship with General Motors (GM).** We transformed this important, 21-year client relationship by meeting challenging service targets and bringing compelling innovation to the table. These efforts paved the way to a $3.8 billion contract win in 2006 that will further incorporate components of our Agile Enterprise foundation.

- **Continued momentum with the Navy.** The historic Navy Marine Corps Intranet (NMCI) account demonstrated improved operational and financial performance. The NMCI account has moved from a user of cash to a source of cash.
- **Extended our leadership in Medicaid.** EDS won new or add-on Medicaid business for a combined contract value of nearly $800 million, including wins in six out of eight states. These wins brought our total state Medicaid contracts to 19.

We accomplished a lot last year – and in the previous two years – since we began transforming EDS. Our employees believe in EDS and what we can achieve. We gained renewed respect from clients, industry analysts and our competitors. Even with all this progress, we know we must move from being a good, respectable company to a great market leader.

Return to Growth

Our goal is to lead the industry we invented, delivering technology services that make our clients more competitive.

Our objectives are threefold: 1) Grow our infrastructure outsourcing business faster than the market rate; 2) Accelerate growth in our higher-margin business process outsourcing (BPO) and applications businesses; 3) Get back to the streamlined, disciplined approach that made EDS a powerhouse from the beginning.

EDS created the outsourcing services industry. It's what we're known for. While we've been successful at it, we can be more profitable. We're investing in technology to make our infrastructure outsourcing business less capital intensive and to give our clients real-time control over every aspect of their businesses.

The applications market is growing and is projected to accelerate in the next two years. EDS will build on its significant delivery capabilities in this area and move toward higher-end modernization and transformation projects. To this end, we are engaging a new global delivery model that aligns the best of our industry and functional expertise and more aggressively leverages offshore capabilities. Our objective is to develop globally linked centers of expertise and transform our clients' legacy systems so they can respond quickly and efficiently to changing market conditions.

We continue to expand our BPO capabilities since forming ExcellerateHRO early last year. We plan to grow the BPO portion of our portfolio to become a greater percentage of our business mix and focus our energies on turning a strong pipeline into a market-leading position.

We are consolidating our applications, vertical industry and business process expertise into one central resource. This move will accelerate our growth in the higher-end business performance services market. We will use this combined expertise to help our clients improve their overall performance and serve their customers better.

We also realigned our management structure to drive change throughout our business operations. The Office of the Chief Operating Officer links our Sales and Delivery teams to provide the best client solutions through a more streamlined, disciplined organization. Our goal is to harness the collective capabilities of a fully unified EDS.

Signs of Greatness

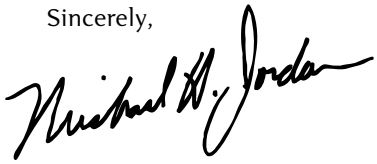
Last year signaled EDS was back in the game. In 2006, we will step up our efforts to grow the business.

Already, we've kicked off 2006 with some very important strategic wins. Most notable among them – and a telling symbol of the new EDS – was our multibillion-dollar contract with GM. We garnered approximately 70 percent of the GM business we pursued, with a total contract value of about $3.8 billion over five years. When added to the business that was not part of this recompete, we can expect $1.2 billion to $1.4 billion in annualized revenue from GM over the next five years.

The GM win is a strong endorsement of our technology strategy and our commitment to the highest levels of quality service. Based on EDS' Agile Enterprise foundation, we designed an innovative approach to support GM's vision for a new IT sourcing model. Our work with GM to establish global standardized processes will help reduce costs and continue to improve GM's world-class capabilities. What's more, these investments can be leveraged across EDS, positioning us well with other large global clients.

Our technology vision is gaining real traction. EDS is truly reinventing itself and – we believe – the industry we created. The new EDS will be a more dynamic company capable of delivering sustained value to its clients and shareholders.

Sincerely,



Michael H. Jordan
Chairman and Chief Executive Officer

ELECTRONIC DATA SYSTEMS CORPORATION

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 18, 2006

The Annual Meeting of Shareholders of Electronic Data Systems Corporation ("EDS") will be held on Tuesday, April 18, 2006, at 1:00 p.m. local time, at the offices of EDS, 5400 Legacy Drive, Plano, Texas 75024. The purpose of the meeting is to:

- elect the Board of Directors for the next year;
- ratify the appointment of KPMG LLP as independent auditors;
- consider and vote upon two shareholder proposals, if presented at the meeting; and
- act upon such other matters as may properly be presented at the meeting.

Only EDS shareholders of record at the close of business on February 24, 2006, will be entitled to vote at the meeting.

Your vote is important. Whether or not you plan to attend the meeting, please complete and return the enclosed proxy card in the accompanying envelope or vote through the telephone or Internet voting procedures described on the proxy card. Your completed proxy, or your telephone or Internet vote, will not prevent you from attending the meeting and voting in person should you so choose.

Please let us know if you plan to attend the meeting by marking the appropriate box on the enclosed proxy card or, if you vote by telephone or Internet, indicating your plans when prompted. If you are a shareholder of record, please bring the top portion of the proxy card to the meeting as your admission ticket. If your shares are held in street name (by a bank or broker, for example), you may bring a recent account statement to the meeting in lieu of the admission ticket.

By order of the Board of Directors,

Storrow M. Gordon
Secretary

March 10, 2006

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2006 Proxy Statement

PROXY STATEMENT
FOR THE ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD APRIL 18, 2006

The Board of Directors of EDS is soliciting proxies to be used at the 2006 Annual Meeting of Shareholders (the "Meeting"). Distribution of this Proxy Statement and a proxy form is scheduled to begin on March 21, 2006. The mailing address of EDS' principal executive offices is 5400 Legacy Drive, Plano, Texas 75024.

About the Meeting

Who Can Vote

Record holders of EDS Common Stock at the close of business on February 24, 2006, may vote at the Meeting. On that date, 529,795,449 shares of Common Stock were outstanding. Each share is entitled to cast one vote.

How You Can Vote

If you return your signed proxy, or vote by telephone or the Internet, before the Meeting, we will vote your shares as you direct. You can specify whether your shares should be voted for all, some or none of the nominees for director. You can also specify whether you approve, disapprove or abstain from each of the other proposals. Proposals 1 and 2 will be presented at the Meeting by management. Proposals 3 and 4 may be presented by shareholders.

If a proxy is executed and returned but no instructions are given, the shares will be voted according to the recommendations of the Board of Directors. The Board of Directors recommends a vote FOR Proposals 1 and 2 and AGAINST Proposals 3 and 4.

If you participate in the EDS Stock Purchase Plan, the Common Stock fund under the EDS 401(k) Plan, the 2003 EDS Incentive Plan or a dividend reinvestment program, you may receive one proxy card for all shares registered in the same name. If your accounts are not registered in the same name, you will receive a separate proxy card for your individual plan shares. Generally, shares in these plans cannot be voted unless the proxy card is signed and returned, although shares held in the 401(k) Plan may be voted in the discretion of the plan trustee.

Revocation of Proxies

You can revoke your proxy at any time before it is exercised by: (1) delivering a written notice of revocation to the Corporate Secretary; (2) delivering another proxy that is dated later than the original proxy; or (3) attending the Meeting and voting by ballot.

Vote Required

The holders of a majority of the shares entitled to vote who are either present in person or represented by proxy at the Meeting will constitute a quorum for the transaction of business at the Meeting.

A plurality of the votes cast is required for the election of directors. This means that the director nominee with the most votes for a particular slot is elected to that slot. A proxy that has properly withheld authority with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted for purposes of determining whether there is a quorum. Under an amendment to our

Corporate Governance Guidelines approved by the Board in February 2006, a director nominee who receives a greater number of "withheld" votes than votes "for" his or her election must promptly tender his or her resignation to the Board. We refer you to a discussion of this policy under the heading "Director Resignation Policy" below.

For each other proposal, the affirmative vote of the holders of a majority of the Common Stock represented in person or by proxy and entitled to vote on the proposal will be required for approval. An abstention with respect to such proposal will not be voted, although it will be counted for purposes of determining whether there is a quorum. Accordingly, an abstention will have the effect of a vote against such proposal.

If your broker holds your shares in its name, the broker is permitted to vote your shares on the election of directors and on Proposal 2 even if it does not receive voting instructions from you. However, your broker may not be permitted to exercise voting discretion with respect to some of the matters to be acted upon. Thus, if you do not give your broker specific instructions, your shares may not be voted on those matters and will not be counted in determining the number of shares necessary for approval. When a broker votes a client's shares on some but not all proposals at the Meeting, the missing votes are referred to as "broker non-votes." Those shares will be included in determining the presence of a quorum at the Meeting but would not be considered "present" for purposes of voting on a non-discretionary proposal. EDS understands that pursuant to New York Stock Exchange ("NYSE") rules, Proposals 3 and 4 are non-discretionary proposals for which your broker may not exercise voting discretion.

Other Matters to be Acted Upon at the Meeting

We do not know of any other matters to be validly presented or acted upon at the Meeting. Under our Bylaws, no business besides that stated in the meeting notice may be transacted at any meeting of shareholders. If any other matter is presented at the Meeting on which a vote may properly be taken, the shares represented by proxies will be voted in accordance with the judgment of the person or persons voting those shares.

Expenses of Solicitation

EDS is making this solicitation and will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials and soliciting votes. If you choose to access the proxy materials and/or vote over the Internet, you are responsible for any Internet access charges you may incur. Our officers and employees may, but without compensation other than their regular compensation, solicit proxies by further mailing or personal conversations, or by telephone, facsimile or e-mail. We will, upon request, reimburse brokerage firms and others for their reasonable expenses in forwarding proxy materials to beneficial owners of Common Stock.

Shareholders with Multiple Accounts

Shareholders who previously have elected not to receive an annual report for a specific account may request EDS to promptly mail its 2005 Annual Report to that account by writing EDS Investor Relations, 5400 Legacy Drive, Mail Stop H1-2D-05, Plano, Texas 75024, or by calling (888) 610-1122 or (972) 605-6661.

Multiple Shareholders Sharing the Same Address

We have adopted a procedure approved by the Securities and Exchange Commission ("SEC") called "householding," which reduces our printing costs and postage fees. Under this procedure, shareholders of record who have the same address and last name and do not participate in electronic delivery of proxy materials will receive only one copy of our annual report and proxy statement unless one or more of these shareholders notify us that they wish to continue receiving individual copies. Shareholders who participate in householding will continue to receive separate proxy cards.

If a shareholder of record residing at such an address wishes to receive a separate document in the future, he or she may contact our transfer agent at 1-800-937-5449 or write to American Stock Transfer & Trust Company, 59 Maiden Lane - Plaza Level, New York, NY 10038. Shareholders of record receiving multiple copies of our annual report and proxy statement may request householding by contacting us in the same manner. If you own your shares through a bank, broker or other nominee, you can request householding by contacting the nominee.

Corporate Governance and Board Matters

Board of Directors

The Board of Directors is elected by and accountable to the shareholders and is responsible for the strategic direction, oversight and control of EDS. Regular meetings of the Board are generally held five or six times per year and special meetings are scheduled when necessary. The Board held seven meetings in 2005. All directors continuing in office following the Meeting attended at least 85% of the meetings of the Board and the Board committees of which they were members during 2005.

Corporate Governance Guidelines

The EDS Corporate Governance Guidelines have been adopted by the Board of Directors to assist it in the performance of its duties and the exercise of its responsibilities and in accordance with the listing requirements of the NYSE. The Guidelines reflect the Board's current views with respect to corporate governance issues and are periodically reviewed and updated. The Guidelines cover the following principal subjects:

- *Expectations of individual directors,* including understanding EDS' businesses and markets, review and understanding of materials provided to the Board, objective and constructive participation in meetings and strategic decision-making processes, regular attendance at Board and Board committee meetings, and attendance at annual shareholder meetings.
- *Board selection and composition*, including Board size, independence of directors, process for determination of director independence, number of independent directors, nomination and selection of directors, service on other boards, director retirement, separation of the Chairman and Chief Executive Officer positions, director orientation and a mandatory continuing director education program.
- *Board operations,* including number of meetings, requirement for executive sessions of non-management directors, the duties of the Presiding Director, Board access to management, annual Chief Executive Officer evaluation, annual Board and Committee evaluation, management development and succession planning, retention of independent advisors and operation and composition of Board committees.
- *Other matters,* including director compensation and stock ownership, prohibition on consulting agreements with directors, restrictions on charitable contributions to director-affiliated organizations, procedures for avoidance or minimization of conflicts of interest, director resignation policies and the Board's policy regarding shareholder rights plans described below.

The Guidelines are posted on our website at *www.EDS.com/investor/governance/guidelines.aspx*. Shareholders may also request a copy of the Guidelines by writing EDS Investor Relations, 5400 Legacy Drive, Mail Stop H1-2D-05, Plano, Texas 75024, or by calling (888) 610-1122 or (972) 605-6661.

Rights Plan Policy

The Board of Directors redeemed EDS' shareholder rights plan, sometimes referred to as a "poison pill," in February 2005. The Board also adopted a policy to obtain shareholder approval prior to adopting any rights plan in the future unless the Board in the exercise of its fiduciary duties determines that, under the circumstances then existing, it would be in the best interest of EDS and its shareholders to adopt a rights plan without prior shareholder approval. The Board's policy further provides that if a rights plan is adopted by the Board without prior shareholder approval, the plan must provide that it shall expire within one year of adoption unless ratified by shareholders. This policy was supplemented in 2006 to provide that any determination by the Board to adopt a rights plan without prior shareholder approval shall be made by a committee comprised of all independent Directors.

Executive Sessions

The Corporate Governance Guidelines require the non-employee directors to meet in executive session without management present from time to time, and at least twice per year. Executive sessions are a normal part of the Board's deliberations and activities. One of these meetings is devoted to the evaluation of the Chief Executive Officer and the recommendations of the Compensation and Benefits Committee regarding his compensation.

Presiding Director

The Board has an independent Presiding Director who serves as chair of the regularly conducted executive sessions of the Board and all other sessions at which the Chairman is not present. The Corporate Governance Guidelines were amended in 2006 to expand the responsibilities of the Presiding Director. The Presiding Director facilitates communication with the Board and, at the request of any independent director, serves as the liaison between the Chairman and the independent directors. When requested by any independent director or when the Presiding Director deems it appropriate, the Presiding Director can call meetings of the independent directors. The Presiding Director reviews and approves the agenda for each Board meeting and the nature and type of materials to be sent to the Board for each meeting based on that agenda. At least annually, the independent Directors shall evaluate the Board's plan for agendas for each meeting in the upcoming year and the information provided at and in advance of meetings and shall discuss recommendations for any changes to that plan and information in executive session with the Presiding Director, who will communicate those recommendations to the Chairman.

The Presiding Director position is rotated on an annual basis among the Chairpersons of the Board's three standing Committees. The Chairman of the Audit Committee, Ray J. Groves, filled the Presiding Director position vacated by C. Robert Kidder in October 2005 and will continue to serve as the Presiding Director through the date of the Annual Meeting of Shareholders in 2007, and the Chairman of the Compensation and Benefits Committee, Ellen M. Hancock, will serve as the Presiding Director thereafter until the 2008 Annual Meeting of Shareholders. The EDS Corporate Governance Guidelines provide that if the position of Chairman is held by an independent director, all duties and responsibilities assigned to the Presiding Director shall be performed by that independent Chairman.

Communications with the Board

Individuals may communicate with the Presiding Director by submitting an e-mail to BoardCommunications@eds.com or sending a written communication to the following address:

Presiding Director of the EDS Board
c/o Corporate Secretary
5400 Legacy Drive, Mail Stop H3-3A-05
Plano, Texas 75024

Communications intended for any other non-management director should also be sent to the above address. Further information regarding the procedures for communications with the Presiding Director is posted on our website at *www.EDS.com/investor/governance/communication.aspx*.

Director Resignation Policy

In February 2006 the Board amended the Corporate Governance Guidelines to provide that a nominee for director in an uncontested election who receives a greater number of votes "withheld" from his or her election than "for" his or her election will promptly tender his or her resignation to the Chairman of the Board. The Governance Committee will promptly consider such resignation and recommend to the Board whether to accept or reject it. In considering whether to accept or reject the tendered resignation, the Governance Committee will consider all factors deemed relevant by its members, including the stated reasons why shareholders "withheld" votes for election from such director, the length of service and qualifications of such director and the director's contributions to EDS. The Board will act on the Governance Committee's recommendation no later than 90 days following the date of the shareholders' meeting when the election occurred. In considering such recommendation, the Board will review the factors considered by the Governance Committee and such additional information and factors the Board believes to be relevant. EDS will promptly publicly disclose the Board's decision together with a full explanation of the process by which the decision was reached and, if applicable, the reasons for rejecting the tendered resignation.

Any director who tenders his or her resignation pursuant to this provision will not participate in the Governance Committee recommendation or Board consideration regarding whether or not to accept the tendered resignation. If a majority of the members of the Governance Committee received a greater number of votes "withheld" than votes "for" their election at the same meeting, then the other independent directors will appoint a Board committee consisting of all or some of such other independent directors solely for the purpose of considering the tendered resignations and will recommend to the Board whether to accept or reject them.

Director Independence

The Board assesses the independence of each non-employee director not less frequently than annually in accordance with the EDS Corporate Governance Guidelines. Under the Guidelines for Assessing Independence of EDS' Directors (the "Independence Guidelines"), a director cannot be independent unless the Board affirmatively determines that he or she has no material relationship with EDS, either directly or as a partner, shareholder or officer of an organization that has a relationship with EDS, and has none of the other relationships listed in the guidelines that would disqualify the director from being independent under the rules of the NYSE. As contemplated by the NYSE rules, the Board also adopted categorical standards to assist in determining whether any material relationship with EDS exists. Directors who have any of the relationships outlined in such categorical standards are considered to have relationships that require a "full facts and circumstances review" by the Board in order to determine whether it constitutes a material relationship with EDS for purposes of his or her independence. The Independence Guidelines, including such categorical standards, are posted on our website at *www.EDS.com/investor/governance/independence.aspx*.

In February 2006, the Board assessed the independence of each non-employee director under the Independence Guidelines. The Board determined, after careful review, that all non-employee directors (Mr. Dunbar, Mr. Enrico, Dr. Gillis, Mr. Groves, Ms. Hancock, Mr. Hunt, Mr. Kangas, and Mr. Yost) are independent. There were no relationships outlined in the categorical standards with any non-employee director that required a "full facts and circumstances review" by the Board.

In connection with its assessment of the independence of each non-employee director, the Board also determined that each member of the Audit Committee meets the additional independence standards of the NYSE and SEC applicable to Audit Committee members. Such standards require that the director not be an affiliate of EDS and cannot accept from EDS, directly or indirectly, any consulting, advisory or other compensatory fee, other than fees for serving as a director.

EDS Code of Business Conduct

EDS is committed to conducting its business ethically and with integrity. We believe that integrity is the sum of the ethical performance of the people of EDS and fosters successful long-term relationships with clients, a better overall work environment and a culture of compliance with both the letter and spirit of the law that ultimately brings value to our shareholders. The EDS Code of Business Conduct, first adopted over a decade ago, has been continually updated to reflect the values we expect of the directors, officers and employees of the entire EDS family of companies. Today the EDS Code of Business Conduct meets the standards for a "code of ethics" applicable to our principal executive officer, principal financial officer, and principal accounting officer or controller for purposes of the rules adopted by the SEC, and satisfies the requirements of the NYSE for a code of business conduct applicable to all directors, officers and employees. The EDS Code of Business Conduct is posted on our website at *www.EDS.com/investor/governance/code.aspx*. Shareholders may also request a copy of the Code of Business Conduct by writing EDS Investor Relations, 5400 Legacy Drive, Mail Stop H1-2D-05, Plano, Texas 75024, or by calling (888) 610-1122 or (972) 605-6661. We will disclose any amendment or waiver of a provision of the Code of Business Conduct that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or that relates to any element of the definition of a "code of ethics" under applicable SEC rules, as well as any amendment or waiver of the Code for any of our directors or any other executive officer, on our website at *www.EDS.com/investor/governance/code.aspx* not later than five business days following the date of the amendment or waiver.

Committees of the Board

The Board of Directors has established three Committees to assist it in discharging its responsibilities: the Audit Committee; the Compensation and Benefits Committee; and the Governance Committee. Each committee is composed entirely of independent directors. The Board has adopted a written charter for each committee. Copies of these charters are posted on our website at *www.EDS.com/investor/governance/*committee.aspx. Shareholders may also request a copy of any committee charter by writing EDS Investor Relations, 5400 Legacy Drive, Mail Stop H1-2D-05, Plano, Texas 75024, or by calling (888) 610-1122 or (972) 605-6661.

Audit Committee. The Audit Committee, which met 15 times in 2005, is composed of Ray J. Groves (Chair), W. Roy Dunbar, S. Malcolm Gillis and Edward A. Kangas. Mr. Dunbar was appointed to this committee in January 2005 and Dr. Gillis was appointed to this committee in October 2005. The Board of Directors has determined that Messrs. Groves and Kangas are audit committee financial experts within the meaning of SEC

regulations, and that all members of the Audit Committee are independent within the meaning of the NYSE's listing standards. The Audit Committee assists the Board in fulfilling its responsibilities for oversight of the integrity of EDS' financial statements, EDS' compliance with legal and regulatory requirements, the independent auditors' qualifications and independence, and the performance of EDS' internal audit function and independent auditors. Among other things, the Audit Committee appoints and determines the compensation of EDS' independent auditors; reviews and evaluates the performance and independence of the independent auditors; reviews the scope and plans for the external and internal audits; reviews and discusses reports from the independent auditors regarding critical accounting policies, alternative treatments of financial information and other matters; reviews significant changes in the selection or application of accounting principles; reviews the internal control report of management, any issues regarding the adequacy of internal controls and any remediation efforts; reviews legal matters that could materially impact EDS' financial statements; reviews the EDS Code of Business Conduct to determine whether it complies with applicable law and discusses reports from the Office of Ethics and Business Conduct concerning compliance with the Code of Business Conduct; and reviews EDS' guidelines and policies with respect to risk assessment and risk management. The Committee also reviews with management and the independent auditors EDS' quarterly and annual financial statements and other public financial disclosures prior to their public release. The report of the Audit Committee is included below.

Compensation and Benefits Committee. The Compensation and Benefits Committee, which met 11 times in 2005, is composed of Ellen M. Hancock (Chair), Roger A. Enrico and R. David Yost. Mr. Enrico was appointed to this committee in February 2005 and Mr. Yost was appointed to this committee in October 2005. This committee reviews and approves annual goals and objectives relevant to the Chief Executive Officer's compensation and evaluates the Chief Executive Officer's performance against such goals and objectives. The committee also approves all salary and other compensation of our other executive officers and approves performance goals for all performance-based executive plans. It also reviews and approves all new benefit and equity compensation plans and programs, as well as amendments to existing plans and programs, and reviews and makes recommendations to the Board regarding director compensation.

Governance Committee. The Governance Committee, which met five times in 2005, is composed of Roger A. Enrico (Chair), Ellen M. Hancock and Ray L. Hunt. Mr. Hunt was appointed to this committee in February 2005. The Governance Committee develops, and makes recommendations to the Board for approval of, our policies and practices related to corporate governance, including the EDS Corporate Governance Guidelines. In addition, the committee develops the criteria for the qualification and selection of candidates for election to the Board, including the standards and processes for determining director independence, and makes recommendation to the Board regarding such candidates as well as the appointment of directors to serve on Board committees. The committee is also responsible for the development and oversight of the company's director orientation and education programs. The committee recommends to the Board the election of the Chairman and the Chief Executive Officer, reviews the Chief Executive Officer's recommendations regarding the election of other principal officers, reviews and develops with the Chief Executive Officer management succession plans, and makes recommendations regarding shareholder proposals. The procedures for submission by a shareholder of a director nominee or other proposal are described under "Shareholder Proposals and Nomination of Directors" below.

Director Qualifications

The Governance Committee will select nominees for director on the basis of their integrity, experience, achievements, judgment, intelligence, personal character, ability to make independent analytical inquiries, willingness to devote adequate time to Board duties, and the likelihood that they will be able to serve on the Board for a sustained period. To be recommended by the Governance Committee for election to the Board, a nominee must also meet the expectations for individual directors set forth in the EDS Corporate Governance Guidelines, including understanding EDS' businesses and the marketplaces in which it operates. In addition, a nominee must not have conflicts or commitments that would impair his or her ability to attend scheduled Board meetings or annual shareholders meetings, not hold positions that would result in a violation of legal requirements, and meet any applicable legal or regulatory requirements for directors of government contractors. In selecting nominees, the Governance Committee will also consider the nominee's global experience, experience as a director of a large public company and knowledge of particular industries.

Identification and Evaluation of Director Candidates

The Governance Committee uses a variety of means for identifying nominees for director, including third-party search firms and recommendations from current Board members and shareholders. In determining whether to nominate a candidate, the Governance Committee considers the current composition and capabilities of serving Board members, as well as additional capabilities considered necessary or desirable in light of existing needs, and then assesses the need for new or additional members to provide those capabilities. In most instances, all members of the Governance Committee, as well as one or more other directors, will interview a prospective candidate. The Governance Committee will also contact any other sources, including persons serving on another board with the candidate, it deems appropriate to develop a well-rounded view of the candidate. Reports from the interview with the candidate and/or Governance Committee members with personal knowledge and experience with the candidate, information provided by other contacts, the candidate's resume, and any other information deemed relevant by the Governance Committee will be considered in determining whether a candidate should be nominated.

In evaluating whether to nominate a director for re-election, the Governance Committee will consider the following: the director's attendance at Board and Board Committee meetings; the director's review and understanding of the materials provided in advance of meetings and other materials provided to the Board from time to time; whether the director actively, objectively and constructively participated in such meetings and in the company's strategic decision-making process in general; the director's compliance with the EDS Corporate Governance Guidelines; and whether the director continues to possess the qualities and capabilities expected of Board members discussed above. The Governance Committee will also consider input from other Board members concerning the performance and independence of that director. Generally, the manner in which the Governance Committee evaluates nominees for director recommended by a shareholder will be the same as that for nominees from other sources. However, the Governance Committee will also seek and consider information concerning the relationship between a shareholder's nominee and that shareholder to determine whether the nominee can effectively represent the interests of all shareholders.

There are three nominees this year who had not previously been elected to the Board by shareholders. Edward A. Kangas was appointed to the Board in 2004. At the time of his appointment, the Board was divided into three classes, the terms of which expired alternately over a three-year period. The term of Mr. Kangas' class was to expire in 2006. S. Malcolm Gillis and R. David Yost were appointed by the Board as directors in July 2005 and October 2005, respectively. Messrs. Kangas, Gillis and Yost were each appointed to the Board upon recommendation of the Governance Committee. Messrs. Kangas and Yost had been recommended to the Governance Committee by a third-party search firm. Dr. Gillis had been recommended to the Governance Committee by a non-management director.

Shareholder Proposals and Nomination of Directors

Shareholders may submit proposals, including director nominations, for consideration at future shareholder meetings.

Shareholder Proposals. For a shareholder proposal to be considered for inclusion in EDS' proxy statement for the 2007 Annual Meeting of Shareholders, the written proposal must comply with the requirements of SEC Rule 14a-8 regarding the inclusion of shareholder proposals in company-sponsored proxy materials. Proposals should be addressed to:

Corporate Secretary
Electronic Data Systems Corporation
5400 Legacy Drive, Mail Stop H3-3A-05
Plano, Texas 75024
Fax: (972) 605-5610

Our 2007 Annual Meeting of Shareholders is currently scheduled for April 17, 2007. Under SEC rules, shareholder proposals to be considered for inclusion in EDS' proxy statement for the 2007 Annual Meeting of Shareholders must be received by the Corporate Secretary not later than November 21, 2006.

Our By-laws provide for certain procedures that shareholders must follow to introduce an item of business at an annual meeting. These provisions, which are described under "By-law Procedures" below, are separate from and in addition to the SEC Rule 14a-8 requirements that a shareholder must satisfy to have a shareholder proposal included in our proxy statement.

Nomination of Director Candidates. The Governance Committee will consider candidates recommended by shareholders who beneficially own not less than 1% of the outstanding Common Stock. Eligible shareholders wishing to make such recommendations to the Governance Committee for its consideration may do so by submitting a completed "Shareholder Recommendation of Candidate for Director" form to the Secretary of the Governance Committee by e-mail to DirectorNominations@eds.com or by mail to the following address:

Secretary of the Governance Committee
Electronic Data Systems Corporation
5400 Legacy Drive, Mail Stop H3-3A-05
Plano, Texas 75024

This form is posted on our website at *www.EDS.com/investor/governance/nominations.aspx.* A copy of the form may also be requested from the Secretary of the Governance Committee. Eligible shareholders who wish to recommend a nominee for election as director at the 2007 annual meeting should submit a completed form not earlier than October 1, 2006, and not later than November 21, 2006. Generally, candidates recommended by an eligible shareholder will be evaluated by the Governance Committee under the same process described above. However, the Governance Committee will not evaluate a shareholder-recommended candidate unless and until the potential candidate has indicated a willingness to serve as a director, comply with the expectations and requirements for Board service described above and provide all information required to conduct an evaluation.

Shareholders who wish to nominate a person for election as a director at the next annual meeting may do so in accordance with the By-law procedures described below, either in addition to or in lieu of making a recommendation to the Governance Committee.

By-law Procedures. Our By-laws provide for certain procedures that shareholders must follow to introduce an item of business at an annual meeting or nominate persons for election as a director. These requirements are separate from and in addition to the SEC Rule 14a-8 requirements that a shareholder must satisfy to have a shareholder proposal included in our proxy statement. These requirements are also separate from the procedures described above that a shareholder must follow to recommend a director candidate to the Governance Committee. Generally, our By-laws require that a shareholder notify the Corporate Secretary of a proposal not less than 90 days nor more than 270 days before the scheduled meeting date. The notice must include the name and address of the shareholder and of any other shareholders known by such shareholder to be in favor of the proposal, as well as a description of the proposed business and reason for conducting the proposed business at the annual meeting. If the notice relates to a nomination for director, it must also set forth the name, age, principal occupation and business and residence address of any nominee(s), the number of shares of Common Stock beneficially owned by the nominee(s) and such other information regarding each nominee as would have been required to be included in a proxy statement filed pursuant to the SEC's proxy rules.

Our By-laws are posted on our website at *www.EDS.com/investor/governance.* Shareholders may also contact the Corporate Secretary at the above address for a copy of the relevant By-law provisions.

Compensation of Non-employee Directors

Non-employee directors receive an annual cash retainer of $200,000 and an additional $15,000 for serving as chairperson of one of the Board's three standing committees. No additional fees are paid for attending Board or Board committee meetings. Non-employee directors are also reimbursed for actual travel and out-of-pocket expenses incurred in connection with their service. Director compensation is paid in advance at the commencement of each annual director compensation period, which generally begins at the Annual Meeting of Shareholders in April. If a director's Board service terminates prior to the end of the director compensation period, EDS does not seek to recover any portion of the cash retainer or additional chairperson fee paid in advance.

The Board believes it is important to align the interests of directors with those of shareholders and for directors to hold equity ownership positions in EDS that are meaningful in their individual circumstances. Accordingly, the Board strongly encourages all non-employee directors to elect to take a significant portion of their compensation in the form of EDS equity, and has adopted director stock ownership guidelines requiring directors to hold EDS equity valued at not less than $400,000 following a designated period.

Non-employee directors may elect to receive restricted stock in lieu of all or part of their annual cash retainer. Prior to the 2005/2006 director compensation year, directors had been able to elect to receive stock options

and/or restricted stock in lieu of any part of their cash retainer, which awards would vest over future service periods. Under the 2003 Incentive Plan, awards that had not vested at the time of a non-employee director's resignation are not forfeited if the Board has consented to such resignation. In 2005, the Board consented to the resignations of Richard Fisher, C. Robert Kidder and Solomon Trujillo and to Judith Rodin's not seeking re-election to the Board, and the vesting of the following awards held by such persons was accelerated: *Mr. Fisher* – options to purchase 18,944 shares of Common Stock at $16.145 per share, one-third of which had been scheduled to vest on June 1, 2005, 2006 and 2007; *Mr. Kidder* – options to purchase 4,668 shares of Common Stock at $20.99 per share scheduled to vest on June 2, 2006, and 10,970 restricted stock awards scheduled to vest from May 2006 to May 2008; *Mr. Trujillo* – options to purchase 4,194 shares of Common Stock at $21.115 per share, one-third of which had been scheduled to vest on March 1, 2006, 2007 and 2008; and *Dr. Rodin* – options to purchase 1,333 shares of Common Stock at $54.19 per share, scheduled to vest on May 2, 2005, and options to purchase 2,666 shares of Common Stock at $20.99 per share, one-half of which had been scheduled to vest on June 2, 2005 and 2006.

Directors may defer, in a cash account or phantom stock account, all or a portion of their annual cash retainer until up to five years after separation from the Board pursuant to the Deferred Compensation Plan for Non-employee Directors. Compensation deferred to the cash account earns interest at a rate equal to 120% of the applicable federal long-term rate published by the IRS. Compensation deferred to the phantom stock account is deemed to have purchased shares of Common Stock on the effective date of the deferral at the then fair market value of the stock. EDS contributes to the director's phantom stock account an additional 10% of the number of shares of Common Stock deemed to have been purchased. The number of shares credited to the phantom stock account is adjusted periodically to reflect the payment and reinvestment of dividends on the Common Stock.

EDS does not provide retirement benefits to non-employee directors. Upon conclusion of their Board service, charter members of the Board (who have served on the Board since 1996) receive a commemorative gift valued at approximately $3,500. Such gifts were furnished to Mr. Kidder and Dr. Rodin in 2005.

Report of the Audit Committee

The Audit Committee reviewed and discussed with management of the company and KPMG LLP, independent auditors for the company, the audited financial statements to be included in the Annual Report on Form 10-K for the year ended December 31, 2005.

The Audit Committee discussed with KPMG LLP the matters required to be discussed by Statement on Auditing Standards No. 61, "Communications with Audit Committees", as amended.

The Audit Committee received the written disclosures and the letter from KPMG LLP required by Independence Board Standard No. 1, "Independence Discussions With Audit Committees", and has discussed with KPMG LLP its independence from the company.

In reliance on the reviews and discussions with management of the company and KPMG LLP referred to above, the Audit Committee has recommended to the Board of Directors that the audited financial statements be included in the company's Annual Report on Form 10-K for the year ended December 31, 2005, for filing with the Securities and Exchange Commission.

The Audit Committee reviewed management's process to assess the adequacy of the company's system of internal control over financial reporting and management's conclusions on the effectiveness of the company's internal control over financial reporting. The Audit Committee also discussed with KPMG LLP the company's internal control assessment process, management's assessment with respect thereto and KPMG LLP's evaluation of the company's system of internal control over financial reporting.

It is the responsibility of the company's management to plan and conduct audits and determine that the company's financial statements are complete and accurate and in accordance with generally accepted accounting principles. In giving its recommendation to the Board of Directors, the Audit Committee has relied on management's representation that such financial statements have been prepared in conformity with generally accepted accounting principles, and the reports of the company's independent accountants with respect to such financial statements.

Audit Committee
Ray J. Groves, Chair
W. Roy Dunbar
S. Malcolm Gillis
Edward A. Kangas

PROPOSAL 1: ELECTION OF DIRECTORS

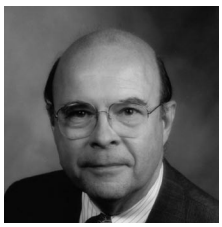
Commencing this year EDS' directors will be elected for a one-year term at each Annual Meeting of Shareholders. The Board of Directors proposes the ten nominees listed below for election as directors at the 2006 Annual Meeting. The directors will hold office from election until the next Annual Meeting of Shareholders or until their successors are elected and qualified. All director nominees, other than Dr. Gillis and Mr. Yost, have served as directors since the 2005 Annual Meeting. Dr. Gillis and Mr. Yost were appointed by the Board as directors in July 2005 and October 2005, respectively. If a director nominee becomes unavailable for election, the Board may substitute another person for the nominee, in which event your shares will be voted for that other person. The information below regarding the director nominees is as of March 1, 2006.

The Board of Directors recommends a vote FOR each director nominee.

W. ROY DUNBAR, 44, has been a director of EDS since 2004. He has been President Global Technology and Operations of Master Card International since September 2004. Mr. Dunbar had been president, intercontinental operations of Eli Lilly and Company, responsible for its Asia, Africa/Middle East, Latin America and the Confederation of Independent States operations from January 2004 to September 2004, and was a member of Eli Lilly's senior management forum. He had served as vice president of information technology and chief information officer of Eli Lilly since 1999. Mr. Dunbar joined Eli Lilly in 1990. He is also a director of Humana Inc.

ROGER A. ENRICO, 61, has been a director of EDS since 2000. He has been Chairman of the Board of DreamWorks Animation SKG, Inc. since October 2004 and is a former Chairman and Chief Executive Officer of PepsiCo, Inc. As Chairman of DreamWorks, he is involved in its investor relations, corporate strategic planning, marketing and promotional strategy, succession planning and employee development and oversees matters related to its corporate governance and Sarbanes-Oxley compliance. Mr. Enrico was Chief Executive Officer of PepsiCo, Inc. from April 1996 to April 2001, Chairman of the Board from November 1996 to April 2001, and Vice Chairman from April 2001 to March 2002. He joined PepsiCo, Inc. in 1971, became President & CEO of Pepsi-Cola USA in 1983, President & CEO of PepsiCo Worldwide Beverages in 1986, Chairman & CEO of Frito-Lay, Inc. in 1991 and Chairman & CEO of PepsiCo Worldwide Foods in 1992. Mr. Enrico was Chairman and CEO, PepsiCo Worldwide Restaurants, from 1994 to 1997. He is also a director of Belo Corporation, DreamWorks Animation SKG, Inc. and The National Geographic Society.

S. MALCOLM GILLIS, 65, has been a director of EDS since 2005. He has served as Zingler Professor of Economics and University Professor at Rice University since June 2004. Dr. Gillis was President of Rice University from 1993 to June 2004. He is also a director of Halliburton Company, Service Corporation International and Introgen Therapeutics, Inc.

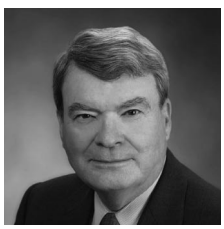


RAY J. GROVES, 70, has been a director of EDS since 1996. He served as Senior Advisor of Marsh Inc., the insurance brokerage and risk management subsidiary of Marsh & McLennan Companies, Inc., from October 2004 to October 2005, Chairman and Chief Executive Officer from July 2003 to October 2004, President and Chief Executive Officer from January 2003 to June 2003, and President and Chief Operating Officer from October 2001 to January 2003. Mr. Groves was Chairman of Legg Mason Merchant Banking, Inc. from March 1995 to September 2001. He retired as Chairman and Chief Executive Officer of Ernst & Young LLP in September 1994, which position he held since 1977. Mr. Groves is also a director of Boston Scientific Corporation and Overstock.com, Inc.

ELLEN M. HANCOCK, 62, has been a director of EDS since 2004. She was Chairman of Exodus Communications, Inc., a computer network and internet systems company, from June 2000 to September 2001, Chief Executive Officer from September 1998 to September 2001 and President from March 1998 to June 2000. Exodus filed a voluntary petition under Chapter 11 of the federal bankruptcy laws in September 2001. Ms. Hancock was Executive Vice President, Research and Development, Chief Technology Officer of Apple Computer Inc. from July 1996 to July 1997. She previously was Executive Vice President and Chief Operating Officer of National Semiconductor and a Senior Vice President and Group Executive of International Business Machines Corporation. Ms. Hancock is also a director of Aetna Inc., Colgate-Palmolive Company and Watchguard Technologies, Inc.

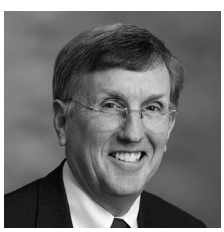
JEFFREY M. HELLER, 66, rejoined EDS in March 2003 as President and Chief Operating Officer and a director. He retired from EDS in February 2002 as Vice Chairman, a position he had held since November 2000. Mr. Heller served as President and Chief Operating Officer of EDS from 1996 to November 2000, Senior Vice President from 1984 to 1996, and Chairman of Unigraphics Solutions Inc. (then a subsidiary of EDS) from January 1999 to February 2001. He joined EDS in 1968 and has served in numerous technical and management capacities. Mr. Heller is also a director of Trammell Crow Company, Temple Inland Corp. and Mutual of Omaha.

RAY L. HUNT, 62, has been a director of EDS since 1996. Mr. Hunt has been Chairman of the Board and Chief Executive Officer of Hunt Consolidated Inc. and Chairman of Hunt Oil Company for more than five years. He is a director of Halliburton Company and PepsiCo, Inc., a manager of Verde Group, LLC and Chairman of the Board of Directors of the Federal Reserve Bank of Dallas.



MICHAEL H. JORDAN, 69, has been Chairman and Chief Executive Officer of EDS since March 2003. He was Chairman and Chief Executive Officer of CBS Corporation (formerly Westinghouse Electric Corporation) from July 1993 until December 1998. Prior to joining Westinghouse, Mr. Jordan was a principal with the investment firm of Clayton, Dubilier and Rice from September 1992 through June 1993, Chairman of PepsiCo International from December 1990 through July 1992 and Chairman of PepsiCo World-Wide Foods from December 1986 to December 1990. Mr. Jordan has been chairman of the board of directors of eOriginal, Inc. (electronic document services) since June 1999. He is also a director of Aetna Inc.

EDWARD A. KANGAS, 61, has been a director of EDS since 2004. He was Chairman and Chief Executive Officer of Deloitte Touche Tohmatsu from 1989 to 2000 and Managing Partner of Deloitte & Touche (USA) from 1989 to 1994. Mr. Kangas began his career as a staff accountant at Touche Ross in 1967, where he became a partner in 1975. After his retirement from Deloitte in 2000, Mr. Kangas served as a consultant to Deloitte until 2004. He is also the Chairman of the National Multiple Sclerosis Society and a director of Eclipsys Corporation, Hovnanian Enterprises Inc., Oncology Therapeutics Networks and Tenet Healthcare Corporation (for which he has served as non-executive Chairman since July 2003).



R. DAVID YOST, 58, has been a director of EDS since 2005. He has been a director and Chief Executive Officer of AmerisourceBergen Corporation, a pharmaceutical services company, since August 2001 and President of AmerisourceBergen from August 2001 to October 2002. Mr. Yost served as Chairman and Chief Executive Officer of AmeriSource Health Corporation from December 2000 to August 2001 and President and Chief Executive Officer of AmeriSource Health Corporation from May 1997 to December 2000. He held a variety of other positions with AmeriSource Health Corporation and its predecessors since 1974, including Executive Vice President – Operations of AmeriSource Health Corporation from 1995 to 1997.

Stock Ownership of Management and Certain Beneficial Owners

Stock Ownership of Directors and Executive Officers. The following table sets forth certain information regarding the beneficial ownership of Common Stock as of February 15, 2006, by each director and nominee for director, the Chief Executive Officer, the executive officers named in the Summary Compensation Table in this Proxy Statement, and all current directors and executive officers as a group. Each of the individuals/groups listed below is the owner of less than one percent of the outstanding Common Stock.

Name	Amount and Nature of Beneficial Ownership
W. Roy Dunbar	9,573 (b)(c)
Roger A. Enrico	69,523 (a)(b)
S. Malcolm Gillis	4,252 (b)
Ray J. Groves	80,789 (a)(b)
Ellen M. Hancock	19,730 (a)(b)(c)
Ray L. Hunt	139,323 (a)(b)
Edward A. Kangas	11,339 (b)
R. David Yost	10,112 (b)
Michael H. Jordan	430,957 (a)(c)(d)(e)
Jeffrey M. Heller	1,075,200 (a)(c)(d)(e)
Charles S. Feld	336,278 (a)(c)(d)(e)
Stephen F. Schuckenbrock	252,320 (a)(c)(d)(e)
Robert H. Swan	540,732 (a)(c)(d)(e)
Directors and executive officers as a group (16 persons)	3,219,882 (a)-(e)

(a) Includes shares of Common Stock which may be acquired on or before April 14, 2006, through the exercise of stock options as follows: Mr. Enrico—25,130 shares; Mr. Groves—30,049 shares; Ms. Hancock—6,914 shares; Mr. Hunt—36,283 shares; Mr. Jordan—373,834 shares; Mr. Heller—584,204 shares; Mr. Feld—238,887 shares; Mr. Schuckenbrock—191,665 shares; Mr. Swan—393,000 shares; and all directors and executive officers as a group—2,084,518 shares. Does not include shares subject to options vesting after April 14, 2006, regardless of whether such options may vest prior to that date if the share price appreciates to specified levels.

(b) Includes compensation deferrals treated as phantom stock under the Non-Employee Director Deferred Compensation Plan as follows: Mr. Dunbar—8,614 shares; Mr. Enrico—4,227 shares; Dr. Gillis—4,252 shares; Mr. Groves—48,493 shares; Ms. Hancock—12,816 shares; Mr. Hunt—39,155 shares; Mr. Kangas—11,339 shares; and Mr. Yost—5,112 shares.

(c) Excludes unvested restricted stock units granted under the 2003 Incentive Plan as follows: Mr. Dunbar—7,579 units; Ms. Hancock—5,663 units; Mr. Jordan—400,000 units; Mr. Heller—313,000 units; Mr. Feld—85,828 units; Mr. Schuckenbrock—63,622 units; Mr. Swan—56,141 units; and all directors and executive officers as a group—1,037,050 units. The units will vest (subject to earlier vesting based on EDS' achievement of performance goals) during the period from 2005 through the earlier of normal retirement or 2009, subject to earlier vesting under the terms of agreements with certain executives described below.

(d) Includes vested compensation deferrals treated as invested in Common Stock under the Executive Deferral Plan as follows: Mr. Jordan—6,692 shares; Mr. Heller—60,984 shares; Mr. Feld—6,081 shares; Mr. Swan—105,144 shares; Mr. Schuckenbrock—586 shares; and all executive officers as a group—192,131 shares.

(e) Includes vested compensation deferrals treated as invested in Common Stock under the 401(k) Plan as follows: Mr. Jordan—431 shares; Mr. Heller—491 shares; Mr. Feld—319 shares; Mr. Schuckenbrock—285 shares; Mr. Swan—234 shares; and all executive officers as a group—5,586 shares.

Stock Ownership of Certain Beneficial Owners. Based on a review of filings with the SEC, we are aware of the following beneficial owners of more than 5% of the outstanding Common Stock at December 31, 2005:

Name and Address of Beneficial Owner	**Number of Shares Beneficially Owned**	**Percentage of Common Stock Outstanding**
Dodge & Cox 555 California St., 40th Floor San Francisco, CA 94104	66,666,548 (a)	12.8%
Hotchkiss and Wiley Capital Management, LLC 725 S. Figueroa St, 39th Floor Los Angeles, CA 90017	56,115,902 (b)	10.8%
AXA Financial, Inc. (c) 1290 Avenue of the Americas New York, NY 10104	35,122,629 (c)	6.7%
State Street Bank and Trust Company 225 Franklin Street Boston, MA 02110	29,462,002 (d)	5.7%
Franklin Resources, Inc. (e) One Franklin Parkway San Mateo, CA 94403	26,189,555 (e)	5.0%

(a) Dodge & Cox reported sole voting power over 62,589,048 shares, shared voting power over 659,000 shares, and sole dispositive power over all shares beneficially owned.

(b) Hotchkiss and Wiley reported sole voting power over 42,889,602 shares and sole dispositive power over all shares beneficially owned.

(c) A group comprised of AXA Financial, Inc. (including its subsidiaries Alliance Capital Management L.P. and AXA Equitable Life Insurance Company) and certain affiliated entities located in Paris, France, reported sole voting power over 19,765,796 shares, shared voting power over 3,670,367 shares, sole dispositive power over 35,093,621 shares and shared dispositive power over 29,008 shares.

(d) State Street reported sole voting power over 13,810,682 shares, shared voting power over 15,651,320 shares, and shared dispositive power over all shares beneficially owned.

(e) Investment advisory subsidiaries of Franklin Resources, Inc. (including Templeton Global Advisors Limited) and its principal shareholders Charles B. Johnson and Rupert H. Johnson, Jr. reported sole voting power over 24,839,622 shares, sole dispositve power over 26,139,653 shares, and shared dispositive power over 51,902 shares.

Compensation and Benefits Committee Report on Executive Compensation

The Compensation and Benefits Committee of the Board of Directors (the "Committee") determines the compensation of EDS' Chief Executive Officer ("CEO") and other executive officers and oversees the administration of the company's compensation and benefit plans for all employees of EDS. The Committee reviews and approves all salary, equity-based compensation and other remuneration or benefits for executive officers, including the performance goals for any performance-based incentive plans in which executive officers participate. In addition, the Committee annually reviews and approves corporate goals and objectives related to the CEO's compensation, evaluates the CEO's performance in light of such goals and objectives and sets the CEO's compensation based on such performance. Each member of the Committee is an independent director, and no former employees of EDS serve on the Committee. The Committee met eleven times in 2005 and routinely reported to the Board on its activities.

Executive Compensation Philosophy

We are committed to paying executive officers performance-oriented compensation competitive with the market in which EDS competes for talent. Our primary goal is to create sustainable shareholder value by attracting and retaining accomplished and high potential executives and motivating and rewarding those executives for achievement of our short- and long-term goals and objectives.

The market for EDS' executive talent is broader than the information technology ("IT") services industry. Accordingly, we review survey data for two distinct comparator groups prepared by an independent third-party consulting firm. One group consists of large global corporations similar in revenue and/or market capitalization to EDS, most of which are outside the IT services industry, with a sector weighting similar to the composition of the S&P 500 companies. The second group consists of companies in the IT services and related industries, without regard to revenue or market capitalization. The Committee periodically reviews these comparator groups to ensure they are a representative cross-section of the companies with which EDS competes for executive talent often with the use of an independent expert.

Our strategy is to ensure the overall level of our salary, annual bonus opportunity and long-term incentive compensation is competitive with the 50th percentile compensation at peer companies. Moreover, because we believe it is important to place a significant portion of each executive officer's total compensation at risk, we design our total compensation package to pay above the 50th percentile when EDS exceeds its goals and below the 50th percentile when EDS fails to meet its goals.

Components of Executive Compensation

In addition to benefit plans and programs generally available to all U.S. employees, the following are principal components of executive officer compensation:

- base salary
- annual bonus
- long-term incentives
- perquisites
- retirement and other executive arrangements

Base Salary. We target base salaries for executive officers at the 50th percentile paid for similar positions by companies in the comparator groups described above. We review and approve base salaries annually relative to market survey data, individual performance and the executive's contribution to EDS' overall performance. An executive's base salary may be higher or lower than the 50th percentile for his or her position depending on a combination of factors, including his or her performance, responsibilities and experience, and his or her annual bonus and long-term incentive opportunities as well as the value of any outstanding and unvested long-term incentive awards.

Annual Bonus. Annual bonus compensation reflects our philosophy that a significant portion of each executive's annual compensation be contingent upon EDS' performance during the year and the executive's contribution to that performance. Annual target bonus opportunity is expressed as a percentage of an executive's base salary. For 2005 performance, target bonus opportunity was 110 percent for the CEO, 100 percent for the President and 85 percent for Executive Vice Presidents. We establish the target bonus opportunity at the 50th percentile for similar positions by companies in the comparator groups described above. The amount of the actual bonus paid to an executive in respect of any year will vary from 0 to 200 percent of the target bonus based on company and individual performance.

The CEO and other executive officers were eligible for a bonus in respect of 2005 financial performance under a Corporate Bonus Plan ("CBP") established under the 2003 Incentive Plan. The CBP, which also covers senior leadership employees who are not executive officers, replaced several annual bonus plans used for executive officers and other leadership groups prior to 2004, and allows for a common design across the organization. Bonus funding for 2005 was based on metrics and cascaded performance targets for corporate and functional or regional performance, with funding for executive officers based 100 percent on corporate performance and funding for other participants generally based 50 percent on corporate performance and 50 percent on functional or regional performance. Individual bonuses for executive officers were established based on actual company results, which were then adjusted +/- 50 percent based on our assessment of individual performance against specific objectives and goals established at the beginning of the performance year. These goals and objectives varied among executive officers depending upon the executive's position and the operation or function for which he or she was responsible. The metrics and weights used for determining corporate performance were earnings per share (30%); free cash flow (40%); revenue (20%); and total contract value (TCV) of new business signings (10%). The metrics for regional performance included return on net assets (RONA), operating margin, revenue, TCV and customer loyalty.

In February 2006, we reviewed EDS' 2005 financial results relative to the financial criteria we previously established under the CBP for 2005 performance. In accordance with the terms of the CBP, in establishing 2005 financial results for plan purposes, we adjusted reported results to reflect certain events, including gains and losses from divestitures, earnings and losses from discontinued operations, gains from reversed restructuring charges, and the impact of the settlement of shareholder litigation. Our goal in approving such adjustments was to ensure that any CBP payout aligned with management's contribution to the ongoing operating performance of the company, and not penalize or reward them for extraordinary events. For 2005, the company's performance achieved the target we established for annual revenue and exceeded the target for earnings per share, free cash flow and TCV. As a result, the CBP funded in aggregate at 103% of the targeted payout for executive officers. Although the bonus is payable in March 2006, because it will be paid in respect of 2005 performance, it is reported as 2005 bonus in the Summary Compensation Table included in this Proxy Statement.

Long-Term Incentives. Long-term incentive opportunities are an important and significant element of the total compensation package for EDS executives. Most stock-based awards to executives are made under the 2003 Incentive Plan (which authorizes awards of stock options, stock appreciation rights, restricted stock and other stock-based awards). In granting stock-based awards, we consider the long-term incentive compensation awarded for similar executive positions by the comparator groups, the number of unvested equity-based awards held by the executive, and the executive's individual performance. The number of shares of common stock we make available through equity-based awards is also influenced by expected shareholder dilution attributable to our equity incentive programs.

The primary purpose of long-term incentive compensation is to encourage executives to improve the performance and value of the company and, ultimately, create shareholder wealth. Furthermore, we believe successful long-term incentive plans should require sustained performance in order for executives to be rewarded. These fundamental principles led us to reconsider the use of annual employee stock option grants. During 2004, the Committee launched a project with management to reconsider the company's long-term incentive compensation strategy and review specific alternatives that would:

- focus executives on long-term metrics that create sustained shareholder value;
- address shareholder concerns regarding the use of stock options and shareholder dilution;
- more efficiently align the program cost to EDS and perceived value of awards;
- recognize the impact of the Financial Accounting Standards Board's stock-based compensation expense recognition project;
- attract and retain top executive talent globally; and
- remain competitive with market changes in compensation practices.

As a result of this comprehensive review of our long-term incentive compensation strategy, beginning with the 2005 grant, executive officers were awarded one-half of their long-term incentive compensation in the form of nonqualified stock options that vest 100 percent three years from the grant date and one-half in the form of performance-vesting restricted stock units ("Performance RSUs"). For participants who are not executive officers, annual stock option grants were completely replaced with annual grants of Performance RSUs. Vesting of Performance RSUs for executive officers can range from 0 to 200 percent of their target Performance RSU award, while vesting for non-executive officer participants can range from 50 to 200 percent of their target award. Vesting of Performance RSUs for all participants will be tied to EDS' performance as measured and weighted by operating margin (50%), net asset utilization (25%), and organic revenue growth (25%) over a three-year performance period. The performance period for the 2005 grant was the three-year period commencing on January 1, 2005. For the 2006 grant, the performance period will be the three-year period commencing on January 1, 2006. Following vesting of any Performance RSUs, a participant will be prohibited from selling 50 percent of the vested shares for a period of 12 months following the vesting date. With respect to stock options issued to executive officers, any options exercised within 12 months of vesting can only be exercised for shares and must be held for 12 months following the exercise date.

Perquisites. The Committee's strategy is to limit the use of perquisites offered to executives. EDS provides two global executive perquisites: the Executive Physical Program designed to promote the executive's physical health and well-being; and the Executive Financial Counseling Program intended to maximize the value of remuneration provided by EDS and minimize an executive's time spent managing personal affairs.

Retirement and Other Executive Arrangements. EDS has generally entered into severance and change-in-control employment agreements with its executive officers. Such agreements have also been provided on a limited basis to senior executives who are not executive officers, either as approved by the Committee or within guidelines established by the Committee. Over the last two years, we have standardized the terms of new severance and change of control agreements, which now include a termination or "sunset" date which may not be extended without Committee approval. Additional information related to these and other arrangements with EDS' "named executive officers" is set forth under "Employment Agreements" below. The Committee has also established a policy requiring shareholder approval for any future executive severance arrangements that provide benefits of 2.99 times annual cash compensation (base salary plus target bonus) or greater.

EDS also provides a Supplemental Executive Retirement Plan, or SERP, to the named executive officers, excluding the Chairman and Chief Executive Officer, and a small group of other U.S. executives. In 2005, we implemented a requirement that no new participants may be added to the SERP without approval of the Committee. It is our intent to limit additional participation in the SERP to extraordinary new hire and retention situations.

Stock Ownership Guidelines

We encourage stock ownership for executive officers and other executives and have implemented stock ownership guidelines expressed as a multiple of annual base salary.

Executive Level	Stock Ownership Multiple
CEO/President	5 times annual salary
COO/Executive Vice President	3 times annual salary
Senior Vice President	2 times annual salary
Vice President & General Manager	2 times annual salary
Division Vice President	2 times annual salary
Vice President (Level 3)	1 times annual salary

The stock ownership multiple must be achieved by the later of December 31, 2008, or five years from an executive's change in status.

In addition to EDS' long-term incentive compensation program, the company provides executives with other programs to accumulate EDS stock. These include a qualified employee stock purchase plan and the U.S. Executive Deferral Plan, a non-qualified deferred compensation plan, that allows executives to defer base salary and annual bonus compensation into deferred EDS stock units. The plan also provides a 401(k) make-up matching contribution, in the form of deferred EDS stock units, with respect to certain cash compensation deferred under the plan. Also, the Committee has the ability to award additional deferred stock units to executives under the plan.

Chief Executive Officer Compensation

EDS appointed Michael H. Jordan as Chairman and Chief Executive Officer in March 2003. The principal terms of Mr. Jordan's employment arrangements are described under "Employment Agreements" below. To establish his compensation, we use the same principles as we do for other executive officers of the company, except as noted below, in addition to consideration of Section 162(m) of the Internal Revenue Code. We believe Mr. Jordan's total compensation for 2005 is consistent with the size and mix of total compensation provided to CEOs of the comparator group companies and appropriate for his contributions during the year.

Base Salary. Mr. Jordan has been paid an annual base salary of $1,000,000 since joining EDS, but is eligible for increases at the Committee's discretion. We have determined to continue Mr. Jordan's base salary at that same level through 2006. Although market data suggests increasing his base salary, we believe it is more appropriate to place a greater emphasis on the long-term incentive component of his compensation package rather than increasing his base salary.

Annual Bonus. For 2005, Mr. Jordan was awarded a cash bonus of $1,500,000. We determined this payment was appropriate in light of his contributions to EDS' achievements during 2005 in accordance with previously established criteria. These include the company's improved earnings, cash flow and TCV, strengthened balance sheet, improved performance associated with certain contracts, and more competitive cost structure.

Long-Term Incentive Compensation. In March 2005, the Committee granted Mr. Jordan 250,000 Performance RSUs and 550,000 nonqualified stock options. This grant was determined based on our assessment of his performance, the total compensation value provided to other Chief Executive Officers at the peer comparator groups and our intent to place greater emphasis on the long-term incentive component of his compensation rather than base salary as noted above.

Section 162(m)

Section 162(m) of the Internal Revenue Code generally limits the deductibility of compensation to the CEO and the four other most highly compensated officers in excess of $1 million per year, provided, however, that certain "performance-based" compensation may be excluded from such $1 million deduction limitation. Our goal is to structure annual bonus awards and long-term incentive compensation in a manner such that it qualifies as "performance-based" to the extent practicable. However, certain forms and amounts of compensation may exceed the $1 million deduction limitation from year to year. We anticipate the $1 million level will be exceeded with respect to the CEO and certain other executive officers.

The foregoing report on executive compensation is provided by the undersigned members of the Compensation and Benefits Committee of the Board of Directors.

Compensation and Benefits Committee
Ellen M. Hancock, Chair
Roger A. Enrico
R. David Yost

Summary Compensation Table

The following table sets forth information with respect to the compensation for the last three years of the Chief Executive Officer and each of the four other most highly compensated executive officers of EDS as of the end of 2005 (the "named executive officers").

Name and Principal Position During 2005	Year	Annual Compensation			Long-Term Compensation Awards		All Other Compensation (D)
		Salary	Bonus	Other Annual Compensation (A)	Restricted Stock Awards (B)	Number of Options (C)	
Michael H. Jordan	2005	$1,000,000	$1,500,000	$348,236	—	550,000	—
Chairman of the Board and	2004	1,000,000	1,100,000	192,871	—	1,100,000	$3,075
Chief Executive Officer	2003	780,768	540,000	160,184	$2,337,000	1,040,500	38,651
Jeffrey M. Heller	2005	808,333	876,000	96,312	—	188,000	—
President	2004	775,000	735,000	—	—	300,000	78,188
	2003	546,538	344,933	—	779,000	275,870	32,240
Charles S. Feld	2005	700,000	613,000	—	—	99,000	—
Executive Vice President,	2004	650,000	525,000	—	550,965	369,838	33,024
Portfolio Development	2003	5,000		942,071	2,791,076		—
Stephen F. Schuckenbrock	2005	666,667	750,000	—	—	85,000	—
Co-Chief Operating Officer and	2004	600,000	470,000	—	—	302,379	9,817
Executive Vice President,	2003	4,615		706,551	2,093,301		—
Global Sales & Client Solutions							
Robert H. Swan	2005	650,000	570,000	—	—	75,000	1,207
Executive Vice President and	2004	650,000	475,000	—	—	200,000	134,824
Chief Financial Officer *	2003	594,423	740,000	—	3,000,000	293,000	131,569

* Mr. Swan will resign from EDS effective March 15, 2006.

(A) Other Annual Compensation: Other Annual Compensation consists of the following:

For Mr. Jordan: $185,276, $62,842 and $36,893 for personal use of corporate aircraft in 2005, 2004 and 2003, respectively (see below for valuation methodology); $62,774, $28,032 and $33,532 for reimbursement of financial planning and tax return preparation expenses in 2005, 2004 and 2003, respectively; and $100,186, $101,997 and $89,759 in 2005, 2004 and 2003, respectively, for a car and driver provided by EDS for ground transportation in the Dallas area. EDS has estimated Mr. Jordan's personal use of such car and driver at 25% of total usage. However, the amount reported above reflects 100% of the total cost to EDS of such car and driver (including driver's salary, vehicle lease cost, fuel expense and smaller variable costs).

For Mr. Heller: $88,812 for personal use of corporate aircraft in 2005; and $7,500 for reimbursement of financial planning and tax return preparation expenses in 2005.

For Messrs. Feld and Schuckenbrock: cash payment to satisfy tax withholdings related to restricted stock grants on December 30, 2003, in connection with the sale of their interest in Feld Partners Investments, L.P. to EDS.

Valuation of Personal Use of Corporate Aircraft: During 2005 EDS owned and operated three airplanes and a helicopter to facilitate business travel of senior executives in as safe a manner as possible and with the best use of their time. Mr. Jordan uses corporate aircraft for all air travel. Certain other named executive officers (and other key executives) use the corporate aircraft for business travel and on a very limited basis for personal travel. The value of personal aircraft usage reported above is based on EDS' direct operating cost. This methodology calculates our incremental cost based on the average weighted cost of fuel, on-board catering, aircraft maintenance, landing fees, trip-related hangar and parking costs, and smaller variable costs. Since the corporate aircraft are used primarily for business travel, the methodology excludes fixed costs which do not change based on usage, such as pilots' and other employees' salaries, purchase costs of the aircraft and non-trip-related hangar expenses. On certain occasions, an executive's spouse or other family member may accompany the executive on a flight. No additional direct operating cost is incurred in such situations under the foregoing methodology. EDS does not pay its executive officers any amounts in respect of taxes on income imputed to them for personal aircraft usage or, with respect to Mr. Jordan, personal use of the car and driver referred to above.

(B) Restricted Stock Awards: The amount reported reflects the value of the following restricted stock awards, in each based on the closing price of the Common Stock on the grant date:

For Messrs. Jordan and Heller: 150,000 and 50,000 restricted stock units, respectively, awarded on March 20, 2003, upon commencement of their employment, which vest on the third anniversary of the grant date and may be sold in increments of one-third each on the vesting date and first and second anniversaries thereof.

For Messrs. Feld and Schuckenbrock: 113,875 and 85,406 shares of restricted stock, respectively, awarded on December 30, 2003, in connection with the sale of their interest in Feld Partners Investments, L.P. to EDS. See "Employment Agreements" below for the vesting terms for such restricted stock. For purposes of the acquisition agreement for such transaction, such awards were valued at $2,791,076 and $2,093,301, respectively.

For Mr. Swan: 92,564 restricted stock units and 92,564 deferred stock units, each granted on February 10, 2003, and vesting 25% annually on the first through fourth anniversaries of the grant date.

The restricted stock awards reported in this column do not include the Performance RSUs granted to the named executive officers in 2005 which are reported under "Long-Term Incentive Plan Awards in 2005" below. The following table sets forth the number and fair market value of unvested restricted stock, unvested Performance RSUs (based on target award) and deferred stock units held by the named executive officers as of December 31, 2005 (valued based on the $24.04 closing price of the Common Stock on December 30, 2005):

	Restricted Stock, Deferred Stock Units, and Performance Restricted Share Units Awarded By Year			Total Unvested Restricted Stock, Deferred Stock Units, and Performance Restricted Share Units Held as of 12/31/05	
Name	**2003**	**2004**	**2005**	**(#)**	**($)**
Michael H. Jordan.....	150,000	—	250,000	400,000	9,616,000
Jeffrey M. Heller.....	50,000	—	83,000	313,000	7,524,520
Charles S. Feld.....	113,875	23,000	44,000	85,828	2,063,305
Stephen F. Schuckenbrock..	85,406	—	38,000	63,622	1,529,473
Robert H. Swan.....	185,128	—	33,000	125,564	3,018,559

Dividends or dividend equivalents are paid on restricted and deferred stock units reported above in the amount and at the time dividends are paid on the Common Stock.

(C) Options: The grants to Messrs. Feld and Schuckenbrock reported in this column include 269,838 and 202,379, respectively, options issued on January 9, 2004, in connection with the sale of their interest in Feld Partners Investments, L.P. See "Employment Agreements" below for the vesting and other terms of such options:

(D) All Other Compensation: We provide the named executive officers with certain group insurance and other non-cash benefits generally available to all salaried employees, which are not reported in this column pursuant to SEC rules. The amounts reported in this column include the following:

For Mr. Jordan: matching award under the Executive Deferral Plan ("EDP") of $35,651 for 2003; and matching contributions under the 401(k) Plan of $3,075 for 2004 and $3,000 for 2003.

For Mr. Heller: matching awards under the EDP of $75,113 for 2004 and $29,240 for 2003; and matching contributions under the 401(k) Plan of $3,075 for 2004 and $3,000 for 2003.

For Mr. Feld: matching award under the EDP of $30,836 for 2004; and matching contributions under the 401(k) Plan of $2,188 for 2004.

For Mr. Schuckenbrock: matching awards under the EDP of $6,742 for 2004; and matching contributions under the 401(k) Plan of $3,075 for 2004.

For Mr. Swan: matching awards under the EDP of $56,656 for 2004 and $33,899 for 2003; matching contributions under the 401(k) Plan of $3,075 for 2004 and $1,642 for 2003; reimbursement of relocation expenses of $75,093 for 2004 and $75,279 for 2003; and $20,749 for installation of a home security system for 2003.

Option Grants in 2005

The following table contains information regarding awards of stock options to the named executive officers in 2005 and the potential realizable value of such options. The hypothetical value of the options as of their grant date has been calculated using the Black-Scholes option pricing model based on the assumptions identified below. This model is only one method of valuing options, and the use of this model should not be interpreted as an endorsement of its accuracy or a forecast of possible future appreciation, if any, in the price of the Common Stock. The actual value of the options may be significantly different, and the value actually realized, if any, will depend upon the excess of the market value of the Common Stock over the option exercise price at the time of exercise.

Name	Number of Securities Underlying Options Granted (a)	% of Total Stock Options Granted to Employees in 2005	Exercise or Base Price Per Share (b)	Expiration Date	Hypothetical Value at Grant Date (c)
Michael H. Jordan.....	550,000	37.54%	$20.665	03/31/12	$5,879,500
Jeffrey M. Heller.....	188,000	12.83%	20.665	03/31/12	2,009,720
Charles S. Feld.....	99,000	6.76%	20.665	03/31/12	1,058,310
Stephen F. Schuckenbrock..	85,000	5.80%	20.665	03/31/12	908,650
Robert H. Swan.....	75,000	5.12%	20.665	03/31/12	801,750

(a) These options were granted on March 31, 2005, and are scheduled to vest 100% on February 29, 2008. Exercise method limited to exercise for shares during the one-year period after vesting and, with respect to any shares issued upon exercise during the year following the vesting date, such exercised shares cannot be sold until the one-year anniversary of the exercise date.

(b) Equals the average of the high and low trading price of the Common Stock on the date of grant.

(c) Calculated using a variation of the Black-Scholes option pricing model based upon the following assumptions: estimated time until exercise of 5 years, volatility rate of 60.8%, risk-free interest rate of 4.2% and dividend yield of 1.0%.

Aggregated Option Exercises in 2005 and Option Values at December 31, 2005

The following table contains information about stock options exercised in 2005 by the named executive officers and the number and value of stock options held by such persons at December 31, 2005. In accordance with SEC rules, the value of unexercised options is calculated by subtracting the exercise price from $24.04, the closing price of the Common Stock on the New York Stock Exchange on December 30, 2005.

	Number of Shares Underlying Options		Number of Shares Underlying Unexercised Options		Value of Unexercised, In-the-Money Options	
Name	Exercised	Value Realized	Exercisable	Unexercisable	Exercisable	Unexercisable
Michael H. Jordan	—	—	40,500	2,650,000	$ 342,630	$ 10,665,000
Jeffrey M. Heller	—	—	500,870	1,238,000	218,860	2,895,000
Charles S. Feld	—	—	188,887	279,951	16,055	827,506
Stephen F. Schuckenbrock ..	—	—	141,665	245,714	12,042	778,536
Robert H. Swan	—	—	155,500	412,500	1,218,343	2,303,438

Long-Term Incentive Plan Awards in 2005

The following table contains information about Performance RSUs awarded to the named executive officers in 2005. Vesting of Performance RSUs can range from 0 to 200% of the named executive officer's target Performance RSU award and is tied to EDS' performance as measured and weighted by operating margin (50%), net asset utilization (25%), and organic revenue growth (25%) over a three-year performance period. The performance period for the Performance RSUs awarded in 2005 was the three-year period commencing on January 1, 2005. Following vesting of any Performance RSUs, the named executive officer will be prohibited from selling 50% of the vested shares for a period of 12 months following the vesting date. Performance RSUs are granted pursuant to the 2003 Incentive Plan.

Name	Number of Units Awarded	Performance Period	Estimated Future Payout Under Non-Stock Price-Based Plan		
			Threshold (# shares)	Target (# shares)	Maximum (# shares)
Michael H. Jordan	250,000	2005-2007	0	250,000	500,000
Jeffrey M. Heller	83,000	2005-2007	0	83,000	166,000
Charles S. Feld	44,000	2005-2007	0	44,000	88,000
Stephen F. Schuckenbrock ..	38,000	2005-2007	0	38,000	76,000
Robert H. Swan	33,000	2005-2007	0	33,000	66,000

Retirement Plans

The following table indicates the estimated annual benefits payable as a single life annuity to the named executive officers, other than Mr. Jordan, upon normal retirement for the specified compensation and years of service classifications under the combined formulas of the Amended and Restated EDS Retirement Plan (the "Retirement Plan"), the EDS Benefit Restoration Plan (the "Restoration Plan") and the EDS 1998 Supplemental Executive Retirement Plan (the "Supplemental Plan"). The Restoration Plan is a non-qualified, unfunded retirement plan intended to pay benefits to employees whose compensation and benefits under the Retirement Plan are limited under the Internal Revenue Code. The Supplemental Plan is also a non-qualified, unfunded retirement plan, intended to pay benefits to certain executive level employees whose benefits under the Retirement Plan are limited under the Internal Revenue Code. The Supplemental Plan benefit provides a target retirement income based on final average earnings (base salary plus bonus) during a 60 consecutive month period prior to retirement which is not affected by the statutory limits applicable to tax-qualified plans like the Retirement Plan. The amount of the target retirement benefit paid by the Supplemental Plan will be offset by the benefit payments received from the Retirement Plan and the Restoration Plan.

Estimated Annual Single Life Annuity Payable at Age 65

Final Average Earnings	Years of Service					
	5	10	15	20	25	30
$500,000	$44,000	$89,000	$133,000	$177,000	$222,000	$266,000
$750,000	$67,000	$134,000	$202,000	$269,000	$336,000	$403,000
$1,000,000	$90,000	$180,000	$271,000	$361,000	$451,000	$541,000
$1,250,000	$113,000	$226,000	$339,000	$452,000	$565,000	$678,000
$1,500,000	$136,000	$272,000	$408,000	$544,000	$680,000	$816,000
$1,750,000	$159,000	$318,000	$477,000	$635,000	$794,000	$953,000
$2,000,000	$182,000	$364,000	$546,000	$727,000	$909,000	$1,091,000
$2,250,000	$205,000	$409,000	$614,000	$819,000	$1,023,000	$1,228,000
$2,500,000	$228,000	$455,000	$683,000	$911,000	$1,138,000	$1,366,000
$3,000,000	$274,000	$547,000	$821,000	$1,094,000	$1,368,000	$1,641,000

As of December 31, 2005, the final average earnings for the highest five consecutive years over the last 10-year period and the eligible years of credited service for the named executive officers, other than Mr. Jordan, were as follows: Mr. Heller, $2,605,565—36 years; Mr. Feld, $940,000—13 years; Mr. Schuckenbrock, $870,641—7 years; and Mr. Swan, $1,050,550—2 years. The salary and bonus for the most recent year considered in the calculation of final average earnings is found in the Summary Compensation Table above. Under the terms of his employment agreement, Mr. Swan was awarded an additional nine years of service for purposes of the Supplemental Plan that would have become effective for vesting and benefit calculation purposes when he attains age 55. However, because Mr. Swan will resign from EDS prior to vesting in the Supplemental Plan, he will not receive any benefit under that plan. Mr. Heller, who originally retired from EDS in 2002, continues to draw monthly benefits from the Retirement Plan, the Restoration Plan, and the Supplemental Plan of $9,903, $41,899 and $45,830, respectively, all payable as a 75% joint and survivor annuity, and may be eligible for increased benefit payments upon his subsequent retirement.

"Compensation" under the Retirement Plan generally refers to total annual compensation (up to $210,000 for 2005 as limited by the Internal Revenue Code), together with any salary reduction contributions to the EDS 401(k) Plan and EDS Flexible Benefits Plan, and excludes benefits under the 2003 Incentive Plan and extraordinary compensation (such as moving allowances). Effective July 1, 1998, the Retirement Plan was converted to a "cash balance" plan eliminating the final average earnings formula and replacing it with a career-average earnings formula. The annual benefit payable under the Supplemental Plan for normal retirement will generally equal (i) 55%

of the average of the participant's total Compensation (based on the highest five consecutive years within the last 10 years of employment) less (ii) the maximum offset allowance that can be deducted from final average earnings. The resulting benefit is then offset by any benefit accrued under the Retirement Plan and the Restoration Plan. Supplemental Plan benefits are payable in the form of a single or joint survivor life annuity, unless otherwise elected, and can be reduced, suspended or eliminated at any time by the Compensation and Benefits Committee.

Mr. Jordan does not participate in the Supplemental Plan but does participate in the Retirement Plan and the Restoration Plan. Benefits under the Retirement Plan provide for accruals, which are expressed as monthly credits added to participants' "personal pension accounts," or PPA. The Restoration Plan provides for a supplemental benefit to employees equal to the amount they would have received under the Retirement Plan if compensation and annual accruals were not limited under the Internal Revenue Code. Under the Restoration Plan, EDS maintains a "restoration account," or RA, reflecting benefit and interest credits made on behalf of a participant. Monthly credits are based on a participant's credited years of service together with age, divided by 12. The resulting quotient is the monthly allocation percentage, which is multiplied by the participant's monthly earnings to determine the monthly amount credited to the PPA and RA. Participants receive additional credits (i) if annual compensation exceeded $90,000 (Social Security wage base) and generally (ii) if the participant was hired or rehired by EDS after age 35. The following table indicates the estimated annual benefits payable upon retirement to Mr. Jordan for the specified compensation and years of service classifications under the Retirement Plan and the Restoration Plan. The table below shows the total credits added to Mr. Jordan's PPA and RA in 2005, and the total PPA and RA credits as of December 31, 2005. The table also estimates the value of the December 31, 2005, PPA and RA balance converted to an annual single life annuity payable immediately. As of December 31, 2005, Mr. Jordan had two years of credited service for purposes of the Retirement Plan and Restoration Plan.

Name	Total PPA and RA Balance as of 12/31/04	Total PPA and RA Credits Added from 1/1/05 - 12/31/05	Total PPA and RA Balance as of 12/31/05	Total Estimated Annual Single Life Annuity as of 12/31/05
Michael H. Jordan	$312,156	$303,503	$615,659	$71,783

Employment Agreements

Michael H. Jordan. Mr. Jordan was appointed Chairman and Chief Executive Officer on March 20, 2003. Under the terms of his employment agreement now in effect, if his employment is involuntarily terminated without Cause (as defined), he voluntarily terminates his employment after his replacement as Chief Executive Officer is designated by the Board or becomes subject to Total Disability (as defined) or dies, he would be entitled, as his sole remedy, to a payment equal to the pro rata portion (through his termination date) of any cash bonus payable under EDS' bonus plan if and at such time as payment is made to other plan participants, and immediate vesting of the stock options and restricted stock granted upon commencement of his employment, subject to the restrictions on exercise and sale described in the Summary Compensation Table above. However, if at any time he is involuntarily terminated for Cause or voluntarily terminates his employment before his replacement as Chief Executive Officer is designated by the Board, Mr. Jordan will not be entitled to receive any of the foregoing payments and will immediately forfeit all then unvested stock options and restricted stock.

Jeffrey M. Heller. Mr. Heller rejoined EDS as President and Chief Operating Officer on March 20, 2003. Under the terms of Mr. Heller's employment agreement now in effect, if he is involuntarily terminated without Cause (as defined), voluntarily terminates his employment after Mr. Jordan's replacement as Chief Executive Officer is designated by the Board or becomes subject to Total Disability (as defined) or dies, he would be entitled, as his sole remedy, to a payment equal to the pro rata portion (through his termination date) of any cash bonus payable under EDS' bonus plan if and at such time as payment is made to other executives participating in that plan, and the immediate vesting of the stock options and restricted stock granted upon commencement of his employment, subject to the restrictions on exercise and sale described in the Summary Compensation Table above. However, if at any time Mr. Heller is involuntarily terminated for Cause or voluntarily terminates his employment before Mr. Jordan's replacement as Chief Executive Officer is designated by the Board, Mr. Heller will not be entitled to receive any of the foregoing payments and will immediately forfeit all then unvested stock options and restricted stock. Mr. Heller's agreement also provides that his service will not result in a decrease in the retirement benefit he had been entitled to receive from EDS at the time he rejoined the company.

Charles S. Feld and Stephen F. Schuckenbrock. Mr. Feld was appointed Executive Vice President - Portfolio Management and Mr. Schuckenbrock was appointed Executive Vice President – Global Sales & Client Solutions immediately following the purchase by EDS of The Feld Group, Inc. ("TFG") in January 2004. Pursuant to an agreement with each executive dated December 30, 2003, Mr. Feld received an initial base salary of $650,000

and had an annual bonus target of 70% of his base salary, with a minimum bonus for 2004 of $455,000, and Mr. Schuckenbrock received an initial base salary of $600,000 and had an annual bonus target of 70% of his base salary, with a minimum bonus for 2004 of $420,000. In addition, EDS agreed to grant to each executive options to purchase 100,000 shares of Common Stock in connection with the company's 2004 long-term incentive grant, which options would vest 100% in four years from the grant date with half eligible for vesting after 12 months and the other half after 24 months if the stock price increased from the grant price by 30% and 50% respectively. The agreements also provided for Messrs. Feld and Schuckenbrock to receive retention payments of $709,237 and $531,928, respectively, payable as follows: (i) one-third on the later to occur of the one-year anniversary of the executive's hire date or the first date thereafter on which the closing trading price of the Common Stock exceeds $25.7463 (which amount was paid in February 2006); (ii) one-third on the later to occur of the two-year anniversary of the executive's hire date or the first date thereafter on which the closing trading price of the Common Stock exceeds $27.0396 (which amount was also paid in February 2006); and (iii) one-third on the later to occur of the three-year anniversary of the executive's hire date or the first date thereafter on which the closing trading price of the Common Stock exceeds $28.3808. In each case, payment is contingent on the executive's remaining employed by EDS at the time of payment, unless his employment had been terminated by EDS without Cause or by him for Good Reason or due to death or Disability (as such terms are defined in the relevant award agreements).

Messrs. Feld and Schuckenbrock were limited partners of Feld Partners Investments, L.P., which held common stock and preferred stock of TFG. The purchase price for TFG included the following amounts paid or payable to Messrs. Feld and Schuckenbrock in respect of their interest in Feld Partners Investments, L.P.: (a) 113,875 and 85,406 shares, respectively, of restricted Common Stock, with a value of $2,791,076 and $2,093,301, respectively, as of the closing date, (b) options to purchase 269,838 and 202,379 shares of Common Stock, respectively, with an exercise price of $23.96 per share, (c) $578,301 and 433,726 in cash, respectively, and (d) $942,070 and $706,550 in cash, respectively, in respect of a portion of their federal income tax obligations arising out of the transaction. The restricted stock vests 40% on January 9, 2005, 30% on January 9, 2006, and 30% on January 9, 2007. The options have a five-year term and vest 8% on January 9, 2004, 32% on January 9, 2005, 30% on January 9, 2006, and 30% on January 9, 2007. If the executive's employment is terminated for any reason other than termination by EDS without Cause (as defined), termination by the executive for Good Reason (as defined) or the executive's death or disability, then the executive will forfeit all restricted stock and options that have not yet vested as of the date of termination. If the executive's employment is terminated by EDS without Cause, or by the executive for Good Reason, then any restricted stock or options that are unvested as of the date of termination shall immediately become vested. The restricted stock and options are also subject to forfeiture in connection with certain indemnification obligations under the agreement pursuant to which EDS acquired TFG.

Robert H. Swan. Mr. Swan was appointed Executive Vice President and Chief Financial Officer effective February 10, 2003. Under the terms of his employment agreement, Mr. Swan received a $500,000 sign-on bonus and deferred and restricted stock grants reported for 2003 in the Summary Compensation Table above, and EDS agreed to award him a grant of at least 200,000 options at the same time and under the same terms as the 2004 long-term incentive grant. On December 21, 2004, we entered into an Executive Severance Benefit Agreement with Mr. Swan (which agreement was later amended on October 6, 2005) which replaced a prior severance agreement that had been scheduled to expire on December 31, 2004. Under the terms of this agreement, as amended, if Mr. Swan is involuntarily terminated without "cause" or resigns for "good reason" (as such terms are defined in the agreement) on or before December 31, 2008, he would receive a payment equal to two times the sum of his final annual base salary and annual performance bonus target for the year in which the termination occurred. In addition, a portion of the "target award" of any unvested performance based restricted stock units awarded to him in 2005 or thereafter (prorated based on the number of months of the performance period elapsed through the termination date) would be eligible for vesting at the end of the performance period based on EDS' actual performance relative to pre-established targets. All other then outstanding equity-based awards will immediately vest and, with respect to options, become exercisable for one year following the date of termination. The agreement also provides for eligibility for up to $7,500 in financial counseling services for one year following the termination date and a waiver of premiums for health care coverage for up to 18 months.

Other Executives. EDS has also entered into Executive Severance Benefit Agreements with a limited number of other executives who are not "named executive officers." Such agreements have terms generally similar to the agreement with Mr. Swan described above, but with severance payments ranging from one to two times the sum of the executive's base salary and bonus target, depending on the executive. An officer entitled to receive benefits following a termination of employment under an Executive Severance Benefit Agreement or a Change of Control Employment Agreement described below may elect to receive benefits under either agreement, but not both.

Change of Control Employment Agreements

For purposes of the Change of Control Employment Agreements with the named executive officers described below, a "Change of Control" generally includes the occurrence of any of the following: (i) any person, other than exempt persons, becomes a beneficial owner of more than 50% of EDS' voting stock; (ii) a change in a majority of the Board, unless approved by a majority of the incumbent board members; (iii) the approval by shareholders of a reorganization, merger or consolidation in which (x) existing EDS shareholders would not own more than 50% of the common stock and voting stock of the resulting company, (y) a person would own 50% or more of the common or voting stock of the resulting company or (z) less than a majority of the board of the resulting company would consist of the then incumbent members of the EDS Board; or (iv) the approval by shareholders of a liquidation or dissolution of EDS, except as part of a plan involving a sale to a company of which following such transaction (x) more than 50% of the common stock and voting stock would be owned by existing EDS shareholders, (y) no person (other than exempt persons) would own more than 50% of the common stock or voting stock of such company and (z) at least a majority of its board of directors would consist of the then incumbent members of the EDS Board. For purposes of Mr. Swan's agreement**,** a "Potential Change of Control" generally includes: (i) the commencement of a tender or exchange offer that, if consummated, would result in a Change of Control; (ii) EDS entering into an agreement which, if consummated, would constitute a Change of Control; (iii) the commencement of an election contest subject to certain proxy rules; or (iv) the occurrence of any other event that the Board determines could result in a Change of Control.

In February 2004, at the request of the Compensation and Benefits Committee, Messrs. Jordan, Heller and Swan each agreed to amend the terms of their agreements to provide for the more restrictive definition of "Change of Control" described in the preceding paragraph. Prior to such amendments, a Change of Control would be deemed to have occurred for purposes of their agreements upon the acquisition by any person of more than 15% of EDS' voting stock, rather than 50% as in the amended agreements. The agreements entered into with Messrs. Feld and Schuckenbrock described below also have the more restrictive definition of Change of Control. Although there remain in effect Change of Control Agreements with a small number of non-executive officers that have the prior, less restrictive definition of the term, it is the intent of the Compensation and Benefits Committee that any future agreements reflect the more restrictive definition of that term.

Michael H. Jordan and Jeffrey M. Heller. EDS has entered into a limited Change of Control Agreement with each of Mr. Jordan and Mr. Heller. Under the terms of those agreements, as amended, upon the consummation of a Change of Control all outstanding deferred and restricted stock and stock options held by them would immediately vest and be free of any restrictions on sale (other than the restrictions on sale covering the restricted stock and options awarded upon the commencement of their employment, which would continue), and such awards shall be exercisable for a period of one year from the accelerated vesting (or any longer term set forth in the applicable award). The Change of Control Agreements with Messrs. Jordan and Heller do not provide for the payment of any salary or bonus with respect to the period following the Change of Control. The agreements provide that the executives would be entitled to receive a payment sufficient to pay the after-tax cost of any excise tax due as a result of the Change of Control.

Charles S. Feld and Stephen F. Schuckenbrock. EDS has entered into a Change of Control Employment Agreement dated September 30, 2005, with each of Mr. Feld and Mr. Schuckenbrock which replaced agreements that had been scheduled to terminate on December 31, 2005. Under these agreements, which terminate on December 31, 2008, in the event of the occurrence of a Change of Control, the executive's employment will be continued for an employment period of two years. Throughout the employment period, the executive will continue to receive the same base salary he was receiving immediately prior to the Change of Control and will remain eligible to receive bonuses and other short-term incentive compensation and participate in all long-term, stock-based and other incentive plans and welfare benefit plans generally available to peer executives until the end of the employment period. If during the employment period the executive's employment is terminated by EDS other than for Cause or Disability, or by the executive for Good Reason, the executive may receive his unpaid salary through the date of termination and a lump sum payment equal to 2.99 times the sum of the executive's final annual base salary and annual performance bonus target for the year in which he is terminated. In addition, all deferred and restricted EDS stock units and/or stock options awarded to the executive that are outstanding on the date of termination shall immediately vest, be free of any restrictions on sale or transfer and, with regard to all stock options (other than those awarded as part of the acquisition of TFG, which shall be exercisable for the period of time provided for in the applicable award) shall be exercisable for one year from the date of termination. See "Employment Agreements" above for a description of the terms of the options and restricted stock awarded as part of the acquisition of TFG. If the executive's employment is involuntarily terminated for Cause, death or disability during the employment period, or the executive voluntarily terminates his employment other than for Good Reason,

EDS shall pay all accrued but unpaid salary through the date of termination and shall have no other severance obligations to the executive under this agreement. If any payment under this agreement is subject to federal excise taxes imposed on golden parachute payments, EDS will pay the executive an additional amount to cover any such tax payable by him as well as the taxes on such gross-up payment.

The foregoing agreements reflect significant revisions from the terms of Change of Control Employment Agreements entered into with executives prior to 2004, including the agreement with Mr. Swan described below. The Compensation and Benefits Committee intends that these agreements serve as the model for any future Change of Control Employment Agreements. Specifically, the new "model" agreement does not provide for an "employment period" to commence upon a Potential Change of Control but rather only upon the occurrence of a Change of Control. In addition, it does not provide for a "window period" following the Change of Control during which the executive could terminate his employment and still be entitled to benefits under this agreement (unless the executive terminates for good reason, which includes a reduction in base salary of more than 25% or requiring the executive to be based at a location more than 50 miles from his location prior to the Change of Control).

Robert H. Swan. EDS has entered into a Change of Control Employment Agreement with Mr. Swan dated February 4, 2003. That agreement included terms similar to agreements that had been entered into with executive officers and certain other persons prior to that time. Under that agreement, upon the occurrence of certain events involving a "Potential Change of Control" or a "Change of Control," Mr. Swan's employment will be continued for an "employment period" of three years. Following a Potential Change of Control, the employment period may terminate (but the agreement will remain in full force and a new employment period will apply to any future Change of Control or Potential Change of Control) if the Board determines that a Change of Control is not likely or Mr. Swan elects to terminate his employment period as of any anniversary of the Potential Change of Control. Throughout the employment period, Mr. Swan's position, authority and responsibilities will not be diminished from the most significant held at any time during the 90-day period immediately prior to the commencement of the employment period, and his compensation will continue on a basis no less favorable than it had been during that period. The employment period may terminate (i) upon his death or after 180 days of continuing disability, (ii) at EDS' option if he is terminated for Cause (as defined) and (iii) at Mr. Swan's option for any reason during the 180-day period beginning 60 days after a Change of Control (a "window period") or at any time for Good Reason (as defined). If during the employment period Mr. Swan's employment is terminated by EDS other than for Cause or Disability, or by him for any reason during a window period or for Good Reason at any time, he may receive the following: (i) his then current salary and bonus throughout the remainder of the employment period; (ii) the cash value of his retirement and 401(k) benefits to the end of the employment period; (iii) under certain circumstances, a pro rata portion of the equity-based awards he would have received had his employment continued; and (iv) continued coverage under welfare benefit plans until the end of the employment period. In addition, all unvested equity-based awards will immediately vest and become exercisable, and their term will be extended for up to one year following termination of employment (or any longer exercise term set forth in the award). Mr. Swan may also elect to cash out equity-based awards at the highest price per share paid by specified persons during the employment period or the prior six months. In the event of Mr. Swan's death (other than during a window period), his legal representatives will receive his then current salary for one year from the date of death and the continuation of welfare benefits until the end of the employment period. In addition, all equity-based awards will immediately vest and become exercisable for up to one year following death (or any longer period set forth in the award). Mr. Swan's legal representatives may cash out equity-based awards at the highest price per share paid by specified persons during the employment period or the prior six months. Upon termination due to Disability, Mr. Swan would be entitled to receive the same amounts and benefits as would be provided upon death. If Mr. Swan's employment is terminated, other than during a window period, by EDS for Cause or by him other than for Good Reason, he will be entitled to receive only the compensation and benefits earned as of the date of termination.

Certain Transactions and Relationships

In 2005 EDS retained Navigator Systems, Inc. ("Navigator") to provide staff augmentation services related to EDS' development of a Business Intelligence team to support its corporate initiatives of corporate metrics, analytics and dashboards. Such services were furnished pursuant to a Statement of Work executed in May 2005 and governed by the Professional Services Agreement between EDS and Navigator dated October 1, 1998, and amended on May 11, 2005. EDS paid Navigator an aggregate of $3,835,250 for such services in 2005 and expects to pay additional amounts for such services in 2006. Jon Feld, a son of Charles Feld, is a co-founder, director and Chief Executive Officer of Navigator and in 2005 held an approximately 20% ownership interest in Navigator. EDS retained Navigator for these services following a competitive bid process conducted by EDS' purchasing organization that resulted in Navigator's selection as the most competitive bidder. Management of this work was

moved outside of Charles Feld's organization in November 2005. Navigator was acquired by Hitachi Consulting Corporation in February 2006.

Charles Feld's son, Kenny Feld, is an employee of EDS. Kenny Feld receives a base salary of $300,000 per year and received a bonus of $124,000 in respect of 2005 performance. In addition, he was awarded 10,000 Performance RSUs in connection with our 2005 long-term incentive grant. Charles Feld disclaims any interest in Kenny Feld's compensation.

Pursuant to the provisions of our Bylaws and indemnification agreements with current and former directors and executive officers, fees and other expenses incurred by such persons in connection with the consolidated securities action, consolidated ERISA action, derivative suits and SEC investigation described in our Annual Report on Form 10-K are being advanced by EDS. In 2005, we advanced an aggregate of $2,377,562 for legal fees and expenses related to such matters on behalf of current and former directors and executive officers.

Compensation and Benefits Committee Interlocks and Insider Participation

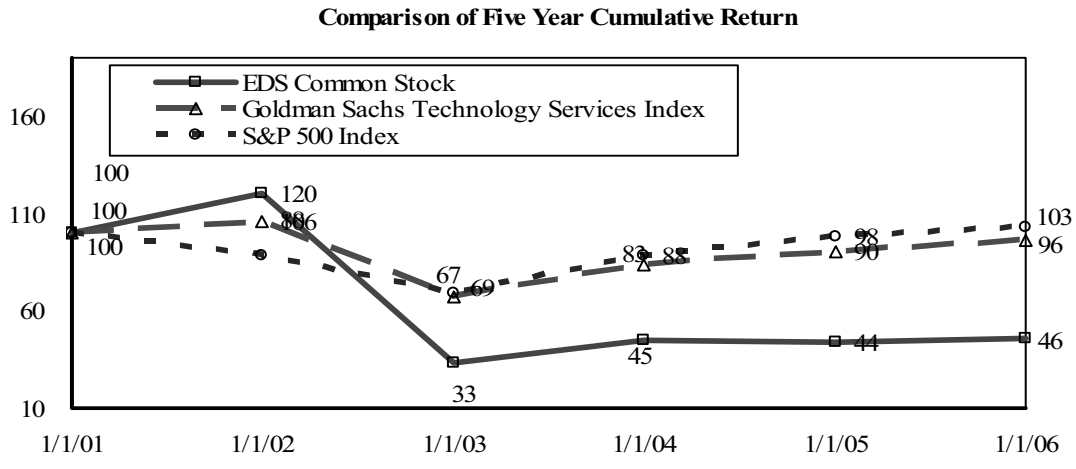
None of the members of the Compensation and Benefits Committee are current or former officers or employees of EDS. No interlocking relationship exists between the members of our Board of Directors or our Compensation and Benefits Committee and the board of directors or compensation committee of any other company, nor has any such interlocking relationship existed in the past.

Section 16(a) Beneficial Ownership Reporting Compliance

Our directors and executive officers are required under the Exchange Act to file with the SEC reports of ownership and changes in ownership in their holdings of Common Stock. We assist such persons with these filings. Based on an examination of these reports and on written representations provided to EDS, we believe that all such reports were timely filed in 2005, other than a Form 4 filed on April 4, 2005, reporting the issuance of 623 shares on March 15, 2005, to Scot McDonald in respect of the deferral of his cash bonus under the Executive Deferral Plan, which filing was late due to the failure of the plan administrator to include such shares on its report to EDS.

Performance Graph

The following graph compares the cumulative total shareholder return on Common Stock, including reinvestment of dividends, for the last five fiscal years with the cumulative total return of the Standard & Poor's 500 Stock Index and the Goldman Sachs Technology Services Index assuming an investment of $100 on January 1, 2001. **This graph is presented in accordance with SEC requirements. You are cautioned against drawing any conclusions from this information, as past results are not necessarily indicative of future performance. This graph in no way reflects a forecast of future financial performance.**



Notwithstanding any statement in any of our filings with the SEC that might incorporate part or all of any future filings with the SEC by reference, including this Proxy Statement, the foregoing Report of the Compensation and Benefits Committee on Executive Compensation and the above Performance Graph are not incorporated by reference into any such filings.

PROPOSAL 2: RATIFICATION OF APPOINTMENT OF AUDITORS

The Audit Committee has appointed KPMG LLP ("KPMG") as EDS' independent auditors for the year ending December 31, 2006. That firm has been EDS' auditors since 1984. The Board of Directors is submitting the appointment of that firm for ratification at the Meeting. A representative of KPMG is expected to be present at the Meeting, will be available to respond to appropriate questions and will have the opportunity to make a statement, should he or she so desire.

Fees Billed by Independent Auditor

The following table shows the dollar amount (in millions) of the fees paid or accrued by EDS for audit and other services provided by KPMG in 2004 and 2005.

	2005	2004
Audit Fees	$19.0	$19.7
Audit-Related Fees	1.0	.8
Tax Fees	.4	1.1
All Other Fees	--	--
Total	$20.4	$21.6

Audit fees represent fees for services provided in connection with the audit of our consolidated financial statements, audit of our internal control over financial reporting, review of our interim consolidated financial statements, local statutory audits, accounting consultations and SEC registration statement reviews. Audit-related fees consist primarily of fees for audits of employee benefit plans and service organizations. Tax fees include fees for domestic and international tax consultations, and international tax return preparation. Other services principally include fees for ISO 9000/14000 compliance assessments and were less than $50,000 in both 2005 and 2004. KPMG rendered no professional services to EDS in 2005 or 2004 with respect to financial information systems design and implementation.

All audit services, audit-related services, tax services and other services were pre-approved by the Audit Committee, which concluded that the provision of such services by KPMG was compatible with the maintenance of that firm's independence in the conduct of its auditing functions. The Audit Committee charter provides for pre-approval of any audit or non-audit services provided to EDS by its independent auditors. However, pre-approval is not necessary for non-audit services if: (i) the aggregate amount of all such non-audit services provided to EDS constitutes not more than 5 percent of the total fees paid by EDS to its independent auditors during the fiscal year in which the non-audit services are provided; (ii) such services were not recognized by EDS at the time of the engagement to be non-audit services; and (iii) such services are promptly brought to the attention of the Audit Committee and approved prior to the completion of the audit by the Audit Committee. The Audit Committee may delegate to one or more of its members pre-approval authority with respect to all permitted audit and non-audit services, provided that any services pre-approved pursuant to such delegated authority shall be presented to the full Audit Committee at its next regular meeting.

The Board of Directors recommends a vote FOR the ratification of the appointment of KPMG as independent auditors for 2006.

SHAREHOLDER PROPOSALS

Certain of the following shareholder proposals contain assertions regarding EDS that, in the judgment of the Board, are incorrect. Rather than refuting all of these inaccuracies, however, the Board has recommended a vote against these proposals for broader policy reasons as set forth following each proposal.

PROPOSAL 3: SHAREHOLDER PROPOSAL – DIRECTORS TO BE ELECTED BY MAJORITY VOTE

John Chevedden, as proxy for Ray T. Chevedden, has advised EDS that he intends to present the following resolution at the Meeting. The proposed resolution and supporting statement, for which EDS accepts no responsibility, are set forth below.

Resolved: Directors to be Elected by Majority Vote. Shareholders request that our Board of Directors initiate an appropriate process to amend our Company's governance documents (charter or bylaws) to provide that director nominees be elected or re-elected by the affirmative vote of the majority of votes cast at an annual shareholder meeting.

Ray T. Chevedden, 5965 S. Citrus Ave., Los Angeles, Calif. 90043 submitted this proposal.

This proposal requests that a majority vote standard replace our Company's current plurality vote. The new standard should provide that director nominees must receive a majority of the votes cast in order to be elected or re-elected to our Board.

To the fullest extent possible this proposal asks that our directors not make any provision to override our shareholder vote and keep a director entrenched who gets such a dismal vote on his or her performance or qualifications.

This proposal is not intended to unnecessarily limit our Board's judgment in crafting the requested governance change. For instance, our Board should address the status of incumbent directors who fail to receive a majority vote when standing for election under a majority vote standard and whether a plurality director election standard is appropriate in contested elections.

Fifty-four (54) shareholder proposals in 2005
Fifty-four (54) shareholder proposals on this topic won a significant 44% average yes-vote in 2005 through late-September – especially good since this is a new "first run" topic. The Council of Institutional Investors www.cii.org, whose members have $3 trillion invested, recommends adoption of this proposal topic. Additionally The Council is sending letters asking the 1,500 largest U.S. companies to comply with the Council's policy and adopt this topic.

Directors to be Elected by Majority Vote
Yes on 3

THE BOARD OF DIRECTORS RECOMMENDS
A VOTE AGAINST THIS PROPOSAL FOR THE FOLLOWING REASONS:

Active shareholder participation in a well-designed process for the election of directors is important to EDS, and the Board of Directors has taken several actions towards this goal. Last year the Board recommended and shareholders approved amendments to the company's Certificate of Incorporation and Bylaws to eliminate the classified Board structure. As a result, all directors are subject to election or re-election by the shareholders every year. The Governance Committee, which is composed solely of directors who are independent under EDS and NYSE guidelines, identifies and recommends to the full Board nominations of individuals for election as directors based on the specific criteria and qualifications contained in the EDS Corporate Governance Guidelines. Such Guidelines also provide for full and appropriate consideration by the Governance Committee of candidates for nomination suggested by shareholders.

The Board carefully considered the impetus behind the proposal and decided to adopt the director resignation policy described above under the heading "Corporate Governance and Board Matters – Director Resignation Policy." Under this policy, a director who receives more "withhold" votes than "yes" votes in an

uncontested election is required to tender his or her resignation for consideration by the Board. The Governance Committee will promptly consider such resignation and recommend to the Board whether to accept or reject it. In considering whether to accept or reject the tendered resignation, the Governance Committee will consider all factors deemed relevant by its members, including the stated reasons why shareholders "withheld" votes for election from such director, the length of service and qualifications of such director, and the director's contributions to EDS. The full Board must act on the Governance Committee's recommendation no later than 90 days following the date of the shareholder vote. This Board and Governance Committee process will be managed only by independent directors, and will exclude the director nominee at issue. EDS will promptly and publicly disclose the Board's decision, together with a full explanation of how the decision was reached.

The majority vote proposal advanced is not, in the Board's opinion, in the best interest of EDS and its shareholders because of the technical and practical difficulties it would create and because the proposal may not, in fact, achieve the proponent's goal of electing directors by a majority vote and removing those directors who do not receive a majority vote. For example, if a director failed to receive a majority vote, under Delaware law and EDS' governing documents the Board would have to decide whether to appoint a successor (which would not be elected by shareholder vote) or leave a vacancy, or, if the nominee were an existing director, permit the director to remain in office until the next annual shareholder meeting or expend the funds to hold a special meeting to elect a successor. In addition, this proposal could cause EDS to fail to be in compliance with NYSE listing requirements and SEC regulations regarding the independence of Audit Committee members if a director meeting the necessary qualifications does not receive sufficient votes to be elected or re-elected and there is not at that time another director meeting those qualifications.

The Board believes the director resignation policy, and the other measures outlined above, are responsive to concerns that shareholder views on directors could be overridden under certain circumstances, but also preserve flexibility for the Board to consider the facts and circumstances at the time of the election in considering whether to accept a director's tendered resignation. While the law and best practices are in a state of flux, this flexibility is important to ensure that the Board can continue to operate in compliance with applicable legal and regulatory requirements.

The Board recognizes that there is current discussion among shareholders, governance experts and others on whether requiring majority voting in the election of directors is a worthy and workable goal and on how to address the concerns raised by a majority vote standard. Therefore, the Board will continue to monitor developments in this discussion. However, the Board believes that EDS' current structure furthers the goal of promoting director accountability to shareholders while avoiding the "failed election" possibility and the possibility of non-compliance with SEC and NYSE requirements raised by the proposal.

Accordingly, the Board unanimously recommends a vote AGAINST this proposal.

PROPOSAL 4: SHAREHOLDER PROPOSAL - INDEPENDENT BOARD CHAIRMAN

John Chevedden, as proxy for William Steiner, has advised EDS that he intends to present the following resolution at the Meeting. The proposed resolution and supporting statement, for which EDS accepts no responsibility, are set forth below.

RESOLVED: Stockholders request that our Board of Directors change our governing documents (Charter or Bylaws if practicable) to require that the Chairman of our Board serve in that capacity only and have no management duties, titles, or responsibilities. This proposal gives our company an opportunity to cure our Chairman's loss of independence should it exist or occur once this proposal is adopted.

William Steiner, 112 Abbottsford Gate, Piermont, NY 10968 submitted this proposal.

The primary purpose of our Chairman and Board of Directors is to protect shareholders' interests by providing independent oversight of management, including the CEO. Separating the roles of Chairman and CEO can promote greater management accountability to shareholders and lead to a more objective evaluation of our CEO.

When one person acts as our Chairman and CEO, a vital separation of power is eliminated – and we as the owners of our company are deprived of both a crucial protection against conflicts of interest and also of a clear and direct channel of communication to our company through our Chairman.

54% Yes-Vote

Twenty (20) shareholder proposals on this topic won an impressive 54% average yes-vote in 2005. The Council of Institutional Investors www.cii.org, whose members have $3 trillion invested, recommends adoption of this proposal topic.

Progress Begins with One Step

It is important to take one step forward in our corporate governance and adopt the above RESOLVED statement since our 2005 governance standards were not impeccable. For instance in 2005 it was reported:

- The Corporate Library (TCL), an independent investment research firm in Portland, Maine rated our company:
  "F" in Shareholder Responsiveness (could be raised to a "D" or higher).
  "D" in Accounting.
- We had no Independent Chairman and not even a consistent Lead Director – Independent oversight concern.
- Cumulative voting was not allowed.
- Poison pill: Our board is still allowed to implement a poison pill, without shareholder approval, under vaguely described circumstances.
- Mr. Jordan was rated a "problem director" by the Corporate Library because he chaired the executive compensation committee at Aetna, Inc. Aetna received a CEO Compensation rating of "F" by TCL.

I believe these less-than-best practices at our company reinforce the reason to adopt the above RESOLVED statement to improve our governance and increase shareholder value.

Moreover

It is well to remember that at Enron, WorldCom, Tyco, and other legends of mis-management and/or corruption, the Chairman also served as CEO. When a Chairman runs a company as Chairman and CEO, the information given to directors may or may not be accurate. If a CEO wants to cover up improprieties and directors disagree, with whom do they lodge complaints? The Chairman?

Independent Board Chairman

Yes on 4

THE BOARD OF DIRECTORS RECOMMENDS
A VOTE AGAINST THIS PROPOSAL FOR THE FOLLOWING REASONS:

The Board, after extensively considering the issue, has determined not to require the positions of Chairman and CEO to be separate or combined on a permanent basis. Instead, the Board believes it is in the best interests of EDS and its shareholders for the Board to make this determination based on what it considers to be best for EDS at any given point in time. The positions of Chairman and CEO are currently held by the same person based on the Board's current view of the need for unified leadership and a single source of direction and strategy. The independent directors will continue to maintain appropriate checks and balances over the CEO, whether or not the positions of CEO and Chairman are combined. While the Board may separate the positions of Chairman and CEO in the future should circumstances change, it believes that implementing the proposal would deprive the Board of the flexibility to organize its functions and conduct its business in the most effective manner based on facts and circumstances existing from time to time.

As set forth in EDS Corporate Governance Guidelines, the Governance Committee and the Board will evaluate whether to combine the positions of Chairman and CEO when a new CEO is appointed and otherwise from time to time. Factors the Board will consider in determining whether to separate the two positions are based on the facts and circumstances existing at that time, including the need for a single source of direction and strategy, the availability of candidates among the independent directors with experience and characteristics to effectively serve as Chairman, the ability of senior executives to work effectively with multiple sources of authority, the relative benefits and detriments of such a separation for relations with EDS' clients, the Board's view of its ability to maintain appropriate checks and balances and the Board's view of the CEO's willingness to seek and accept direction and oversight by the Board.

The Board has considered the issue of whether to separate or combine the positions of CEO and Chairman several times. After considering the issue last year, the Board revised the Corporate Governance Guidelines to more clearly explain the policy not to separate the positions on a permanent basis and to provide significant detail regarding the responsibilities of the company's independent Presiding Director, as further outlined below. This year, after receiving this proposal, the Board amended the Corporate Governance Guidelines to further enhance the Presiding Director's duties. See "Corporate Governance and Board Matters – Presiding Director" above.

Currently, the Board has an independent Presiding Director who facilitates communication with the Board and presides over regularly conducted executive sessions or sessions where the Chairman is not present. The Presiding Director position is rotated annually among the Chairpersons of the Board's three standing Committees. At the request of any independent director, the Presiding Director serves as the liaison between the Chairman and the independent Directors. When requested by any independent director or when the Presiding Director deems it appropriate, the Presiding Director can call meetings of the independent directors. The Presiding Director reviews and approves agendas for Board meetings as well as a description of the nature and type of information to be sent to the Board in advance of a particular meeting based on the meeting's agenda. Each director is free to suggest items for the agenda and raise at any Board meeting subjects not on the agenda for that meeting. At least annually, the independent directors will evaluate the Board's plan for meeting agendas and materials in the upcoming year. They will discuss recommendations for any changes in executive session with the Presiding Director, who will then communicate those recommendations to the Chairman. In addition, because the Board believes that shareholders and other interested individuals should be able to communicate directly with the Presiding Director, EDS describes on its website a method for submitting any such communication.

Whether or not the positions of CEO and Chairman are separated at any given time, the Board believes that having a strong, independent group of directors is important to good corporate governance. Currently, eight of ten members of the Board, including each member of the Board's three standing committees, are "independent" under EDS and New York Stock Exchange guidelines. The independent directors hold regular and frequent executive sessions that take place without the Chairman or any other management director being present. In addition, the Board believes that the EDS Corporate Governance Guidelines ensure strong and independent directors will continue to provide effective strategic direction, oversight and control of EDS.

The Board believes that the company's governance structure, including an independent Presiding Director who can act as a liaison between the Chairman and independent directors and with the ability to provide input on Board agendas and other information, makes it unnecessary to have an absolute requirement that the Chairman and CEO positions should be separate at all times. The Board believes that adopting such a rule would eliminate the Board's flexibility to make this determination based on the circumstances at any particular point in time and therefore is not in the best interests of EDS and its shareholders.

Accordingly, the Board unanimously recommends a vote AGAINST this proposal.

Table of Contents

2005 Annual Report

2005 ANNUAL REPORT

This Annual Report contains an overview of EDS' business as well as information regarding EDS' operations during 2005 and other information that our shareholders may find useful.

BUSINESS

Overview

Electronic Data Systems Corporation, or EDS, is a leading global technology services company that delivers business solutions. EDS founded the information technology outsourcing industry more than 40 years ago. Today, we deliver a broad portfolio of information technology and business process outsourcing services to clients in the manufacturing, financial services, healthcare, communications, energy, transportation, and consumer and retail industries and to governments around the world.

As of February 28, 2006, we employed approximately 117,000 persons in the United States and 57 other countries around the world. Our principal executive offices are located at 5400 Legacy Drive, Plano, TX 75024, telephone number: (972) 604-6000.

We make available free of charge on our Web site at *www.eds.com/investor* our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with the Securities and Exchange Commission, or SEC. We also make available on our Web site other reports filed with, or furnished to, the SEC under the Securities Exchange Act of 1934, including our proxy statements and reports filed by officers and directors under Section 16(a) of that Act.

EDS Services

Infrastructure Services. EDS Infrastructure Services delivers hosting, workplace (desktop), storage, security and privacy, and communications services that enable clients to drive down their total cost of ownership and increase the productivity of their information technology ("IT") environment across the globe. Infrastructure Services include:

- *Data Center Services.* EDS Data Center Services address the business and technology needs of our clients in the area of hosting and storage services. These services establish the client's infrastructure using a set of highly granular, standard components that can be provisioned quickly and easily, serving as the base to build an integrated business support model from business processes down to application and infrastructure. Data Center Services is composed of 4 principal offerings:
  - *Managed Server.* This service suite combines midrange hosting, application hosting and Web hosting into packaging that spans the data center. Managed Server Hosting offers multiple levels of packaging allowing a client to utilize its current technology within an EDS data center to advance the fundamentals of traditional IT by providing leveraged, high-value services such as standardization, increased automation and virtualization in a utility model.
  - *Managed Mainframe.* These entry level services include migration to a leveraged EDS Service Management center with processing environments for dedicated or shared logical partitions. Higher value services include the z/OS platform which provides the client standardization and increased automation in a utility model.
  - *Data Center Modernization.* These transformational state packages rationalize, consolidate, automate and virtualize IT infrastructure and the applications environment for maximum use through server consolidation, mainframe consolidation and migration services.
  - *Storage Services*. We provide a fully managed suite of enterprise-wide services for storage management, information protection (backup and recovery) and information optimization (archival services) from the data center to the desktop.

- *EDS Workplace Services.* EDS Workplace Services delivers expert management and support of the end user's work environment from the software applications that support the client's business practices to the supporting network communications infrastructure. Workplace services include:
  - *Workplace Management Services.* We offer comprehensive management of a client's total workplace environment. We support PCs, laptops and hand-held computing devices, as well as associated support services such as helpdesks, asset management of hardware and software, and administration of the servers and networks that tie it all together.
  - *Mobile Workplace Services*. EDS Mobile Workplace Services provide an end-to-end managed mobility solution that delivers voice and enterprise data regardless of a user's locality, device, network or application.
  - *Workplace Migration Services*. Provides an end-to-end solution for automating the deployment/version upgrades of desktop and server operating systems, including the associated packaging required to migrate a client's enterprise applications, to computers across an organization quickly and reliably.
  - *Workplace Messaging and Collaboration Services*. Messaging solutions provide mailbox service as a base service to users through a hosted, locally or remotely managed messaging system. This service includes Antivirus and Security, and also includes migrating to more current releases and/or consolidating e-mail systems. Collaboration Services secure Instant Messaging and virtual team workspace to enable an organization to improve collaboration.
  - *Workplace Support Services*. Provides the single point of contact for resolving IT issues in the desktop environment. Help desk services may be accessed by various channels including telephone, the Web, e-mail and facsimile.
- *Security and Privacy.* We offer defined security, privacy and business continuity features embedded at the onset in every EDS offering. These features are the people, tools, processes and controls used by EDS across all portfolio offerings to meet clients' expectations and industry-specific standards and regulations for security, privacy, business continuity management and risk management.
- *Communications Services.* EDS Communications Services delivers comprehensive, secure, flexible network services on a global basis ranging from network support to management of an entire client network. EDS designs, builds, deploys and manages a single seamless network that integrates voice, video and data; improves the effectiveness of data exchange in the supply chain; and delivers secure connectivity and smooth operations over a wired or wireless platform. These services are designed to help clients manage the complexities of aligning their communications and network needs with their overall IT outsourcing strategies.

Applications Services. EDS Applications Services helps organizations plan, develop, integrate and manage custom applications, packaged software and industry-specific solutions. We offer applications development and management services on an outsourced or project basis. Services range from outsourcing of all applications development and systems integration to the management and implementation of EDS-owned or third-party industry applications. Benefits to clients for these services can include reduced costs, extended value of technology investments, information sharing and enhanced ability to adapt to market changes. Our Applications Services include the following:

- *Applications Development Services.* We create new applications, providing full lifecycle support through delivery. We define the application requirements, analyze application characteristics, implement to a production environment and monitor performance for a warranted time. Services include custom application development, application testing, mobile applications, workforce enhancement, and enterprise application integration.
- *Application Management Services.* We offer outsourcing support for specific applications or entire applications portfolios, both custom and packaged, including services for enterprise applications and support for SAP®, Oracle® and PeopleSoft® software. We assess the specified applications, plan the transition and provide ongoing management to improve client productivity and operating efficiency. We also provide applications rationalization, content management integration and legacy application migration services.
- *Integrated Applications Services.* We engineer offerings such as Business Intelligence Services, Portals and Dashboards Services, Web Services and Enterprise Applications Integration Services to support the overall integration of the client's architecture or our own Agile Application Architecture. These services integrate and extend existing packaged and legacy applications.
- *Industry-Specific Application Solutions.* These solutions are designed to support industry-specific needs. Our industry solutions span eight vertical industry segments: communications, energy, financial, government, healthcare, manufacturing, retail and transportation.

Applications Services offerings and capabilities are available via the EDS Global Delivery Model, including the EDS Best Shore℠ delivery approach which offers clients the ability to develop and manage applications in one or more of our solution centres strategically located in cost-effective countries. The delivery of our services offers a lifecycle approach to on-shore, near-shore and offshore applications development and management with globally integrated, consistent work processes and tools and project-sharing at multiple facilities on a 24 hours a day, seven days a week basis.

Business Process Outsourcing Services. Business Process Outsourcing (BPO) continues to be one of the fastest growing market segments in the IT services industry and an important element of our strategy to enlarge our business services footprint and grow our revenue base. BPO services help clients to achieve economies of scale and improve business performance. By leveraging a shared-services operating model, clients reduce operational risk and control costs.

Enterprise Services are or will be sold across multiple industries and include Customer Relationship Management (CRM), Human Resources (HR), and Finance and Accounting services. For each of these services, EDS manages all components from technology, administration and customer service to business intelligence and third-party relationships. Our integrated solutions combine best-practice business processes, leading technologies and experienced professionals along with skilled domain partners.

EDS also delivers industry-specific offerings and provides industry experts to assist clients in key process improvement redesign. One example is our suite of Government BPO Services. For more than forty years EDS has provided Medicare and Medicaid claims processing to the U.S. federal and state governments helping to lower program costs while increasing efficiency and performance. EDS' offerings to governments also include: fiscal agent services; decision support services; fraud, waste and abuse protection services; integrated pharmacy services; Health Insurance Portability and Accountability Act (HIPAA) compliance services; immunization registry and tracking services; and case management services. We also offer Internet-based enrollment and eligibility inquiry capabilities.

Other industries supported by our industry-specific BPO offerings include financial services, manufacturing, healthcare, transportation, communications, energy and consumer/retail.

Many BPO services are supported by our reusable, multi-client utility platform. This platform is comprised of key components of the BPO portfolio, including: customer relationship management (CRM) and call center services; financial process services such as credit services and insurance services, payment and settlement, card processing and billing and clearing transactions and content management services.

ExcellerateHRO LLP, our 85% owned joint venture with Towers Perrin, offers a comprehensive set of HR outsourcing solutions on a global basis across the core areas of benefits administration, compensation administration, payroll, recruitment and staffing, relocation, work force administration and work force development.

EDS Agile Enterprise

A key component of our multi-year plan is the development of the EDS Agile Enterprise technology platform, a network-based utility architecture intended to create a more flexible, open and cost effective technology foundation for the delivery of a significant portion of our infrastructure outsourcing, applications, and BPO services. As part of this strategy, we have established alliance relationships with a number of leading technology companies to develop the Agile Enterprise technology platform. We refer to this "federation" of technology companies as the EDS Agility Alliance. EDS Agility Alliance members currently include Cisco Systems, Dell, EMC, Microsoft, Oracle, SAP, Sun Microsystems, Towers Perrin and Xerox. See "Risk Factors" below for a discussion of certain risks relating to our multi-year plan.

TRADING PRICES OF COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is listed on the New York Stock Exchange (the "NYSE") under the symbol "EDS." The table below shows the range of reported per share sales prices on the NYSE Composite Tape for the common stock for the periods indicated.

Calendar Year	High	Low
2004		
First Quarter	$ 25.44	$ 18.30
Second Quarter	20.66	15.62
Third Quarter	20.43	16.43
Fourth Quarter	23.38	19.01
2005		
First Quarter	$ 23.35	$ 19.59
Second Quarter	21.11	18.59
Third Quarter	23.95	19.00
Fourth Quarter	24.82	21.16

The last reported sale price of the common stock on the NYSE on March 1, 2006 was $27.27 per share. As of that date, there were approximately 108,976 record holders of common stock.

EDS declared quarterly dividends on the common stock at the rate of $0.15 per share for the first and second quarters of 2004, and at the rate of $0.05 per share for the third and fourth quarters of 2004 and each quarter in 2005.

SELECTED FINANCIAL DATA

(in millions, except per share amounts)

	As of and for the Years Ended December 31,				
	2005[1]	2004[2]	2003[2]	2002[2][3]	2001[2][3][4]
Operating results					
Revenues	$ 19,757	$ 19,863	$ 19,758	$ 19,538	$ 19,272
Cost of revenues	17,422	18,224	18,261	16,352	15,653
Selling, general and administrative	1,819	1,571	1,577	1,532	1,544
Restructuring and other	(26)	170	175	(2)	(17)
Other income (expense)[5]	(103)	(272)	(262)	(331)	121
Provision (benefit) for income taxes	153	(103)	(205)	451	782
Income (loss) from continuing operations	286	(271)	(312)	874	1,431
Income (loss) from discontinued operations	(136)	429	46	242	(44)
Cumulative effect on prior years of changes in accounting principles, net of income taxes	–	–	(1,432)	–	(24)
Net income (loss)	$ 150	$ 158	$ (1,698)	$ 1,116	$ 1,363
Per share data					
Basic earnings per share of common stock:					
Income (loss) from continuing operations	$ 0.55	$ (0.54)	$ (0.65)	$ 1.82	$ 3.04
Net income (loss)	0.29	0.32	(3.55)	2.33	2.90
Diluted earnings per share of common stock:					
Income (loss) from continuing operations	0.54	(0.54)	(0.65)	1.79	2.95
Net income (loss)	0.28	0.32	(3.55)	2.28	2.81
Cash dividends per share of common stock	0.20	0.40	0.60	0.60	0.60
Financial position					
Total assets	$ 17,087	$ 17,744	$ 18,616	$ 18,880	$ 16,353
Long-term debt, less current portion	2,939	3,168	4,148	4,148	4,692
Shareholders' equity	7,512	7,440	7,022	7,022	6,446

(1) We adopted a new method of accounting for share-based payments as of January 1, 2005. This change in accounting resulted in the recognition of pre-tax compensation expense of $160 million ($110 million net of tax) for the year ended December 31, 2005.

(2) Operating results for each of the years in the four year period ended December 31, 2004 have been restated to conform to the current presentation to reflect certain activities as discontinued operations during 2005.

(3) We adopted a new method of accounting for revenue recognition on long-term contracts effective January 1, 2003. Amounts for prior years are reported in accordance with our previous method of accounting for revenue recognition. Revenues for the years ended December 31, 2002 and 2001 were $18,311 million and $18,175 million, respectively, on a comparable pro forma basis as if the aforementioned accounting change had been applied to all contracts at inception. Net income for the years ended December 31, 2002 and 2001 were $460 million and $932 million, respectively, on a comparable pro forma basis as if the aforementioned accounting change had been applied to all contracts at inception.

(4) Effective January 1, 2002, we fully adopted Statement of Financial Accounting Standards ("SFAS") No. 142, Goodwill and Intangible Assets. SFAS No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized. Operating results, including those related to discontinued operations, include goodwill amortization in the pre-tax amount of $173 million for the year ended December 31, 2001.

(5) Other income (expense) includes net investment gains (losses) in the pre-tax amounts of $(41) million, $6 million, $6 million, $(119) million, and $344 million for the years ended December 31, 2005, 2004, 2003, 2002 and 2001, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the consolidated financial statements and related notes that appear elsewhere in this document.

Overview

We are a leading provider of information technology ("IT") and business process outsourcing ("BPO") services to corporate and government clients around the world. This section provides an overview of the principal factors and events that impacted our 2005 results and the principal risks and opportunities that could impact our future.

2005 Highlights

Progress on Initiatives

At the beginning of 2005, we stated our priorities were to shift our focus from improving our core business and strengthening our balance sheet to a longer-term strategy, which contemplated significant new investments in our infrastructure and in new service offerings intended to improve our cost competitiveness and generate future growth. This discussion outlines our progress on these initiatives. Investments in these initiatives, including our upfront investment in the U.K. Ministry of Defence contract referred to below, reduced our earnings by approximately $0.36 per share during 2005.

Investments in Infrastructure. The principal focus of our investments in infrastructure during the year was the development of our "Agile Enterprise" platform, a network-based utility architecture designed to create a flexible, open and cost-effective technology foundation for the delivery of a significant portion of our IT outsourcing and BPO services. This platform includes the build-out of a global secure infrastructure, which is expected to be completed during 2006, as well as the modernization of legacy systems. As part of this strategy we have established alliance relationships with leading industry providers, which we refer to as the "EDS Agility Alliance." We believe the technology vision behind the Agile Enterprise platform represents a key market differentiator for EDS and contributed to our increased level of new business signings in 2005 and year-to-date in 2006.

Investments in New Service Offerings. Our 2005 investments included a significant expansion of our human resources ("HR") BPO capabilities, principally through the creation in the first quarter of ExcellerateHRO LLP, our 85% owned joint venture with Towers Perrin. ExcellerateHRO combines our payroll and related HR outsourcing business with the pension, health and welfare administration services business formerly operated by Towers Perrin as its Towers Perrin Administrative Services ("TPAS") business. The new company enables us to offer a comprehensive set of HR outsourcing solutions across the core areas of benefits, payroll, compensation management, workforce administration and relocation, recruitment and staffing, and workforce development. The $417 million in cash we paid at closing of the transaction (which principally represented the purchase price for the business and the right to use the Towers Perrin brand, net of Towers Perrin's interest in the new company and its share of the cash capital contribution (approximately $50 million) to the venture) was funded from cash on hand. We invested additional amounts in ExcellerateHRO and other BPO offerings during the year and will continue to focus on expanding our BPO offerings in 2006.

Cost Competitiveness. We continued to focus on improving our cost competitiveness in 2005 as part of our long-term goal to reduce our cost of revenue by approximately 20% over the four-year period commencing with 2005. During 2005, we reduced our cost of revenue by approximately $1 billion principally through the following:

- improvements in our supply chain, including increased usage of centralizing sourcing, competitive bidding, advanced sourcing tools and automation and improvements in demand planning, logistics and fulfillment;
- labor cost management through increased productivity, investment in automation and monitoring tools, and acceleration of our Best Shore[SM] initiatives by increasing our capabilities in lower cost geographies;
- enterprise process improvements, including greater standardization and consolidation, more regimented contract start-up processes and service delivery automation; and
- production process improvements, including automation and process redesign enabling improved utilization of data center capacity.

In addition, during 2005 we sold sixteen domestic and international real estate properties in connection with our efforts to improve our cost competitiveness and enhance workplace capacity usage. Net proceeds from the sale were $178 million. Fourteen properties involved in the sale have been leased back for various extended periods. A deferred net gain of $14 million has been allocated to various leased properties and will be recognized over the respective term of each lease. We recognized a net gain of $3 million on the sale of the remaining properties which is included in other income in the 2005 consolidated statement of operations.

General Motors Recompete

GM is our largest single client, accounting for approximately $1.8 billion, or 9.1%, of our total revenue in 2005. Our ten-year Master Service Agreement, or MSA, with GM expires in June 2006. The MSA serves as a framework for the negotiation and operation of service agreements for certain "in-scope" IT services (as defined in the MSA) we provide to GM on a worldwide basis. These "in-scope" services account for a substantial majority of our revenues from GM. In February 2006, GM announced the results of a recompete process which covered substantially all of the work we perform under the MSA, including applications maintenance, infrastructure operations and integration management. We were awarded approximately 70% of the contracts we bid on with a total contract value of approximately $3.8 billion over five years. See "Priorities and Expectations for 2006 and Beyond" below for a discussion of the financial impact of the GM recompete in 2006 and thereafter.

A.T. Kearney

During 2005, we approved a plan to proceed with a transaction to sell 100% of our ownership interest in our A.T. Kearney management consulting business. That subsidiary, the sale of which was completed on January 20, 2006, is classified as "held for sale" at December 31, 2005 and 2004 and its results for the years ended December 31, 2005, 2004 and 2003 are included in income (loss) from discontinued operations. A.T. Kearney's 2005 results include a pre-tax impairment charge of $118 million to write-down the carrying value of its long-lived assets, including tradename intangible, to estimated fair value less cost to sell. The estimated fair value was determined based on the terms of the sale. The impairment charge is partially offset by the recognition of $8 million previously unrecognized tax assets that will be realized as a result of the sale. We refer you to Notes 17 and 20 in the accompanying Notes to Consolidated Financial Statements.

Third-Party Bankruptcies

We provide IT services to Delphi Corporation ("Delphi") through a long-term agreement. On October 8, 2005, Delphi filed for protection under Chapter 11 of the United States Bankruptcy Code. Due to uncertainties regarding the recoverability of certain pre-bankruptcy receivables associated with the Delphi contract, we recorded receivable reserves of $17 million which is reflected in cost of revenues in our 2005 consolidated statement of operations. The remaining assets associated with our services agreement with Delphi are expected to be recovered through collection or future operations.

During 2005, we recorded write-downs of our investment in an aircraft leasing partnership due to uncertainties regarding the recoverability of the partnership's investments in aircraft leased by Delta Air Lines, which filed for bankruptcy on September 14, 2005, and the proposed sale of certain lease investments in the partnership. These write-downs were partially offset by the accelerated recognition of previously deferred investment tax credits associated with the investment. These write-downs totaled $35 million and are reflected in other expense in our 2005 consolidated statement of operations.

Client Contract Payment

During 2005, we reached an agreement with a government client to consolidate and extend our multiple IT services agreements with that client into a single extended agreement. As a result of this contract realignment, we received a non-refundable payment of $307 million from the client in the third quarter of 2005. A similar payment will be received from this client in the second quarter of 2006 which will be used to fund the incremental capital requirements in 2006 necessitated by the service delivery transformational requirements for this new contract. These payments will be recognized as revenue as we provide services over the five-year term of the new contract and resulted from the revision of contract pricing and delivery standards of numerous existing IT service contracts prior to their contractual end dates.

Accounting Change

We adopted Statement of Financial Accounting Standards ("SFAS") No. 123R, *Share-Based Payment*, as of January 1, 2005. This statement requires the recognition of compensation expense when an entity obtains employee services in share-based payment transactions. This change in accounting resulted in the recognition of compensation expense of $160 million ($110 million net of tax) in 2005. The effect of all share-based payments on earnings per share (both basic and dilutive) would have been $0.33 and $0.44, respectively, during the years ended December 31, 2004 and 2003 if we had applied the provisions of SFAS 123R. The effect of share-based payments (both basic and dilutive) on earnings per share during the year ended December 31, 2005 was $0.29. In addition, effective with our March 2005 long-term incentive award grant, we significantly limited the use of annual stock option grants and instead provided annual grants of performance-vesting restricted stock units ("Performance RSUs"). Although we continue to use stock options as a component of the long-term incentive compensation of our senior executives along with Performance RSUs, we have completely replaced the use of stock options in favor of Performance RSUs for all other incentive plan participants. The vesting of the Performance RSUs is tied to our performance as measured by operating margin, net asset utilization and organic revenue growth over multiple year periods.

Prior to January 1, 2005, we recognized compensation cost associated with stock-based awards under the recognition and measurement principles of Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. Under APB No. 25, the difference between the quoted market price as of the date of the grant and the contractual purchase price of shares was charged to operations over the vesting period on a straight-line basis. No compensation cost was recognized for fixed stock options with exercise prices equal to the market price of the stock on the dates of grant and shares acquired by employees under the EDS Stock Purchase Plan or Nonqualified Stock Purchase Plan. The primary difference in the accounting under SFAS 123R is that compensation expense for share-based awards is now recognized when we obtain employee services. Using the fair value approach required by SFAS 123R, compensation expense is recognized based on the fair value of the award on the date of grant. Prior to January 1, 2005, pro forma compensation expense using the fair value approach was disclosed in the notes to the financial statements in accordance with SFAS 123. Beginning January 1, 2005, compensation expense for stock options was recognized using the same methodology used to determine pro forma expense for disclosure purposes under SFAS 123.

We record a tax benefit related to share-based payments, recognizing a deferred tax asset based on an effective tax rate of 35%. The excess of the market value of our stock over the exercise price at the date of exercise represents the tax deduction to be received. If this deduction is equal to the amount of compensation expense recorded for that option, the entire tax asset is realized. If the deduction is greater than the compensation expense recognized, we will record an increase in additional paid-in capital. However, if the deduction is less than the expense recognized, a portion of the deferred tax asset will not be realized, and the deficiency will be reported as deferred tax expense in the period that options expire, are exercised or forfeited. There are numerous factors that influence the portion of the deferred tax asset that will be realized, including exercise behavior of the employees, future market price of the stock, and the volatility used in calculating the fair value of options on the grant date. At this time, we cannot predict the actual realization of our deferred tax assets.

NMCI

We provide end-to-end IT infrastructure on a seat management basis to the Department of Navy (the "DoN"), which includes the U.S. Navy and Marine Corps, under a contract that has been extended through September 2007. Seats are ordered on a governmental fiscal year basis, which runs from October 1 through September 30. Amounts to be billed per seat are based on the type of seat ordered. In addition, certain milestones must be met before we can bill at a price equal to the full seat price included in the pricing schedule. According to that schedule, seats under management are generally billed at a price of 85% of the associated full seat price until certain service performance levels as defined in the contract are satisfied. Upon meeting such service levels, seats operating under the NMCI environment are billed at a price equal to 100% of the full seat price while those operating under the pre-existing, or "legacy", network environment continue to be billed at a price equal to 85% of the full seat price. At December 31, 2005, we had approximately 318,000 computer seats under management that were then billable, and approximately 81% of these seats were operating under the NMCI environment.

Long-lived assets and lease receivables associated with the contract totaled approximately $240 million and $408 million, respectively, at December 31, 2005. If we do not maintain or exceed current monthly seat cutover rates, or if we do not meet service performance and customer satisfaction levels in accordance with anticipated timelines, estimates of future contract cash flows will decline. We continue to pursue several opportunities to improve the financial performance of this contract, including efforts to increase the average seat price; qualify for performance and customer satisfaction incentives under the contract; improve productivity; extend the contract term through the DoN's optional three-year extension period; and seek additional business with this client. We also are seeking to obtain compensation for significant amounts related to services required by and provided to the client in addition to contractual requirements, including services related to legacy applications, and for amounts related to the minimum order obligations under the contract. In addition, we expect to recover a significant portion of our investment in this contract through the sale of NMCI infrastructure and desktop assets to the client at the end of the contract term.

We reported revenues of $817 million, operating losses of $(75) million and free cash flow of $125 million associated with the NMCI contract in 2005, compared with revenues of $761 million, operating losses of $(487) million and free cash flow usage of $(423) million in 2004. The 2004 results are exclusive of the $375 million asset impairment charge taken in the third quarter of 2004 and the $522 million repurchase of financial assets from a securitization trust in the fourth quarter of 2004. The securitization trust had been used to finance the purchase of capital assets for the contract. The increase in revenue in 2005 compared to 2004 is attributable to a greater number of seats under management and recognition of seats billed at 100% of the full seat price, offset in part by a decline in product sales. The decrease in operating losses in 2005 compared to 2004 is due to increased productivity, reduced depreciation and amortization expense as a result of the impairment of NMCI-related long lived assets in the third quarter of 2004, additional seats under management and recognition of seats billed at 100% of the full seat price. The increase in free cash flow in 2005 is due to the aforementioned operational improvements, as well as our repurchase in the fourth quarter of 2004 of assets associated with the NMCI securitization facility. See "Off Balance Sheet Arrangements and Contractual Obligations" below. Although we continue to have a number of opportunities to improve the performance of the NMCI contract over the longer-term, we also face a number of significant risks, including the factors that resulted in the impairment of assets in the third quarter of 2004.

U.K. Ministry of Defence

In March 2005, a consortium led by us was awarded a ten-year contract for the first increment of the U.K. Ministry of Defence (MoD) project to consolidate numerous existing information networks into a single next-generation infrastructure (the Defence Information Infrastructure Future project). The total contract value of this contract was approximately $3.9 billion over ten years. Billings under the contract are initially based upon the achievement of milestones during the initial development and subsequently on the number of seats deployed. Our upfront expenditure and capital investment requirements for this contract during 2005 adversely impacted our free cash flow and earnings for the year. Many of the services and service delivery challenges required by this contract are similar to those required by the NMCI contract discussed above, and accordingly, many of the risks are the same. We have applied lessons learned from our experience with the NMCI contract to this contract, including contract terms with clearly defined client and EDS accountability and improved program management. We have met client expectations regarding key deliverables under this contract despite program changes and inability to achieve certain related dependencies that have extended the initial development timeline. This contract provides for adjustments to reflect the financial impact to EDS of client driven program changes and inability to achieve dependencies. We are working with the client to agree upon the appropriate adjustments provided for under the contract. If we do not reach satisfactory resolution with respect to these matters or for any future delays in the development timeline or seat deployment schedule our revenues, earnings and free cash flow for this contract, or the timing of the recognition thereof, could be adversely impacted.

Settlement of Consolidated Securities Class Action

On November 1, 2005, we entered into a memorandum of understanding regarding a settlement of the consolidated securities class action filed in late 2002, subject to certain conditions, including final approval of the settlement by the U.S. District Court for the Eastern District of Texas. See Note 15 of Notes to our Consolidated Financial Statements. The terms of the settlement provide for a cash payment of $137.5 million. We estimate approximately one-half of such payment will be made by our insurers and have recognized the cost of our portion of the settlement in our financial statements as of December 31, 2005.

Other

On March 1, 2005, we launched ExcellerateHRO LLP, our 85% owned joint venture with Towers Perrin, to deliver a comprehensive range of HR BPO services. ExcellerateHRO combines EDS' payroll and related HR outsourcing business with the pension, health and welfare administration services business formerly operated by Towers Perrin as its TPAS business. The new company enables us to offer a comprehensive set of HR outsourcing solutions across the core areas of benefits, payroll, compensation management, workforce administration and relocation, recruitment and staffing, and workforce development. The $417 million in cash we paid at closing of the transaction was funded from cash on hand. This payment principally represented the purchase price for the acquisition by ExcellerateHRO of Towers Perrin's benefits administration business and the right to use the Towers Perrin brand name, net of Towers Perrin's interest in ExcellerateHRO and its share of the cash capital contribution (approximately $50 million) to the venture.

During 2005, we identified deterioration in the projected performance of one of our commercial contracts based, among other things, on a change in management's judgment regarding the amount and likelihood of achieving anticipated benefits from contract-specific productivity initiatives, primarily related to the length of time necessary to achieve cost savings from planned infrastructure optimization initiatives. We determined that the estimated undiscounted cash flows of the contract over its remaining term were insufficient to recover the contract's deferred contract costs. As a result, we recognized a non-cash impairment charge of $37 million in the second quarter of 2005 to write-off the contract's deferred contract costs. The impairment charge is reported as a component of cost of revenues in the 2005 consolidated statements of operations and is included in the results of the Outsourcing segment. Remaining long-lived assets associated with this contract totaled $143 million at December 31, 2005. The current estimate of cash flows includes cost reductions resulting from the expected optimization of the contract's service delivery infrastructure based on project plans and anticipated vendor rate reductions based on historical and industry trends. Some of the project plans have near-term milestones that are critical to meeting overall cost reduction goals. It is reasonably possible that these milestones may not be met or actual cost savings from these and other planned initiatives may not materialize in the near-term and, as a result, remaining long-lived assets associated with the contract will become fully impaired. We continue to pursue several opportunities to improve the financial performance of this contract, including leveraging the infrastructure through the addition of new business opportunities with the client.

Priorities and Expectations for 2006 and Beyond

We have substantially completed the transformation outlined in 2003 to "stabilize, fix and invest to grow" our business. Our priorities for 2006 and beyond are focused on achieving profitable growth through continued focus on cost competitiveness and service quality. We will continue initiatives to reduce our cost of revenues by approximately $1 billion in 2006 following a reduction of approximately $1 billion in each of the past two years. These initiatives include continued reengineering of our supply chain, labor cost management, enterprise process improvement and production process improvement. In addition, we will seek to build on our service excellence initiatives, which efforts resulted in increased client loyalty and innovation metrics in 2005.

We expect 2006 revenues of approximately $20.0-$20.5 billion, which would represent an increase in organic revenues of 2-4% from 2005. This reflects an anticipated increase in revenues from new business signed during 2005, including the U.K. MoD contract, offset by a decrease in GM revenues discussed above. We refer you to "Results of Operations" below for a definition of organic revenues.

We currently expect 2006 earnings per share of approximately $1.05-$1.15, excluding the impact of expensing stock options and Performance RSUs, and discontinued operations. Such forecasted increase in 2006 earnings is due to several factors, including the positive impact of the productivity initiatives described above, improvements in the performance of our NMCI and U.K. MoD contracts, revenue growth, and certain extraordinary items that adversely impacted 2005 earnings, such as the pension charge related to the termination of our U.K. Inland Revenue contract and litigation and settlement expenses. The incremental impact of such items on our 2006 earnings will be partially offset by the second-half impact of the expiration of our MSA with GM, additional investments in technology and infrastructure, increased sales costs associated with higher levels of new contract signings, and expenses associated with the acceleration of our offshore initiatives.

On February 21, 2006 we announced that the Board of Directors had authorized a $1 billion share repurchase program over 18 months. On February 23, 2006 we entered into a $400 million accelerated share repurchase agreement (see Note 20 in the accompanying Notes to Consolidated Financial Statements). Our expectations regarding 2006 earnings per share referred to above reflects the impact of the shares acquired through the accelerated share repurchase agreement and other shares that may be repurchased in 2006, which will be somewhat offset by the impact of anticipated issuances of additional shares upon option exercises and other compensation programs.

We expect free cash flow in 2006 of $800 million to $1 billion, compared to $619 million in 2005, with the forecasted improvement driven principally by our expected improvements in operating margins and improvements in working capital. Such improvements would be somewhat offset by an increase in net capital expenditures due to the benefit of our sale of real estate assets in 2005.

GM is our largest single client, accounting for approximately $1.8 billion, or 9.1%, of our total revenue in 2005. Our ten-year MSA with GM expires in June 2006. In February 2006, GM announced the results of a recompete process which covered substantially all of the work we perform under the MSA, including applications maintenance, infrastructure operations and integration management. We were awarded approximately 70% of the contracts we bid on with a total contract value of approximately $3.8 billion over five years (see "Total Contract Value of Contract Signings" below). We expect annualized revenue from GM of approximately $1.2-$1.4 billion over the next five years, including the business recently awarded as well as other GM business not part of the recompete. We expect 2006 revenue from GM, which will include the MSA through June 7, will be approximately $1.6 billion. We do not expect a significant change in our operating margins attributable to GM revenue compared to 2005. We refer you to the discussion in "Risk Factors" above of our exposure to certain industries, including the United States automobile industry, that have been experiencing financial difficulties. Such exposure has had, and could in the future have, a material adverse effect on our financial position and results of operations.

We continue to work with the DoN with respect to our efforts to improve the performance of our NMCI contract and expect that client to extend the contract term through its optional three-year extension period, which would run through September 30, 2010. We also expect continued improvement in the operational performance of the contract in 2006, which lost $75 million in 2005, through an increase in average seat prices as well as additional opportunities with this client. As a result of such operational improvement and anticipated extension of the contract term, we expect this contract, which has used approximately $3.2 billion of free cash flow since inception, to generate significant free cash flow during 2006 and thereafter, including free cash flow generated from the extended contract and through the expected sale of NMCI infrastructure and desktop assets to the client at the end of the contract term. We continue to face a number of risks under this contract, however, as described under "2005 Highlights" above.

See "Total Contract Value of Contract Signings" below for a discussion of our expectations for new contract signings for 2006.

The estimates for 2006 financial performance set forth in this Management's Discussion and Analysis of Financial Condition and Results of Operations rely on management's current assumptions, including assumptions concerning future events, and are subject to a number of uncertainties and other factors, many of which are outside the control of management, that could cause actual results to differ materially from such estimates. For a discussion of certain of these factors, we refer you to the discussion under "Risk Factors" in Item 1A of our Form 10-K as well as additional assumptions related to our 2006 financial guidance referred to under "Income Taxes" below.

Total Contract Value of Contract Signings

A key metric used by management to monitor new business activity is the total contract value, or TCV, of our contract signings. There are no third-party standards or requirements governing the calculation of TCV. The TCV of a client contract represents our estimate at contract signing of the total revenue expected over the term of that contract. Contract signings include contracts with new clients and renewals, extensions and add-on business with existing clients. TCV does not include potential revenues that could be earned from a client relationship as a result of future expansion of service offerings to that client, nor does it reflect option years under non-governmental contracts that are subject to client discretion. TCV reflects a number of management estimates and judgments regarding the contract, including assumptions regarding demand-driven usage, scope of work and client requirements. In addition, our contracts may be subject to currency fluctuations and, for contracts with the U.S. federal government, annual funding constraints and indefinite delivery/indefinite quantity characteristics. Accordingly, the TCV we report should not be considered firm orders or predictive of future operating results.

Following is a summary of the TCV of contract signings, excluding contracts signed by our former A.T. Kearney and UGS PLM Solutions subsidiaries, by quarter for the last five years (in billions):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2001	$ 7.1	$ 6.6	$ 6.2	$ 9.7	$ 29.6
2002	6.7	5.6	2.6	7.6	22.5
2003	2.6	3.0	3.1	3.9	12.6
2004	3.6	3.8	2.9	3.7	14.0
2005	6.9	2.6	5.3	5.3	20.1

The TCV of contract signings can fluctuate significantly from year to year depending on a number of factors, including the timing of significant new and renewal contracts and the length of those contracts.

Our TCV of contract signings increased to $20.1 billion in 2005 compared to $14.0 billion in 2004, reflecting an increase in average contract size as well as a greater impact from new and add-on business compared to 2004. The significant decrease in 2003 and 2004 compared to the prior years has negatively impacted our revenues since 2003, as a significant portion of our revenue is generated by long-term IT services contracts. Our ability to achieve revenue growth in the future will be dependent on our ability to increase the TCV of contract signings to a level higher than that of recent years. We expect TCV of contract signings in 2006 to be in excess of $23 billion. We refer you to the discussion of revenues in "Results of Operations" below.

Results of Operations

Revenues. Following is a summary of revenues from contracts with base (non-GM) clients and revenues from GM, excluding revenues from our former A.T. Kearney and UGS PLM Solutions subsidiaries which are reported as discontinued operations, for the years ended December 31, 2005, 2004 and 2003 (in millions):

	2005	2004	2003
Revenues:			
Base	$ 17,952	$ 17,907	$ 17,589
GM	1,805	1,956	2,169
Total	$ 19,757	$ 19,863	$ 19,758

Following is a summary of our revenue growth percentages calculated using revenues reported in the consolidated statements of operations, and adjusted for the impact of foreign currency translation, acquisitions and those divestitures not accounted for as discontinued operations ("organic revenue growth"):

	Total		Base		GM	
	2005	2004	2005	2004	2005	2004
As reported revenue growth	(1)%	1%	–	2%	(8)%	(10)%
Impact of foreign currency changes	(1)%	(5)%	(1)%	(5)%	(1)%	(2)%
Fixed U.S. dollar revenue growth	(2)%	(4)%	(1)%	(3)%	(9)%	(12)%
Impact of acquisitions	(1)%	–	(1)%	–	–	–
Impact of divestitures	–	–	–	–	–	–
Organic revenue growth	(3)%	(4)%	(2)%	(3)%	(9)%	(12)%

Fixed U.S. dollar revenue growth is calculated by removing from as reported revenues the impact of the change in exchange rates between the local currency and the U.S. dollar from the current period and the comparable prior period. Organic revenue growth further excludes revenue growth due to acquisitions in the period presented if the comparable prior period had no revenues from the same acquisition, and revenue decreases due to businesses divested in the period presented or the comparable prior period.

2005 vs. 2004. The 2% decrease in base organic revenues in 2005 was primarily attributable to a $416 million, or 2%, decrease in our Outsourcing segment which excludes the results of our NMCI contract. The decrease in our Outsourcing segment was attributable to a $101 million, or 1%, decrease in the Americas unit, a $295 million, or 5%, decrease in Europe, Middle East and Africa (EMEA), and a $107 million, or 5%, decrease in the U.S. Government unit, offset by a $88 million, or 7%, increase in Asia Pacific. The decrease in revenues in EMEA was primarily due to the termination of our contract with the U.K. Government's Inland Revenue department effective June 30, 2004, offset by an increase in revenue from other government and commercial clients, including our contract with the U.K. Ministry of Defence. The decrease in the Americas was primarily due to the termination of our "other commercial contract" effective August 1, 2004 (see Note 3 in the accompanying Notes to Consolidated Financial Statements). The decrease in U.S. Government was primarily attributable to the completion of a large federal contract in early 2005.

2004 vs. 2003. The 3% decrease in base organic revenues in 2004 was primarily attributable to a $236 million, or 1%, decrease in our Outsourcing segment and a $256 million, or 25%, decrease in our NMCI segment. The decrease in the Outsourcing segment was attributable to a $288 million, or 4%, decrease in EMEA and a $35 million, or 2%, decrease in the U.S. Government unit, offset by a $71 million, or 1%, increase in the Americas and a $15 million, or 1%, increase in Asia Pacific. The decrease in revenues in the NMCI segment was associated with lower product sales which were partially offset by increased service revenue. The decrease in base organic revenues in EMEA in 2004 was primarily due to the termination of our contract with the U.K. Government's Inland Revenue department effective June 30, 2004, and was offset by an increase in revenues from financial services and other government clients. The U.S. Government business experienced reduced revenues in 2004 due to runoff from our state and local business, including the termination of the Medicaid contract with the State of Texas early in the first quarter of 2004. The decrease in revenues from our state and local business was offset by an increase in revenues from U.S. federal government contracts.

The decrease in organic revenues from GM in 2005 and 2004 was primarily attributable to reduced pricing under our MSA with GM, which expires in June 2006, as well as GM's move toward a multi-vendor strategy. We expect revenues from GM of approximately $1.6 billion in 2006 and annualized revenues of approximately $1.2 to $1.4 billion beginning in 2007. We refer you to "Overview" above for a discussion of the recent GM recompete.

Gross margin. Our gross margin percentages [(revenues less cost of revenues)/revenues] were 11.8%, 8.3% and 7.6% in 2005, 2004 and 2003, respectively. Our gross margins in all periods were adversely affected by the performance of the NMCI contract, including asset write-downs in 2004 and 2003. The NMCI contract had a 90 basis point, 480 basis point and 530 basis point negative impact on our gross margin percentages in 2005, 2004 and 2003, respectively. Other items affecting our 2005 gross margin include a pension obligation settlement loss associated with the termination of the Inland Revenue contract (40 basis points), an increase in compensation expense attributable to the change in accounting for share-based payments (50 basis points), a deferred cost impairment charge associated with a large IT commercial contract (20 basis points) and litigation costs (20 basis points). These items were partially offset by favorable resolution of certain customer contract matters that permitted recognition of previously deferred revenue (40 basis points). Our gross margins in 2005 were also adversely affected by the investments discussed in "2005 Highlights" above and the decrease in organic revenues discussed above, including the termination of our contract with the U.K. Government's Inland Revenue department. An additional item affecting our 2004 gross margin was operating losses and other charges on our "other commercial contract" (150 basis points). Other items affecting our 2003 gross

margin include operating losses on our "other commercial contract" (140 basis points) and a $98 million (50 basis point) reversal of MCI receivable reserves.

We expect our gross margin to improve in 2006 as a result of our continued cost competitiveness initiatives, improved execution on our client contracts, and decrease in the level of investments compared to 2005.

Selling, general and administrative. SG&A expenses as a percentage of revenues were 9.2%, 7.9% and 8.0% in 2005, 2004 and 2003, respectively. The increase in our SG&A percentage in 2005 was primarily attributable to an increase in compensation expense resulting from the change in accounting for share-based payments, and performance-based RSUs (30 basis points) and incremental legal and regulatory costs (20 basis points). Our SG&A expense in 2005 was also impacted by higher sales and marketing costs, including commissions associated with increasing TCV of new business signings (40 basis points), and by certain investment initiatives discussed in "2005 Highlights" above (10 basis points).

Restructuring and other. Following is a summary of restructuring and other for the years ended December 31, 2005, 2004 and 2003 (in millions):

	2005	2004	2003
Restructuring and other employee reduction activities:			
Employee separation, early retirement and exit costs, net	$ 68	$ 276	$ 232
Asset write-downs	–	–	36
CEO severance	–	–	48
Other activities:			
Pre-tax gain on disposal of businesses:			
European wireless clearing	(93)	–	–
U.S. wireless clearing	–	(35)	–
Automotive Retail Group	–	(66)	–
Credit Union Industry Group	–	–	(139)
Other	(1)	(5)	(2)
Total	$ (26)	$ 170	$ 175

We refer you to Note 19 in the accompanying Notes to Consolidated Financial Statements for a further discussion of the components of restructuring and other activities.

Other income (expense). Other income (expense) includes interest expense, interest and dividend income, investment gains and losses, minority interest expense, and foreign currency transaction gains and losses. Following is a summary of other income (expense) for the years ended December 31, 2005, 2004 and 2003 (in millions):

	2005	2004	2003
Other income (expense):			
Interest expense	$ (241)	$ (321)	$ (301)
Interest income and other, net	138	49	39
Total	$ (103)	$ (272)	$ (262)

The decrease in interest expense in 2005 was primarily due to the extinguishment of debt resulting from our debt exchange offer completed in 2004 and other scheduled debt repayments. See "Financial Position" and "Liquidity and Capital Resources" for a further discussion of our outstanding debt balance. Interest expense in 2004 includes $36 million in expenses resulting from our debt exchange offer. See Note 8 to our consolidated financial statements for a further discussion of the exchange offer. The increase in interest income and other in 2005 was primarily due to interest income on increased levels of cash and marketable securities, and foreign currency transaction gains. Interest income and other in 2005 includes net investment losses of $41 million, including a write-down of $35 million relating to our leveraged lease investments, and interest and other income of $171 million. Interest income and other in 2004 includes net investment losses of $28 million, including a write-down of $34 million relating to our leveraged lease investments, and interest and other income of $77 million. Interest income and other in 2003 includes net investment gains of $6 million and other income of $33 million.

Income taxes. Our effective tax rates on income (loss) from continuing operations were 34.9%, 27.5% and 39.7% for the years ended December 31, 2005, 2004 and 2003, respectively. The tax rate in 2005 was significantly impacted by (i) recognition of additional valuation allowances of $115 million for losses incurred in certain foreign tax jurisdictions due to underperforming operations, and (ii) reversal of certain tax contingency accruals of $40 million due to progress made in jurisdictional tax audits. Our effective tax rate will fluctuate also in the future as a result of our adoption of SFAS 123R as discussed in "Overview" above. As we record expense under SFAS 123R, a deferred tax asset is recorded. The realization of that asset is dependent upon the intrinsic value of an option on the date of exercise. Any unrealized deferred tax asset is charged to tax expense in the period of exercise or expiration and, accordingly, would result in a higher effective tax rate in such period. See "Application of Critical Accounting Policies" below for a discussion of factors affecting income tax expense.

The U.S. research and development tax credit expired as of December 31, 2005. A retroactive extension of the credit is contained in legislation that has been passed by both the House and Senate and is currently in reconciliation conference. The Company has determined its 2006 guidance on the basis that the credit will be extended with retroactive effect to January 1, 2006. In the event that the legislation is not passed in its current form, full year guidance could be impacted and in the event the legislation is not passed and signed by the President by March 31, 2006, quarterly results could be adversely impacted until the extension of the credit is signed and can be reflected in the full year effective tax rate.

On October 22, 2004, the President of the United States signed the American Jobs Creation Act of 2004. The Act created a temporary incentive for U.S. corporations to repatriate accumulated income earned abroad by providing an 85 percent dividends received deduction for certain dividends from controlled foreign corporations. Management determined that the incremental cost of the repatriation did not produce a corresponding economic benefit, and as a result, we did not make a repatriation under this provision.

Discontinued operations. Income (loss) from discontinued operations, net of income taxes, was $(136) million, $429 million and $46 million, respectively, for the years ended December 31, 2005, 2004 and 2003. Income (loss) from discontinued operations is comprised primarily of the net results of A.T. Kearney which is classified as "held for sale" at December 31, 2005, and UGS PLM Solutions which was sold during the second quarter of 2004. Discontinued operations also includes our European Technology Solutions and subscription fulfillment businesses sold during 2003. Income from discontinued operations includes net gains (losses) of $(92) million, $433 million and $(9) million, net of income taxes, in 2005, 2004 and 2003, respectively.

Net income (loss). Income (loss) from continuing operations was $286 million, or $0.55 per basic share and $0.54 per diluted share, in 2005 compared with $(271) million, or $(0.54) per basic and diluted share, in 2004 and $(312) million, or $(0.65) per basic and diluted share in 2003. Net income (loss) was $150 million in 2005 compared with $158 million in 2004 and $(1,698) million in 2003. Basic earnings (loss) per share was $0.29 in 2005 compared with $0.32 in 2004 and $(3.55) in 2003. Diluted earnings (loss) per share was $0.28 in 2005 compared with $0.32 in 2004 and $(3.55) in 2003.

During the third quarter of 2003, we adopted the provisions of Emerging Issues Task Force ("EITF") Issue No. 00-21, *Accounting for Revenue Arrangements with Multiple Deliverables*, on a cumulative basis as of January 1, 2003. The adoption of EITF 00-21 resulted in a non-cash adjustment of $1.42 billion, net of tax, resulting primarily from the reversal of unbilled revenue associated with our IT service contracts which we had been accounting for using the percentage-of-completion method of revenue recognition. The adjustment also reflects the deferral and subsequent amortization of system construction costs which were previously expensed as incurred and included in the percentage-of-completion model for the respective contracts.

In addition, we adopted SFAS No. 143, *Accounting for Asset Retirement Obligations*, effective January 1, 2003. SFAS No. 143 requires that the fair value of the liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. The majority of our retirement obligations relate to leases which require the facilities be restored to original condition at the expiration of the leases. The adoption of SFAS No. 143 resulted in a reduction of income reported as a cumulative effect of a change in accounting principle of $25 million ($17 million after tax). Additionally, the fair value of the liability recorded on January 1, 2003 was $48 million.

Segment information. We refer you to Note 12 in the notes to our consolidated financial statements for a summary of certain financial information related to our reportable segments for 2005, 2004 and 2003, as well as certain financial information related to our operations by geographic region and by service line for such years.

Financial Position

At December 31, 2005, we held cash and marketable securities of $3.2 billion, had working capital of $3.5 billion, and had a current ratio (current assets/current liabilities) of 1.68-to-1. This compares to cash and marketable securities of $3.6 billion, working capital of $3.4 billion, and a current ratio of 1.64-to-1 at December 31, 2004. Approximately 6% of our cash and cash equivalents and marketable securities at December 31, 2005 were not available for debt repayment due to various commercial

limitations on the use of these assets. The decrease in cash and marketable securities in 2005 is due principally to cash payments of $417 million associated with the purchase of Towers Perrin's benefits administration business in the first quarter of 2005, $135 million associated with the purchase of the outstanding interest in our Australian subsidiary in the second quarter of 2005 and debt payments of $560 million in 2005, offset by free cash flow of $619 million (see "Liquidity and Capital Resources" below for the definition of free cash flow).

Days sales outstanding for trade receivables were 58 days at December 31, 2005 compared to 56 days at December 31, 2004. Days payable outstanding were 19 days at December 31, 2005 and 2004.

Total debt was $3.3 billion at December 31, 2005 versus $3.8 billion at December 31, 2004. Total debt consists of notes payable and capital leases. The total debt-to-capital ratio (which includes total debt and minority interests as components of capital) was 30% at December 31, 2005 compared to 33% at December 31, 2004.

Off-Balance Sheet Arrangements and Contractual Obligations

In connection with certain service contracts, we may arrange a client supported financing transaction ("CSFT") with our client and an independent third-party financial institution or its designee. The use of these transactions enables us to offer clients more favorable financing terms. These transactions also enable the preservation of our capital and allow us to avoid client credit risk relating to the repayment of the financed amounts. Under these transactions, the independent third-party financial institution finances the purchase of certain IT-related assets and simultaneously leases those assets for use in connection with the service contract. The use of a CSFT on a service contract results in lower contract revenue and expense to EDS over the contract term.

In CSFTs, client payments are made directly to the financial institution providing the financing. If the client does not make the required payments under the service contract, under no circumstances do we have an ultimate obligation to acquire the underlying assets unless our nonperformance under the service contract would permit its termination, or we fail to comply with certain customary terms under the financing agreements, including, for example, covenants we have undertaken regarding the use of the assets for their intended purpose. We consider the possibility of our failure to comply with any of these terms to be remote.

At December 31, 2005, the estimated future asset purchases to be financed under existing arrangements were $72 million. The aggregate dollar values of assets purchased under our CSFT arrangements were $8 million, $65 million and $72 million during 2005, 2004 and 2003, respectively. As of December 31, 2005, there were outstanding an aggregate of $241 million under CSFTs yet to be paid by our clients. In the event a client contract is terminated due to nonperformance, we would be required to acquire only those assets associated with the outstanding amounts for that contract. Net of repayments, the estimated future maximum amount outstanding under existing financing arrangements is not expected to exceed $250 million. We believe we have sufficient alternative sources of capital to directly finance the purchase of capital assets to be used for our current and future client contracts without the use of these arrangements.

During 2001, we established a securitization facility under which we financed the purchase of capital assets for our NMCI contract. Under the terms of the facility, we sold certain financial assets resulting from that contract to a trust ("Trust") classified as a qualifying special purpose entity for accounting purposes. During 2004, we completed agreements with the Trust's lenders to repurchase financial assets for $522 million in cash. Upon completion of the transaction, we recognized current lease receivables of $286 million and non-current lease receivables of $236 million associated with this purchase. Such receivables are being collected over the remaining term of the NMCI contract.

Performance guarantees. In the normal course of business, we may provide certain clients, principally governmental entities, with financial performance guarantees, which are generally backed by standby letters of credit or surety bonds. In general, we would be liable for the amounts of these guarantees in the event our nonperformance permits termination of the related contract by our client, the likelihood of which we believe is remote. We believe we are in compliance with our performance obligations under all service contracts for which there is a performance guarantee.

Following is a summary of the estimated expiration of financial guarantees outstanding as of December 31, 2005 (in millions):

		Estimated Expiration Per Period			
	Total	**2006**	**2007**	**2008**	**Thereafter**
Performance guarantees:					
CSFT transactions	$ 241	$ 88	$ 86	$ 37	$ 30
Standby letters of credit, surety bonds and other	521	282	21	18	200
Other guarantees	32	18	10	4	–
Total	$ 794	$ 388	$ 117	$ 59	$ 230

Contractual obligations. Following is a summary of payments due in specified periods related to our contractual obligations as of December 31, 2005 (in millions):

	Payments Due by Period				
	Total	**2006**	**2007-2008**	**2009-2010**	**After 2010**
Long-term debt, including current portion and interest[(1)]	$ 4,958	$ 525	$ 509	$ 1,748	$ 2,176
Operating lease obligations	1,370	316	453	236	365
Purchase obligations[(2)]	3,388	976	1,435	899	78
Total[(3)]	$ 9,716	$ 1,817	$ 2,397	$ 2,883	$ 2,619

(1) Amounts represent the expected cash payments (principal and interest) of our long-term debt and do not include any fair value adjustments or bond premiums or discounts. Amounts also include capital lease payments (principal and interest).

(2) Purchase obligations include material agreements to purchase goods or services, principally software and telecommunications services, that are enforceable and legally binding on EDS and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Purchase obligations exclude agreements that are cancelable without penalty. Purchase obligations also exclude our obligation to repurchase minority interests in joint ventures, including our obligation to repurchase Towers Perrin's minority interest in ExcellerateHRO. See Note 16 of the accompanying consolidated financial statements.

(3) Minimum pension funding requirements are not included as such amounts are zero for our U.S. pension plans and have not been determined for foreign pension plans. See Note 13 of the accompanying consolidated financial statements.

Liquidity and Capital Resources

Following is a summary of our cash flows for the years ended December 31, 2005, 2004 and 2003 (in millions):

	2005	**2004**	**2003**
Cash flows:			
Net cash provided by operating activities	$ 1,296	$ 1,278	$ 1,495
Net cash used in investing activities	(797)	(758)	(809)
Net cash used in financing activities	(681)	(663)	(71)
Free cash flow	619	304	221

Operating activities. The increase in net cash provided by operating activities in 2005 compared to 2004 was due to a $150 million increase in earnings, adjusted to exclude non-cash operating items, offset by a $132 million change in operating assets and liabilities. The change in operating assets and liabilities resulted primarily from a decrease in receivables collections and an increase in tax payments, offset by an increase in deferred revenue (see "Client Contract Payment" in the "Overview" section above). The decrease in net cash provided by operating activities in 2004 compared to 2003 was due to a $393 million decrease in earnings, adjusted to exclude non-cash operating items, offset by a $176 million change in operating assets and liabilities. The change in operating assets and liabilities resulted primarily from a decrease in prepayments to vendors, a decrease in construction costs related to our active construct contracts and a reduction in tax payments, offset by restructuring payments, a decrease in accounts receivable collections and a one-time pension payment of $119 million associated with the termination of the Inland Revenue contract. Operating cash flows in 2005 were comprised of $1,211 million in cash provided by our core IT outsourcing and consulting businesses (excluding NMCI), and $85 million in cash provided by our NMCI contract. Operating cash flows in 2004 were comprised of $1,557 million in cash provided by our core IT outsourcing and consulting businesses offset by $279 million in cash used by our NMCI contract.

Investing activities. The change in net cash used in investing activities in 2005 compared to 2004 was primarily due to a decrease in proceeds from divestitures in 2005, and an increase in acquisition payments related to 2005 acquisitions (see Notes 16, 17 and 19 in the accompanying Notes to Consolidated Financial Statements). In addition, we realized net proceeds of $178 million in 2005 resulting from sales of real estate (see "Real Estate Initiatives" in the "Overview" section above). Net cash used in investing activities in 2004 includes the proceeds from the divestitures of our U.S. wireless clearing business, UGS PLM Solutions and ARG. Divestiture proceeds were somewhat offset by net purchases of marketable securities. Net cash used in investing activities in 2004 also includes a $522 million cash payment related to the purchase of financial assets associated with the NMCI securitization facility. Excluding this purchase, net proceeds from investments and other assets decreased in 2004 compared to 2003 due primarily to lower securitization proceeds and equipment purchases associated with the NMCI contract.

Financing activities. The increase in net cash used in financing activities in 2005 compared to 2004 was primarily due to proceeds from our common stock issuance associated with a debt exchange in 2004. The increase in net cash used in financing activities in 2004 was primarily due to an increase in net payments on long-term debt and capital lease obligations, partially offset by proceeds from our common stock issuance associated with a debt exchange and by a reduction in dividend payments.

Free cash flow. We define free cash flow as net cash provided by operating activities, less capital expenditures. Capital expenditures is the sum of (i) net cash used in investing activities, excluding proceeds from sales of marketable securities, proceeds related to divested assets and non-marketable equity investments, payments related to acquisitions, net of cash acquired, and non-marketable equity investments, and payments for purchases of marketable securities, and (ii) capital lease payments. During 2004, we sold our UGS PLM Solutions subsidiary and repurchased financial assets outstanding under the NMCI contract securitization facility. Due to the significance of these transactions, the calculation of free cash flow for 2004 was adjusted to exclude $14 million in transaction fees paid during 2004 related to the UGS PLM Solutions disposition, and the $522 million cash payment related to the repurchase of financial assets associated with the NMCI securitization facility. The calculation of free cash flow for 2004 was also adjusted to include $85 million in cash generated through utilization of operating tax credits, predominantly related to 2004, to offset income tax associated with the UGS PLM Solutions disposition (such tax credits would otherwise have been available to offset future taxable income generated by operations). Free cash flow is a non-GAAP measure and should be viewed together with our consolidated statements of cash flows.

Following is a reconciliation of free cash flow to the net change in cash and cash equivalents for the years ended December 31, 2005, 2004 and 2003 (in millions):

	2005	2004	2003
Net cash provided by operating activities	$ 1,296	$ 1,278	$ 1,495
Capital expenditures:			
Proceeds from investments and other assets	310	68	43
Net proceeds from real estate sales	178	–	–
Payments for purchases of property and equipment	(718)	(666)	(703)
Payments for investments and other assets	(27)	(556)	(25)
Payments for purchases of software and other intangibles	(300)	(302)	(494)
Other investing activities	29	28	25
Capital lease payments	(149)	(167)	(120)
Total capital expenditures	(677)	(1,595)	(1,274)
Adjustments:			
Utilization of tax credits related to the UGS PLM Solutions disposition	–	85	–
Transaction fees related to the UGS PLM Solutions disposition	–	14	–
Payment related to the repurchase of financial assets associated with the NMCI securitization facility	–	522	–
Free cash flow	619	304	221
Other investing and financing activities:			
Proceeds from sales of marketable securities	1,434	956	548
Net proceeds from divested assets and non-marketable equity securities	160	2,129	233
Payments for acquisitions, net of cash acquired, and non-marketable equity securities	(552)	(78)	11
Payments for purchases of marketable securities	(1,311)	(2,337)	(447)
Proceeds from long-term debt	5	6	1,869
Payments on long-term debt	(560)	(561)	(1,312)
Net decrease in borrowings with original maturities less than 90 days	–	–	(235)
Proceeds from issuance of common stock	–	198	–
Employee stock transactions	107	76	47
Dividends paid	(105)	(200)	(287)
Other financing activities	21	(15)	(33)
Effect of exchange rate changes on cash and cash equivalents	(21)	48	(60)
Adjustments:			
Utilization of tax credits	–	(85)	–
Transaction fees	–	(14)	–
Payment related to the repurchase of financial assets associated with the NMCI securitization facility	–	(522)	–
Net increase (decrease) in cash and cash equivalents	$ (203)	$ (95)	$ 555

Our gross capital requirement in 2005 was approximately $1.2 billion including equipment and real estate leases and the use of CSFTs. Free cash flow of $125 million for the NMCI contract for 2005 reflects net cash provided by operating activities of $85 million and a net cash inflow of capital expenditures of $40 million.

Credit facilities. During 2004, we entered into a $550 million Three-and-One-Half Year Multi Currency Revolving Credit Agreement with a bank group including Citibank, N.A., as Administrative Agent, and Bank of America, N.A., as Syndication Agent. The new facility replaced our five-year $550 million revolving credit facility, which expired in September 2004. The new facility may be used for general corporate borrowing purposes and the issuance of letters of credit. The aggregate availability under the new facility, together with our $450 million Three-Year Multi Currency Revolving Credit Agreement entered into in 2003, is $1.0 billion. As of December 31, 2005, there were no amounts outstanding under either of these facilities and we had issued letters of credit totaling $160 million under the $550 million Three-and-One-Half Year Multi Currency Revolving Credit Agreement, thereby reducing the availability under these facilities to $840 million at such date. The new facility includes financial and other covenants of the general nature contained in the facility it replaced and the $450 million Three-and-One-Half Year Multi Currency Revolving Credit Facility was amended and restated to include financial and other terms similar to the new facility.

Our unsecured credit facilities contain certain financial and other restrictive covenants and representations and warranties that would allow any amounts outstanding under the facilities to be accelerated, or restrict our ability to borrow thereunder, in the event of noncompliance. The financial covenants of our unsecured credit facilities were modified in September 2004 in connection with the replacement of our $550 million credit facility as discussed above, and include a minimum net worth covenant, a fixed charge coverage requirement and a leverage ratio requirement. The leverage ratio cannot exceed 2.25-to-1 through December 2005, and 2.00-to-1 thereafter. The fixed charge coverage covenant requires us to maintain a fixed charge ratio of no less than 1.15-to-1 through December 2005, and 1.25-to-1 thereafter. We were in compliance with all covenants at December 31, 2005.

Following is a summary of the financial covenant requirements under our unsecured credit facilities and the calculated amount or ratios at December 31, 2005 (dollars in millions):

	As of and for the Year Ended December 31, 2005	
	Covenant	**Actual**
Minimum net worth	$ 6,420	$ 7,512
Leverage ratio	2.25	1.67
Fixed charge coverage ratio	1.15	2.37

Credit ratings. Following is a summary of our senior long-term debt credit ratings by Moody's Investor Services, Inc. ("Moody's"), Standard & Poor's Rating Services ("S&P") and Fitch Ratings ("Fitch") at December 31, 2005:

	Moody's	**S&P**	**Fitch**
Senior long-term debt	Ba1	BBB–	BBB–
Outlook	Stable	Negative	Stable

On September 15, 2005, Moody's revised our rating outlook to stable from negative. On November 2, 2005, Fitch revised our rating outlook to stable from negative. At December 31, 2005, we had no recognized or contingent material liabilities that would be subject to accelerated payment due to a ratings downgrade. We do not believe a negative change in our credit rating would have a material adverse impact on us under the terms of our existing client agreements.

Liquidity. At December 31, 2005, we had total liquidity of $3.9 billion, comprised of unrestricted cash and marketable securities of $3.0 billion and availability under our unsecured credit facilities of $840 million. During 2005, we terminated our secured A/R facility, a revolving secured financing arrangement collateralized by certain trade receivables with availability of up to $400 million. We elected to terminate the facility in order to more closely align our liquidity with our minimum targeted levels referred to below. We have maintained in effect our unsecured credit agreements which provide for aggregate availability of $1.0 billion for issuances of letters of credit and general corporate borrowing.

Based on our improved free cash flow performance in 2005 and forecasted free cash flow improvements, we have moved our minimum targeted liquidity from 18 months of forecasted capital expenditures (as defined under "Free Cash Flow" above), interest payments, debt maturities and dividend payments to 12 months of forecasted capital expenditures, interest payments, debt maturities and dividend payments. Accordingly, in February 2006 our Board of Directors authorized us to repurchase up to $1 billion of our common shares in open market or other purchases over the next 18 months. We completed $400 million of such authorized repurchase through an Accelerated Share Repurchase arrangement in February 2006 (see Note 20 in the accompanying Notes to Consolidated Financial Statements).

Change in dividend rate. On July 27, 2004, our Board of Directors reduced the quarterly dividend on our common stock from $0.15 to $0.05 per share.

Application of Critical Accounting Policies

The preparation of our financial statements in conformity with generally accepted accounting principles in the United States ("GAAP") requires us to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Our estimates, judgments and assumptions are continually evaluated based on available information and experience. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates. Areas in which significant judgments and estimates are used include, but are not limited to, revenue recognition, accounts receivable collectibility, accounting for long-lived assets, deferred income taxes, retirement plans, performance guarantees and litigation.

Revenue recognition and associated cost deferral. We provide IT and business process outsourcing services under time-and-material, unit-price and fixed-price contracts, which may extend up to 10 or more years. Services provided over the term of these arrangements may include one or more of the following: IT infrastructure support and management; IT system and software maintenance; application hosting; the design, development, or construction of software and systems ("Construct Service"); transaction processing; and business process management.

If a contract involves the provision of a single element, revenue is generally recognized when the product or service is provided and the amount earned is not contingent upon any future event. If the service is provided evenly during the contract term but service billings are irregular, revenue is recognized on a straight-line basis over the contract term. However, if the single service is a Construct Service, revenue is recognized under the percentage-of-completion method using a zero-profit methodology. Under this method, costs are deferred until contractual milestones are met, at which time the milestone billing is recognized as revenue and an amount of deferred costs is recognized as expense so that cumulative profit equals zero. If the milestone billing exceeds deferred costs, then the excess is recorded as deferred revenue. When the Construct Service is completed and the final milestone met, all unrecognized costs, milestone billings and profit are recognized in full. If the contract does not contain contractual milestones, costs are expensed as incurred and revenue is recognized in an amount equal to costs incurred until completion of the Construct Service, at which time any profit would be recognized in full. If total costs are estimated to exceed revenue for the Construct Service, then a provision for the estimated loss is made in the period in which the loss first becomes apparent.

If a contract involves the provision of multiple service elements, total estimated contract revenue is allocated to each element based on the relative fair value of each element. The amount of revenue allocated to each element is limited to the amount that is not contingent upon the delivery of another element in the future. Revenue is then recognized for each element as described above for single-element contracts, except revenue recognized on a straight-line basis for a non-Construct Service will not exceed amounts currently billable unless the excess revenue is recoverable from the client upon any contract termination event. If the amount of revenue allocated to a Construct Service is less than its relative fair value, costs to deliver such service equal to the difference between allocated revenue and the relative fair value are deferred and amortized over the contract term. If total Construct Service costs are estimated to exceed the relative fair value for the Construct Service contained in a multiple-element arrangement, then a provision for the estimated loss is made in the period in which the loss first becomes apparent.

In the rare event that fair value is not determinable for each service element of a multiple-element contract, the contract is considered one accounting unit, and revenue is recognized using the proportional performance method. Under this method, contract revenue is recognized for each service element based on the proportional performance of each service element to the total expected performance of each service element over the life of the contract.

We also defer and subsequently amortize certain set-up costs related to activities that enable the provision of contracted services to the client. Such activities include the relocation of transitioned employees, the migration of client systems or processes, and the exit of client facilities. Deferred contract costs, including set-up costs, are amortized on a straight-line basis over the remaining original contract term unless billing patterns indicate a more accelerated method is appropriate. The recoverability of deferred contract costs associated with a particular contract is analyzed whenever events or circumstances indicate that their carrying value may not be recoverable using the undiscounted estimated cash flows of the whole contract over its remaining contract term. If such undiscounted cash flows are insufficient to recover the long-lived assets and deferred contract costs, including contract concessions paid to the client, the deferred contract costs and contract concessions are written down by the amount of the cash flow deficiency. If a cash flow deficiency remains after reducing the balance of the deferred contract costs and contract concessions to zero, any remaining long-lived assets are evaluated for impairment. Any such impairment recognized would equal the amount by which the carrying value of the long-lived assets exceeds the fair value of those assets.

Accounts receivable. Reserves for uncollectible trade receivables are established when collection of amounts due from clients is deemed improbable. Indicators of improbable collection include client bankruptcy, client litigation, industry downturns, client cash flow difficulties or ongoing service or billing disputes. Receivables more than 180 days past due are automatically reserved unless persuasive evidence of probable collection exists. Our allowances for doubtful accounts as a percentage of total

gross trade receivables were 2.0%, and 3.5% at December 31, 2005 and 2004, respectively. The increase in the allowance in 2004 resulted primarily from the recognition of reserves in connection with the US Airways bankruptcy. Excluding those reserves, the allowance percentage was 2.7% at December 31, 2004.

Long-lived assets. Our property and equipment, software and definite-lived intangible asset policies require the amortization or depreciation of assets over their estimated useful lives. An asset's useful life is the period over which the asset is expected to contribute directly or indirectly to our future cash flows. The useful lives of property and equipment are limited to the standard depreciable lives or, for certain assets dedicated to client contracts, the related contract term. The useful lives of capitalized software are limited to the shorter of the license period or the related contract term. The estimated useful lives of definite-lived intangible assets are based on the expected use of the asset and factors that may limit the use of the asset. We may utilize the assistance of a third-party appraiser in the assessment of the useful life of an intangible asset.

Goodwill is not amortized, but instead tested for impairment at least annually. The first step of the goodwill impairment test is a comparison of the fair value of a reporting unit to its carrying value. The fair value of a reporting unit is the amount at which the unit as a whole could be bought or sold in a current transaction between willing parties. We conducted an annual goodwill impairment test as of December 1, 2005. The goodwill impairment test requires us to identify our reporting units and obtain estimates of the fair values of those units as of the testing date. Our reporting units are comprised of the geographic components of our operating segments that share similar economic characteristics. We estimate the fair values of our reporting units using discounted cash flow valuation models. Those models require estimates of future revenues, profits, capital expenditures and working capital for each unit. We estimate these amounts by evaluating historical trends, current budgets, operating plans and industry data. We utilize our weighted-average cost of capital to discount the estimated expected future cash flows of each unit. The estimated fair value of each of our reporting units exceeded its respective carrying value in 2005 indicating the underlying goodwill of each unit was not impaired.

We plan to conduct our annual impairment test as of December 1st of each year when our budgets and operating plans for the forthcoming year are expected to be finalized. The timing and frequency of additional goodwill impairment tests are based on an ongoing assessment of events and circumstances that would more than likely reduce the fair value of a reporting unit below its carrying value. We will continue to monitor our goodwill balance for impairment and conduct formal tests when impairment indicators are present. A decline in the fair value of any of our reporting units below its carrying value is an indicator that the underlying goodwill of the unit is potentially impaired. This situation would require the second step of the goodwill impairment test to determine whether the unit's goodwill is impaired. The second step of the goodwill impairment test is a comparison of the implied fair value of a reporting unit's goodwill to its carrying value. An impairment loss is required for the amount which the carrying value of a reporting unit's goodwill exceeds its implied fair value. The implied fair value of the reporting unit's goodwill would become the new cost basis of the unit's goodwill.

Deferred income taxes. We must make certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments occur in the calculation of certain tax assets and liabilities, which arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes. We must assess the likelihood that we will be able to recover our deferred tax assets. In assessing the realizability of deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized and adjust the valuation allowances accordingly. Factors considered in making this determination include the period of expiration of the tax asset, planned use of the tax asset, and historical and projected taxable income as well as tax liabilities for the tax jurisdiction in which the tax asset is located. Valuation allowances will be subject to change in each future reporting period as a result of changes in one or more of these factors. A majority of the tax assets are associated with tax jurisdictions in which we have a large scale of operations and long history of generating taxable income, thereby reducing the estimation risk associated with recoverability analysis. However, in smaller tax jurisdictions in which we have less historical experience or smaller scale of operations, the assessment of recoverability of tax assets is largely based on projections of taxable income over the expiration period of the tax asset and is subject to greater estimation risk. Accordingly, it is reasonably possible the recoverability of tax assets in these smaller jurisdictions could be impaired as a result of poor operating performance over extended periods of time or a future decision to reduce or eliminate operating activity in such jurisdictions. Such an impairment would result in an increase in our effective tax rate and related tax expense in the period of impairment.

Liabilities for tax contingencies. We have recorded liabilities for tax contingencies related to positions we have taken that could be challenged by taxing authorities. These potential exposures result from the uncertainties in application of statutes, rules, regulations and interpretations. We recognize liabilities for anticipated tax audit issues in the U.S. and other tax jurisdictions based on our estimate of whether and the extent to which additional taxes will be due. Our estimate of the ultimate tax liability contains assumptions based on past experiences, judgments about potential actions by taxing jurisdictions as well as judgments about the likely outcome of issues that have been raised by taxing jurisdictions. Although we believe our reserves for tax contingencies are reasonable, they may change in the future due to new developments with each issue. We record an additional charge or benefit in our provision for taxes in the period in which we determine that the recorded tax liability is more or less than we expect the ultimate assessment to be.

Retirement plans. We offer pension and other postretirement benefits to our employees through multiple global pension plans. Our largest pension plans are funded through our cash contributions and earnings on plan assets. We use the actuarial

models required by SFAS No. 87, *Employers' Accounting for Pensions*, to account for our pension plans. Two of the most significant actuarial assumptions used to calculate the net periodic pension benefit expense and the related pension benefit obligation for our defined pension benefit plans are the expected long-term rate of return on plan assets and the discount rate assumptions.

SFAS No. 87 requires the use of an expected long-term rate of return that, over time, will approximate the actual long-term returns earned on pension plan assets. We base this assumption on historical actual returns as well as anticipated future returns based on our investment mix. Given our relatively young workforce, we are able to take a long-term view of our pension investment strategy. Accordingly, plan assets are weighted heavily towards equity investments. Equity investments are susceptible to significant short-term fluctuations but have historically outperformed most other investment alternatives on a long-term basis. At December 31, 2005, 84% of pension assets were invested in public and private equity and real estate investments with the remaining assets being invested in fixed income securities. Such mix is consistent with that assumed in determining the expected long-term rate of return on plan assets. Rebalancing our actual asset allocations to our planned allocations based on actual performance has not been a significant issue.

An 8.6% weighted-average expected long-term rate of return on plan assets assumption was used for the pension plan actuarial valuations in 2005 and 2004. A 100 basis point increase or decrease in this assumption results in an estimated pension expense decrease or increase, respectively, of $64 million in the subsequent year's pension expense (based on the most recent pension valuation and assuming all other variables are constant).

An assumed discount rate is required to be used in each pension plan actuarial valuation. This rate reflects the underlying rate determined on the measurement date at which the pension benefits could effectively be settled. High-quality bond yields on our measurement date, October 31, 2005, with maturities consistent with expected pension payment periods are used to determine the appropriate discount rate assumption. For the countries with the largest pension plans, actual participant data is used by our actuaries to determine the maturity of the benefit obligation which is matched to bonds available at the measurement date. In other countries, we use the average age of the participants to determine the maturity of the benefit obligation. A 5.4% weighted-average discount rate assumption was used for the 2005 pension plan actuarial valuations. The methodology used to determine the appropriate discount rate assumption has been consistently applied. A 100 basis point increase in the discount rate assumption will result in an estimated decrease of approximately $156 million in the subsequent year's pension expense, and a 100 basis point decrease in the discount rate assumption will result in an estimated increase of approximately $222 million in the subsequent year's pension expense (based on the most recent pension valuation and assuming all other variables are constant).

Our long-standing policy of making consistent cash pension plan contributions provided some protection against negative short-term market returns. In addition, positive investment returns from 2003 to 2005 resulted in our actual pension plan asset returns exceeding expected returns reflected in our assumptions. However, the impact of contributions and positive returns has been offset by declining discount rates over the last several years. Our pension plans' funded status, as of October 31, 2005 reflected total plan assets of $6.4 billion and total accumulated benefit obligations under all plans of $7.5 billion. As a result, under the requirements of SFAS No. 87, we have an additional minimum pension plan liability of $855 million at December 31, 2005 with a corresponding reduction, net of tax, in the accumulated other comprehensive loss component of shareholders' equity of $552 million. Such liability is slightly higher than the liability at December 31, 2004.

Our weighted-average long-term rate of return assumption for plan assets as of January 1, 2006 is 8.5%. Our 2006 net periodic pension cost is expected to decrease from 2005 after excluding the impact in 2005 of the $77 million settlement loss related to the Inland Revenue contract discussed in "Results of Operations" above. Our required minimum amount of 2006 contributions will not exceed actual contributions made in 2005.

Stock-based compensation. We estimate the fair value of stock options using a Black-Scholes-Merton pricing model. The outstanding term of an option is estimated based on the vesting term and contractual term of the option, as well as expected exercise behavior of the employee who receives the option. Expected volatility during the estimated outstanding term of the option is based on historical volatility during a period equivalent to the estimated outstanding term of the option. Expected dividends during the estimated outstanding term of the option are based on recent dividend activity. Risk-free interest rates are based on the U.S. Treasury yield in effect at the time of the grant. We estimate the fair value of restricted stock units based on the market value of our stock on the date of grant, adjusted for any restrictive provisions affecting fair value, such as required holding periods after the date of vesting. Compensation expense for share-based payment is charged to operations over the vesting period of the award, and includes an estimate for the number of awards expected to vest. The initial estimate is based on historical results, and compensation expense is adjusted for actual results. If vesting of such an award is conditioned upon the achievement of performance goals, compensation expense during the performance period is estimated using the most probable outcome of the performance goals, and adjusted as the expected outcome changes.

Other liabilities. In the normal course of business, we may provide certain clients, principally governmental entities, with financial performance guarantees, which are generally backed by standby letters of credit or surety bonds. In general, we would only be liable for the amounts of these guarantees in the event that our nonperformance permits termination of the related contract by our client, the likelihood of which we believe is remote. At December 31, 2005, we had $521 million of outstanding standby letters of credit and surety bonds relating to these performance guarantees. In addition, we had $241 million outstanding under

CSFT and securitization transactions that are supported by performance guarantees. We believe we are in compliance with our performance obligations under all service contracts for which there is a performance guarantee. In addition, we had $32 million of other financial guarantees outstanding at December 31, 2005 relating to indebtedness of others.

There are various claims and pending actions against EDS arising in the ordinary course of our business. See Note 15 to the consolidated financial statements for a discussion of current litigation. Certain of these actions seek damages in significant amounts. In determining whether a loss accrual or disclosure in our consolidated financial statements is required, we consider, among other things, the degree to which we can make a reasonable estimate of the loss, the degree of probability of an unfavorable outcome, and the applicability of insurance coverage for a loss. The degree of probability and the loss related to a particular claim are typically estimated with the assistance of legal counsel.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in interest rates, equity prices and foreign currency exchange rates. We enter into various hedging transactions to manage this risk. We do not hold or issue derivative financial instruments for trading purposes. A discussion of our accounting policies for financial instruments, and further disclosure relating to financial instruments, are included in the notes to the consolidated financial statements.

Interest rate risk. Interest rate risk is managed through our debt portfolio of fixed- and variable-rate instruments including interest rate swaps. Risk can be estimated by measuring the impact of a near-term adverse movement of 10% in short-term market interest rates. If these rates average 10% more in 2006 than in 2005, there would be no material adverse impact on our results of operations or financial position. During 2005, had short-term market interest rates averaged 10% more than in 2004, there would have been no material adverse impact on our results of operations or financial position.

Equity price sensitivity. Our financial position is affected by changes in equity prices as a result of certain investments. Risk can be estimated by measuring the impact of a near-term adverse movement of 10% in the value of our equity security investments. If the market price of our investments in equity securities in 2006 were to fall by 10% below the level at the end of 2005, there would be no material adverse impact on our results of operations or financial position. During 2005, declines in the market price of our equity securities did not have a material adverse impact on our results of operations or financial position.

Foreign exchange risk. We conduct business in the United States and around the world. Our most significant foreign currency transaction exposures relate to Canada, Mexico, the United Kingdom, Western European countries that use the euro as a common currency, Australia and New Zealand. The primary purpose of our foreign currency hedging activities is to protect against foreign currency exchange risk from intercompany financing and trading transactions. We enter into foreign currency forward contracts and currency options with durations of generally less than 30 days to hedge such transactions. We have not entered into foreign currency forward contracts for speculative or trading purposes.

Generally, foreign currency forward contracts are not designated as hedges for accounting purposes and changes in the fair value of these instruments are recognized immediately in earnings. In addition, since we enter into forward contracts only as an economic hedge, any change in currency rates would not result in any material gain or loss, as any gain or loss on the underlying foreign-denominated balance would be offset by the loss or gain on the forward contract. Risk can be estimated by measuring the impact of a near-term adverse movement of 10% in foreign currency rates against the U.S. dollar. If these rates average 10% more in 2006 than in 2005, there would be no material adverse impact on our results of operations or financial position. During 2005, had foreign currency rates averaged 10% more than in 2004, there would have been no material adverse impact on our results of operations or financial position.

Accelerated Stock Repurchase. Pursuant to an accelerated share repurchase agreement entered into in February 2006, we are subject to equity price risk due to the repurchase of common stock through that program (see Part II, Item 5). At the end of the program, we are required to receive or pay a price adjustment based on the difference between the average price paid by Credit Suisse for our stock over the life of the program and the initial purchase price of $26.61 per share for 15 million shares. At our election, any payments we are required to make pursuant to the settlement of the forward contract could either be in cash or in shares of our common stock. Changes in the fair value of our common stock will impact the final settlement of the program. Settlement is expected to occur in the second quarter of 2006, depending upon the timing and pace of purchases.

RISK FACTORS

Because of the following factors, as well as other variables affecting our operating results, past financial performance may not be a reliable indicator of future performance, and historical trends should not be used to anticipate results or trends in future periods.

Our engagements with clients may not be profitable. The pricing and other terms of our client contracts, particularly our long-term IT outsourcing agreements, require us to make estimates and assumptions at the time we enter into these contracts that could differ from actual results. These estimates reflect our best judgments regarding the nature of the engagement and our expected costs to provide the contracted services. Any increased or unexpected costs or unanticipated delays in connection with the performance of these engagements, including delays caused by factors outside our control, could make these contracts less

profitable or unprofitable, which would have an adverse effect on our profit margin. Our exposure to this risk increases generally in proportion to the scope of the client contract. In addition, a majority of our IT outsourcing contracts contain some fixed-price, incentive-based or other pricing terms that condition our fee on our ability to meet defined goals. Our failure to meet a client's expectations in any type of contract may result in an unprofitable engagement.

Our ability to recover significant capital investments in certain construct contracts is subject to risks. Some of our client contracts require significant investment, including asset purchases and operating losses, in the early stages which is recovered through billings over the life of the respective contract. These contracts often involve the construction of new computer systems and communications networks and the development and deployment of new technologies. Substantial performance risk exists in each contract with these characteristics, and some or all elements of service delivery under these contracts are dependent upon successful completion of the development, construction and deployment phases. Contracts with ongoing construct activities had assets, including receivables, prepaid expenses, deferred costs, equipment and software, of approximately $1.3 billion at December 31, 2005, including approximately $0.9 billion associated with the NMCI contract (net of impairment charges associated with this contract in previous years). Some of these contracts, including the NMCI contract, have experienced delays in their development and construction phases, and certain milestones have been missed. We refer you to the discussion of the NMCI contract under "Overview – 2005 Highlights" below for further information regarding our risks under such contracts. Remaining long-lived assets and lease receivables associated with the NMCI contract totaled $240 million and $408 million, respectively, at December 31, 2005. In addition, we refer you to the discussion under "Overview – 2005 Highlights" below for further information regarding our risks under a commercial contract for which we recognized a $37 million non-cash impairment charge in 2005.

Our exposure to certain industries and financially troubled customers has adversely affected our financial results. Our exposure to certain industries and financially troubled customers has had, and could in the future have, a material adverse effect on our financial position and our results of operations. For example, we are a leading provider of IT outsourcing services to the United States automobile industry, which sector has been experiencing significant financial difficulties. We refer you to the discussion under "Overview" below of our revenues from GM and reserves recorded in 2005 with respect to our receivables from Delphi, which filed for bankruptcy in October 2005. In addition, we are the leading IT outsourcing provider to the airline industry, which has also faced significant financial challenges. We have a long-term IT outsourcing agreement with American Airlines and recently entered into a long-term IT outsourcing agreement with United Airlines. We also provide IT services to US Airways, which filed for bankruptcy in September 2004. We refer you to the discussion in Note 5 of the notes to our consolidated financial statements below of the write-down of our investment in an aircraft leasing partnership due to uncertainties regarding the recoverability of the partnership's investments in aircraft leased to Delta Air Lines, which filed for bankruptcy in September 2005.

A decline in revenues from or loss of significant clients could reduce our revenues and profitability. Our success is to a significant degree dependent on our ability to retain our significant clients and maintain or increase the level of revenues from these clients, including in particular revenues from certain "mega-deal" long-term IT outsourcing agreements. We may lose clients due to their merger or acquisition, business failure, contract expiration, conversion to a competing service provider or conversion to an in-house data processing system. We may not be able to retain or renew relationships with our significant clients in the future. As a result of business downturns or for other business reasons, we are also vulnerable to reduced processing volumes from our clients, which can reduce the scope of services provided and the prices for those services.

Impact of Rating Agency downgrades. Any adverse action by Moody's, S&P or Fitch with respect to our long-term credit ratings could materially adversely impact our ability to compete for new business, our cost of capital and our ability to access capital.

Some of our contracts contain benchmarking provisions that could decrease our revenues and profitability. Some of our long-term IT outsourcing agreements contain pricing provisions that permit a client to request a benchmark study by a mutually acceptable third-party benchmarker. Typically, benchmarking may not be conducted during the initial years of the contract term but may be requested by a client periodically thereafter, subject to restrictions which limit benchmarking to certain groupings of services and limit the number of times benchmarking may be elected during the term of the contract. Generally, the benchmarking compares the contractual price of our services against the price of similar services offered by other specified providers in a peer comparison group, subject to agreed upon adjustment and normalization factors. Generally, if the benchmarking study shows that our pricing has a difference outside a specified range, and the difference is not due to the unique requirements of the client, then the parties will negotiate in good faith any appropriate adjustments to the pricing. This may result in the reduction of our rates for the benchmarked services. Due to the enhanced focus of our clients on reducing IT costs, as well as the uncertainties and complexities inherent in benchmarking comparisons, our clients may increasingly attempt to obtain additional price reductions beyond those already embedded in our contract rates through the exercise of benchmarking provisions. Such activities could negatively impact our results of operations or cash flow in 2006 or thereafter to a greater extent than has been our prior experience.

An ongoing SEC investigation could adversely affect us or the market value of our securities. The SEC staff is conducting a formal investigation of some of our activities and contracts. We refer you to the discussion of "Pending Litigation and Proceedings" under Note 15 of the notes to our consolidated financial statements below for a description of this investigation. The investigation is ongoing, and we will continue to cooperate with the SEC staff. We are unable to predict the outcome of the investigation, the scope of matters that the SEC may choose to investigate in the course of this investigation or in the future, the SEC's views of the issues being investigated, or any action that the SEC might take, including the imposition of fines, penalties, or

other available remedies. Any adverse development in connection with the investigation, including any expansion of the scope of the investigation, could have a material adverse effect on us, including diverting the efforts and attention of our management team from our business operations, and could negatively impact the market value of our securities.

Pending litigation could have a material adverse effect on our liquidity and financial condition. We are defendants in various claims and pending actions arising in the ordinary course of business or otherwise. We recently agreed upon the terms of a settlement regarding certain shareholder class action suits and remain a party to certain other litigation related to such matters. We refer you to the discussion of "Pending Litigation and Proceedings" under Note 15 of the notes to our consolidated financial statements below for a description of certain of these matters. We are not able to determine the actual impact of these matters on us or our consolidated financial statements. However, we may be required to pay judgments or settlements and incur expenses in aggregate amounts that could have a material adverse effect on our liquidity and financial condition.

The markets in which we operate are highly competitive, and we may not be able to compete effectively. The markets in which we operate include a large number of participants and are highly competitive. Our primary competitors are IT service providers, large accounting, consulting and other professional service firms, application service providers, telecommunications companies, packaged software vendors and resellers and service groups of computer equipment companies. We also experience competition from numerous smaller, niche-oriented and regionalized service providers. Our business is experiencing rapid changes in its competitive landscape. We increasingly see our competitors moving operations offshore to reduce their costs as well as increasing direct competition from niche offshore providers, primarily India-based competitors. The competition from India-based companies is growing in intensity due to the abundance of highly skilled workers in the country, a pro-business regulatory environment and significantly lower costs of labor, which may allow these competitors to offer lower prices than we are able to offer. In addition, negative publicity from our pending litigation or SEC staff investigation could have a negative effect on our competitive position. Any of these factors may impose additional pricing pressure on us, which could have an adverse effect on our revenues and profit margin.

Market changes may result in decreased profitability. The IT outsourcing market is commoditizing, which is shrinking margins on many of our core offerings. In addition, that market has experienced slower growth and lower margins in recent years. We are continuing to invest in new service offerings in the higher-margin segments such as Business Process Outsourcing and applications development. However, if we are unable to implement our strategies to more effectively compete in such markets, our margins and profitability could be adversely affected.

We may not achieve the benefits we expect from our multi-year plan. Management has implemented a multi-year plan designed to make significant changes in the way we do business. This plan includes the development of a new technology platform for the delivery of our services which we refer to as the "Agile Enterprise" as well as other initiatives intended to substantially reduce our cost structure. We invested significant capital in the implementation of the multi-year plan in 2005 and will invest additional capital in 2006. Although management believes this plan will enable us to achieve sustainable, profitable growth over the longer term, there can be no assurance as to the acceptance of our technology initiatives in the marketplace or our ability to recognize a return on our investment. Our ability to achieve the anticipated cost savings and other benefits from these initiatives on a timely basis is subject to many estimates and assumptions, including assumptions regarding the costs and timing of activities in connection with these initiatives. These estimates and assumptions are subject to significant economic, competitive and other uncertainties some of which are beyond our control. In addition, service pricing contained in certain contracts signed since early 2005, including our new contracts with GM and the U.K. Government's Department of Works and Pension, and other contracts expected to be signed in 2006, assume successful completion of our EDS Agile Enterprise initiatives on a timely basis. If these assumptions are not realized and we experience delays beyond those already experienced with respect to certain segments of these initiatives, or if other unforeseen events occur, our business and results of operations could be adversely affected and there could be a material adverse effect on the price of our securities.

Unanticipated changes in our tax provisions or exposure to additional tax liabilities could affect our profitability. We are subject to income taxes in the United States and numerous foreign jurisdictions. We are subject to ongoing tax audits in various jurisdictions. Tax authorities may disagree with our intercompany charges or other matters and assess additional taxes. Our provision for income taxes and cash tax liability in the future could be adversely affected by numerous factors including, but not limited to, income before taxes being lower than anticipated in countries with accumulated tax losses and higher than anticipated in countries with higher statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in tax laws, regulations, accounting principles or interpretations thereof, and the discovery of new information in the course of our tax return preparation process, which could adversely impact our results of operations and financial condition in future periods. In particular, the carrying value of deferred tax assets is dependent on our ability to generate future taxable income over the expiration period of the tax asset. An impairment of deferred tax assets would result in an increase in our effective tax rate and related tax expense in the period of impairment and could affect our profitability.

Risks associated with our international operations could negatively affect our earnings. International operations accounted for approximately one-half of our revenues in 2005 and will continue to represent a significant opportunity for growth in the IT industry. Our results of operations are affected by our ability to manage risks inherent in doing business abroad. These risks include exchange rate fluctuation, regulatory concerns, terrorist activity, restrictions with respect to the movement of currency, access to highly skilled workers, political and economic instability and our ability to protect our intellectual property.

Any of these risks could impede our ability to increase our presence in certain jurisdictions or enter new jurisdictions. In addition, these risks could result in increased costs which could materially adversely affect our results of operations.

Our services or products may infringe upon the intellectual property rights of others. We cannot be sure that our services and products, or the products of others that we offer to our clients, do not infringe on the intellectual property rights of third parties, and we may have infringement claims asserted against us. These claims may harm our reputation, cost us money and prevent us from offering some services or products. We generally agree in our contracts to indemnify our clients for any expenses or liabilities they may incur resulting from claimed infringements of the intellectual property rights of third parties. In some instances, the amount of these indemnities may be greater than the revenues we receive from the client. Any claims or litigation in this area, whether we ultimately win or lose, could be time-consuming and costly, injure our reputation or require us to enter into royalty or licensing arrangements. We may, in limited cases, be required to forego rights to the use of intellectual property we help create, which limits our ability to also provide that intellectual property to other clients. Any limitation on our ability to provide a service or product could cause us to lose revenue-generating opportunities and require us to incur additional expenses to develop new or modified solutions for future projects.

A material weakness in our internal controls could have a material adverse effect on us. Effective internal controls are necessary for us to provide reasonable assurance with respect to our financial reports and to effectively prevent fraud. If we cannot provide reasonable assurance with respect to our financial reports and effectively prevent fraud, our reputation and operating results could be harmed. Pursuant to the Sarbanes-Oxley Act of 2002, we are required to furnish a report by management on internal control over financial reporting, including management's assessment of the effectiveness of such control. Internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. Therefore, even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. In addition, projections of any evaluation of effectiveness of internal control over financial reporting to future periods are subject to the risk that the control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. If we fail to maintain the adequacy of our internal controls, including any failure to implement required new or improved controls, or if we experience difficulties in their implementation, our business and operating results could be adversely impacted, we could fail to meet our reporting obligations, and there could be a material adverse effect on our stock price. In connection with their review of our third quarter 2004 results and the ongoing procedures related to their audit of internal controls over financial reporting as of December 31, 2004, our independent auditors identified material weaknesses in our internal controls related to our NMCI contract and revenue recognition. Although such material weaknesses were corrected by December 31, 2004, we may identify one or more material weaknesses in our internal control over financial reporting from time to time in the future.

Cautionary Statement Regarding Forward-Looking Statements

The statements in this Report that are not historical statements are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements regarding estimated revenues, earnings, free cash flow, TCV of new contract signings, operating margins, cost savings and other forward-looking financial information. In addition, we have made in the past and may make in the future other written or oral forward-looking statements, including statements regarding future financial and operating performance, short- and long-term revenue, earnings and free cash flow, the timing of the revenue, earnings and free cash flow impact of new and existing contracts, liquidity, estimated future revenues from existing clients, the TCV of new contract signings, business pipeline, industry growth rates and our performance relative thereto, the impact of acquisitions and divestitures, and the impact of client bankruptcies. Any forward-looking statement may rely on a number of assumptions concerning future events and be subject to a number of uncertainties and other factors, many of which are outside our control, that could cause actual results to differ materially from such statements. In addition to the factors outlined above, these factors include, but are not limited to, the following: the performance of current and future client contracts in accordance with our cost, revenue and cash flow estimates, including our ability to achieve any operational efficiencies in our estimates; for contracts with U.S. Federal government clients, including our NMCI contract, the government's ability to cancel the contract or impose additional terms and conditions due to changes in government funding, deployment schedules, military action or otherwise; our ability to access the capital markets, including our ability to obtain capital leases, surety bonds and letters of credit; the impact of third-party benchmarking provisions in certain client contracts; the impact on a historical and prospective basis of accounting rules and pronouncements; the impact of claims, litigation and governmental investigations; the success of our multi-year plan and cost-cutting initiatives and the timing and amount of any resulting benefits; the impact of acquisitions and divestitures; a reduction in the carrying value of our assets; the impact of a bankruptcy or financial difficulty of a significant client on the financial and other terms of our agreements with that client; with respect to the funding of pension plan obligations, the performance of our investments relative to our assumed rate of return; changes in tax laws and interpretations and failure to obtain treaty relief from double taxation; failure to obtain or protect intellectual property rights; fluctuations in foreign currency, exchange rates and interest rates; the impact of competition on pricing, revenues and margins; and the degree to which third parties continue to outsource IT and business processes.

We disclaim any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as may be required by law.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

MANAGEMENT REPORT

MANAGEMENT RESPONSIBILITY FOR FINANCIAL INFORMATION

Responsibility for the objectivity, integrity, and presentation of the accompanying financial statements and other financial information presented in this report rests with EDS management. The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The financial statements include amounts that are based on estimates and judgments which management believes are reasonable under the circumstances.

KPMG LLP, independent auditors, is retained to audit EDS' consolidated financial statements and management's assessment of the effectiveness of the company's internal control over financial reporting. Its accompanying report is based on audits conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States).

The Audit Committee of the Board of Directors is composed solely of independent, non-employee directors, and is responsible for recommending to the Board the independent auditing firm to be retained for the coming year. The Audit Committee meets regularly and privately with the independent auditors, with the company's internal auditors, and with management to review accounting, auditing, internal control and financial reporting matters.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of EDS is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934. Those rules define internal control over financial reporting as a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. EDS' internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of EDS;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America;
- provide reasonable assurance that receipts and expenditures of EDS are being made only in accordance with authorization of management and directors of EDS; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of EDS' assets that could have a material effect on the consolidated financial statements.

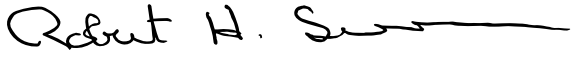
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

EDS management assessed the effectiveness of EDS' internal control over financial reporting as of December 31, 2005. In making this assessment, management used the criteria described in "*Internal Control – Integrated Framework*" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included an evaluation of the design of EDS' internal control over financial reporting and testing of the operational effectiveness of its internal control over financial reporting. Management reviewed the results of its assessment with the Audit Committee of our Board of Directors.

Based on this assessment and those criteria, management believes that EDS maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005.

KPMG LLP, independent registered public accounting firm, who audited and reported on EDS' consolidated financial statements included in this report, has issued an attestation report on management's assessment of internal control over financial reporting.

Michael H. Jordan
CHAIRMAN OF THE BOARD AND
CHIEF EXECUTIVE OFFICER
March 8, 2006



Robert H. Swan
EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER
March 8, 2006

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Electronic Data Systems Corporation:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Electronic Data Systems Corporation and subsidiaries (the "Company") maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on criteria established in *Internal Control – Integrated Framework* issued by COSO. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control – Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Electronic Data Systems Corporation and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of operations, shareholders' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2005, and the related financial statement schedule, and our report dated March 8, 2006 expressed an unqualified opinion on those consolidated financial statements and schedule.

KPMG LLP
Dallas, Texas
March 8, 2006

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Electronic Data Systems Corporation:

We have audited the accompanying consolidated balance sheets of Electronic Data Systems Corporation and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of operations, shareholders' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2005. In connection with our audits of the consolidated financial statements, we have also audited the related financial statement schedule. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Electronic Data Systems Corporation and subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, during 2005, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123R, *Share-Based Payment*, and, during 2003, the Company adopted the provisions of Emerging Issues Task Force Issue No. 00-21, *Accounting for Revenue Arrangements with Multiple Deliverables*, and SFAS No. 143, *Accounting for Asset Retirement Obligations*.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Electronic Data Systems Corporation and subsidiaries' internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 8, 2006 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

KPMG LLP

KPMG LLP
Dallas, Texas
March 8, 2006

ELECTRONIC DATA SYSTEMS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share amounts)

	Years Ended December 31,		
	2005	**2004**	**2003**
Revenues	$ 19,757	$ 19,863	$ 19,758
Costs and expenses			
Cost of revenues	17,422	18,224	18,261
Selling, general and administrative	1,819	1,571	1,577
Restructuring and other	(26)	170	175
Total costs and expenses	19,215	19,965	20,013
Operating income (loss)	542	(102)	(255)
Interest expense	(241)	(321)	(301)
Interest income and other, net	138	49	39
Other income (expense)	(103)	(272)	(262)
Income (loss) from continuing operations before income taxes	439	(374)	(517)
Provision (benefit) for income taxes	153	(103)	(205)
Income (loss) from continuing operations	286	(271)	(312)
Income (loss) from discontinued operations, net of income taxes	(136)	429	46
Income (loss) before cumulative effect of changes in accounting principles	150	158	(266)
Cumulative effect on prior years of changes in accounting principles, net of income taxes	–	–	(1,432)
Net income (loss)	$ 150	$ 158	$ (1,698)
Basic earnings per share of common stock			
Income (loss) from continuing operations	$ 0.55	$ (0.54)	$ (0.65)
Income (loss) from discontinued operations	(0.26)	0.86	0.09
Cumulative effect on prior years of changes in accounting principles	–	–	(2.99)
Net income (loss)	$ 0.29	$ 0.32	$ (3.55)
Diluted earnings per share of common stock			
Income (loss) from continuing operations	$ 0.54	$ (0.54)	$ (0.65)
Income (loss) from discontinued operations	(0.26)	0.86	0.09
Cumulative effect on prior years of changes in accounting principles	–	–	(2.99)
Net income (loss)	$ 0.28	$ 0.32	$ (3.55)

See accompanying notes to consolidated financial statements.

As discussed in Note 1, the Company adopted EITF 00-21 during 2003 on a cumulative basis as of January 1, 2003 resulting in a change in the Company's method of recognizing revenue on long-term contracts, and SFAS No. 123R as of January 1, 2005 resulting in a change in the Company's method of recognizing stock-based compensation to employees.

ELECTRONIC DATA SYSTEMS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in millions, except share and per share amounts)

	December 31, 2005	December 31, 2004
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,899	$ 2,102
Marketable securities	1,321	1,453
Accounts receivable, net	3,311	3,161
Prepaids and other	848	874
Deferred income taxes	778	602
Assets held for sale	345	479
Total current assets	8,502	8,671
Property and equipment, net	1,967	2,181
Deferred contract costs, net	638	708
Investments and other assets	684	1,059
Goodwill	3,832	3,635
Other intangible assets, net	640	624
Deferred income taxes	824	866
Total assets	$ 17,087	$ 17,744
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 492	$ 472
Accrued liabilities	2,430	2,773
Deferred revenue	1,329	1,061
Income taxes	208	58
Current portion of long-term debt	314	658
Liabilities held for sale	275	267
Total current liabilities	5,048	5,289
Pension benefit liability	1,173	1,132
Long-term debt, less current portion	2,939	3,168
Minority interests and other long-term liabilities	415	715
Commitments and contingencies		
Shareholders' equity		
Preferred stock, $.01 par value; authorized 200,000,000 shares; none issued	–	–
Common stock, $.01 par value; authorized 2,000,000,000 shares; 526,199,617 and 522,748,596 shares issued at December 31, 2005 and 2004, respectively	5	5
Additional paid-in capital	2,682	2,433
Retained earnings	5,371	5,492
Accumulated other comprehensive loss	(367)	(59)
Treasury stock, at cost, 2,913,605 and 7,443,650 shares at December 31, 2005 and 2004, respectively	(179)	(431)
Total shareholders' equity	7,512	7,440
Total liabilities and shareholders' equity	$ 17,087	$ 17,744

See accompanying notes to consolidated financial statements.

ELECTRONIC DATA SYSTEMS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)
(in millions)

	Common Stock		Additional		Accumu-lated Other	Treasury Stock		Share-
	Shares Issued	Amount	Paid-In Capital	Retained Earnings	Compre-hensive Loss	Shares Held	Amount	holders' Equity
Balance at December 31, 2002	496	$ 5	$ 901	$ 7,951	$ (689)	19	$ (1,146)	$ 7,022
Comprehensive loss:								
Net loss	–	–	–	(1,698)	–	–	–	(1,698)
Currency translation adjustment	–	–	–	–	466	–	–	466
Unrealized losses on securities, net of tax effect of $(1), and reclassification adjustment	–	–	–	–	(3)	–	–	(3)
Change in minimum pension liability, net of tax effect of $61	–	–	–	–	95	–	–	95
Total comprehensive loss								(1,140)
Dividends	–	–	–	(287)	–	–	–	(287)
Stock award transactions	–	–	16	(154)	–	(4)	257	119
Balance at December 31, 2003	496	$ 5	$ 917	$ 5,812	$ (131)	15	$ (889)	$ 5,714
Comprehensive income:								
Net income	–	–	–	158	–	–	–	158
Currency translation adjustment, net of tax effect of $75	–	–	–	–	256	–	–	256
Unrealized losses on securities, net of tax effect of $(3), and reclassification adjustment	–	–	–	–	(5)	–	–	(5)
Change in minimum pension liability, net of tax effect of $(101)	–	–	–	–	(179)	–	–	(179)
Total comprehensive income								230
Dividends	–	–	–	(200)	–	–	–	(200)
Issuance of common stock	27	–	1,601	–	–	–	–	1,601
Stock award transactions	–	–	(85)	(278)	–	(8)	458	95
Balance at December 31, 2004	523	$ 5	$ 2,433	$ 5,492	$ (59)	7	$ (431)	$ 7,440
Comprehensive loss:								
Net income	–	–	–	150	–	–	–	150
Currency translation adjustment, net of tax effect of $(75)	–	–	–	–	(293)	–	–	(293)
Unrealized losses on securities, net of tax effect of $(3), and reclassification adjustment	–	–	–	–	(1)	–	–	(1)
Change in minimum pension liability, net of tax effect of $(17)	–	–	–	–	(14)	–	–	(14)
Total comprehensive loss								(158)
Dividends	–	–	–	(105)	–	–	–	(105)
Stock award transactions	3	–	249	(166)	–	(4)	252	335
Balance at December 31, 2005	526	$ 5	$ 2,682	$ 5,371	$ (367)	3	$ (179)	$ 7,512

See accompanying notes to consolidated financial statements.

ELECTRONIC DATA SYSTEMS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Years Ended December 31,		
	2005	**2004**	**2003**
Cash Flows from Operating Activities			
Net income (loss)	$ 150	$ 158	$ (1,698)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization and deferred cost charges	1,456	1,974	2,529
Deferred compensation	224	42	62
Cumulative effect on prior years of changes in accounting principles	–	–	1,432
Other long-lived asset write-downs	164	537	36
Other (including pre-tax gains on sales of businesses of $844 and $131 in 2004 and 2003, respectively	8	(859)	(116)
Changes in operating assets and liabilities, net of effects of acquired companies:			
Accounts receivable	(310)	97	440
Prepaids and other	20	153	(90)
Deferred contract costs	(161)	(126)	(540)
Accounts payable and accrued liabilities	(207)	(466)	31
Deferred revenue	299	(51)	(116)
Income taxes	(347)	(181)	(475)
Total adjustments	1,146	1,120	3,193
Net cash provided by operating activities	1,296	1,278	1,495
Cash Flows from Investing Activities			
Proceeds from sales of marketable securities	1,434	956	548
Proceeds from investments and other assets	310	68	43
Net proceeds from divested assets and non-marketable equity securities	160	2,129	233
Net proceeds from real estate sales	178	–	–
Payments for purchases of property and equipment	(718)	(666)	(703)
Payments for investments and other assets	(27)	(556)	(25)
Payments for acquisitions, net of cash acquired, and non-marketable equity securities	(552)	(78)	11
Payments for purchases of software and other intangibles	(300)	(302)	(494)
Payments for purchases of marketable securities	(1,311)	(2,337)	(447)
Other	29	28	25
Net cash used in investing activities	(797)	(758)	(809)
Cash Flows from Financing Activities			
Proceeds from long-term debt	5	6	1,869
Payments on long-term debt	(560)	(561)	(1,312)
Net decrease in borrowings with original maturities less than 90 days	–	–	(235)
Capital lease payments	(149)	(167)	(120)
Proceeds from issuance of common stock	–	198	–
Employee stock transactions	107	76	47
Dividends paid	(105)	(200)	(287)
Other	21	(15)	(33)
Net cash used in financing activities	(681)	(663)	(71)
Effect of exchange rate changes on cash and cash equivalents	(21)	48	(60)
Net increase (decrease) in cash and cash equivalents	(203)	(95)	555
Cash and cash equivalents at beginning of year	2,102	2,197	1,642
Cash and cash equivalents at end of year	$ 1,899	$ 2,102	$ 2,197

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Electronic Data Systems Corporation is a professional services firm that offers its clients a portfolio of related services worldwide within the broad categories of traditional information technology ("IT") outsourcing, business process outsourcing and solutions consulting services. The Company also provided management consulting services through its A.T. Kearney subsidiary which was sold in January 2006 (see Note 20). Services include the design, construction or management of computer networks, information systems, information processing facilities and business processes. As used herein, the terms "EDS" and the "Company" refer to Electronic Data Systems Corporation and its consolidated subsidiaries.

Principles of Consolidation

The consolidated financial statements include the accounts of EDS and its controlled subsidiaries. The Company defines control as a non-shared, non-temporary ability to make decisions that enable it to guide the ongoing activities of a subsidiary and the ability to use that power to increase the benefits or limit the losses from the activities of that subsidiary. Subsidiaries in which other shareholders effectively participate in significant operating decisions through voting or contractual rights are not considered controlled subsidiaries. The Company's investments in entities it does not control, but in which it has the ability to exercise significant influence over operating and financial policies, are accounted for under the equity method. Under such method, the Company recognizes its share of the subsidiaries' income (loss) in other income (expense). If EDS is the primary beneficiary of variable interest entities, the consolidated financial statements include the accounts of such entities. No variable interest entities were consolidated during the periods presented.

Earnings Per Share

Basic earnings per share of common stock is computed using the weighted-average number of common shares outstanding during the period. Diluted earnings per share amounts reflect the incremental increase in common shares outstanding assuming the exercise of all employee stock options and stock purchase contracts and the issuance of shares in respect of restricted stock units that would have had a dilutive effect on earnings per share. Diluted earnings per share also assumes that any dilutive convertible debt outstanding was converted at the later of the date of issuance or the beginning of the period, with related interest and outstanding common shares adjusted accordingly. Following is a reconciliation of the number of shares used in the calculation of basic and diluted earnings per share for the years ended December 31, 2005, 2004 and 2003 (in millions):

	2005	2004	2003
Basic earnings per share of common stock:			
Weighted-average common shares outstanding	519	501	479
Effect of dilutive securities (Note 11):			
Restricted stock units	2	–	–
Stock options	5	–	–
Diluted earnings per share of common stock:			
Weighted-average common and common equivalent shares outstanding	526	501	479

In the computation of diluted earnings per share for 2004 and 2003, all common stock options, restricted stock units, the assumed conversion of convertible debt and the effect of forward purchase contracts were excluded because their inclusion would have been antidilutive. Securities that were outstanding but were not included in the computation of diluted earnings per share because their effect was antidilutive are as follows for the years ended December 31, 2005, 2004 and 2003 (in millions):

	2005	2004	2003
Common stock options	42	75	58
Restricted stock units	–	7	2
Convertible debt and forward purchase contracts	20	28	36

Accounting Changes

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123R, *Share-Based Payment*, as of January 1, 2005, using the modified prospective application method. This statement requires the recognition of compensation expense when an entity obtains employee services in stock-based payment transactions. This change in accounting resulted in the recognition of compensation expense of $160 million ($110 million net of tax) for the year ended December 31, 2005. Compensation expense presented in the 2005 consolidated statement of operations includes $94 million in cost of revenues, $40 million in selling, general and administrative, and $26 million in income (loss) from discontinued operations.

Prior to January 1, 2005, the Company recognized compensation cost associated with stock-based awards under the recognition and measurement principles of Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. Under APB No. 25, the difference between the quoted market price as of the date of the grant and the contractual purchase price of shares was charged to operations over the vesting period on a straight-line basis. No compensation cost was recognized for fixed stock options with exercise prices equal to the market price of the stock on the dates of grant and shares acquired by employees under the EDS Stock Purchase Plan or Nonqualified Stock Purchase Plan.

Pro forma net loss and earnings per share disclosures as if the Company recorded compensation expense based on fair value for stock-based awards have been presented in accordance with the provisions of SFAS No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure*, and are as follows for the year ended December 31, 2005 (in millions, except per share amounts):

	2004	2003
Net income (loss):		
As reported	$ 158	$ (1,698)
Stock-based compensation costs included in reported net income (loss), net of related tax effects	27	40
Total stock-based employee compensation expense determined under fair value-based method for all awards, net of related tax effects	(165)	(209)
Pro forma	$ 20	$ (1,867)
Basic earnings per share of common stock:		
As reported	$ 0.32	$ (3.55)
Pro forma	0.04	(3.90)
Diluted earnings per share of common stock:		
As reported	$ 0.32	$ (3.55)
Pro forma	0.04	(3.90)

During the third quarter of 2003, the Company adopted the provisions of Emerging Issues Task Force ("EITF") Issue No. 00-21, *Accounting for Revenue Arrangements with Multiple Deliverables*, on a cumulative basis as of January 1, 2003. EITF 00-21 modified the application of existing contract accounting literature followed by the Company prior to January 1, 2003. EITF 00-21 governs how to identify whether goods or services, or both, that are to be delivered separately in a bundled sales arrangement should be accounted for separately. In most circumstances, EITF 00-21 also limits the recognition of revenue in excess of amounts billed (e.g., unbilled revenue) to the amount that would be received if the client contract was terminated for any reason. The adoption of EITF 00-21 resulted in a non-cash adjustment reported as a cumulative effect of a change in accounting principle of $1.42 billion ($2.24 billion before tax). The adjustment resulted primarily from the reversal of unbilled revenue associated with the Company's IT service contracts which had been accounted for as a single unit using the percentage-of-completion method of revenue recognition. Such reversal resulted from the fact that typical termination provisions of an IT service contract do not provide for the recovery of unbilled revenue in the event the contract is terminated for the Company's nonperformance. The adjustment also reflects the deferral and subsequent amortization of system construction costs. Such costs were previously expensed as incurred and included in the percentage-of-completion model for the respective contracts.

During the years ended December 31, 2005, 2004 and 2003, the Company recognized revenues of approximately $250 million, $360 million and $345 million, respectively, which had been recognized prior to January 1, 2003 and reversed in the cumulative effect adjustment recognized upon adoption of EITF 00-21. These amounts were estimated as the amount for which unbilled revenue would have been reduced in those periods for those contracts impacted by the cumulative adjustment based on the most recent percentage-of-completion models prepared for each contract during 2003. Such revenues have been offset by deferred cost amortization and charges recognized by the Company since January 1, 2003 associated with costs that had been recognized prior to January 1, 2003 and deferred in the cumulative effect adjustment.

The impact of the EITF 00-21 accounting change in 2003, excluding the effect of the cumulative accounting change, was to decrease the loss from continuing operations and net loss by $725 million ($1.51 per share). Because EDS' accounting records for the second half of 2003 were prepared under EITF 00-21, percentage-of-completion calculations for the period were not subject to EDS' percentage-of-completion accounting controls and procedures in place in previous periods. Accordingly, the impact of the accounting change referred to above is an estimate.

Effective January 1, 2003, the Company adopted SFAS No. 143, *Accounting for Asset Retirement Obligations*. SFAS No. 143 requires that the fair value of the liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. The majority of the Company's retirement obligations relate to leases which require the facilities be restored to original condition at the expiration of the leases. The adoption of SFAS No. 143 resulted in a reduction of income reported as a cumulative effect of a change in accounting principle of $25 million ($17 million after tax). Additionally, the fair value of the liability recorded on January 1, 2003 was $48 million. Changes in the liability from the date of adoption of SFAS No. 143 and the pro forma impact of adoption on prior periods were not material.

Accounts Receivable

Reserves for uncollectible trade receivables are established when collection of amounts due from clients is deemed improbable. Indicators of improbable collection include client bankruptcy, client litigation, industry downturns, client cash flow difficulties, or ongoing service or billing disputes. Receivables more than 180 days past due are automatically reserved unless persuasive evidence of probable collection exists. Accounts receivable are shown net of allowances of $69 million and $114 million at December 31, 2005 and 2004, respectively.

Marketable Securities

Marketable securities at December 31, 2005 and 2004 consist of government and agency obligations, corporate debt and corporate equity securities. The Company classifies all of its debt and marketable equity securities as trading or available-for-sale. All such investments are recorded at fair value. Changes in net unrealized holding gains (losses) on trading securities are recognized in income, whereas changes in net unrealized holding gains (losses) on available-for-sale securities are reported as a component of other comprehensive income (loss), net of tax, in shareholders' equity until realized.

Investments in marketable securities are monitored for impairment and written down to fair value with a charge to earnings if a decline in fair value is judged to be other than temporary. The Company considers several factors to determine whether a decline in the fair value of an equity security is other than temporary, including the length of time and the extent to which the fair value has been less than carrying value, the financial condition of the investee, and the intent and ability of the Company to retain the investment for a period of time sufficient to allow a recovery in value.

Property and Equipment

Property and equipment are carried at cost. Depreciation of property and equipment is calculated using the straight-line method over the shorter of the asset's estimated useful life or the term of the lease in the case of leasehold improvements. The ranges of estimated useful lives are as follows:

	Years
Buildings	40-50
Facilities	5-20
Computer equipment	3-5
Other equipment and furniture	5-20

The Company reviews its property and equipment for impairment whenever events or changes in circumstances indicate the carrying values of such assets may not be recoverable. For property and equipment to be held and used, impairment is determined by a comparison of the carrying value of the asset to the future undiscounted net cash flows expected to be generated by the asset. If such assets are determined to be impaired, the impairment recognized is the amount by which the carrying value of the assets exceeds the fair value of the assets. Property and equipment to be disposed of by sale is carried at the lower of then current carrying value or fair value less cost to sell.

Investments and Other Assets

Investments in non-marketable equity securities are monitored for impairment and written down to fair value with a charge to earnings if a decline in fair value is judged to be other than temporary. The fair values of non-marketable equity securities are determined based on quoted market prices. If quoted market prices are not available, fair values are estimated based on an evaluation of numerous indicators including, but not limited to, offering prices of recent issuances of the same or similar

equity instruments, quoted market prices for similar companies and comparisons of recent financial information, operating plans, budgets, market studies and client information to the information used to support the initial valuation of the investment. The Company considers several factors to determine whether a decline in the fair value of a non-marketable equity security is other than temporary, including the length of time and the extent to which the fair value has been less than carrying value, the financial condition of the investee, and the intent and ability of the Company to retain the investment for a period of time sufficient to allow a recovery in value.

Goodwill and Other Intangibles

The cost of acquired companies is allocated to the assets acquired and liabilities assumed based on estimated fair values at the date of acquisition. Costs allocated to identifiable intangible assets with finite lives, other than purchased software, are generally amortized on a straight-line basis over the remaining estimated useful lives of the assets, as determined by underlying contract terms or appraisals. Such lives range from one to 14 years. Identifiable intangible assets with indefinite useful lives are not amortized but instead tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. Intangible assets with indefinite useful lives are impaired when the carrying value of the asset exceeds their fair value.

The excess of the cost of acquired companies over the net amounts assigned to assets acquired and liabilities assumed is recorded as goodwill. Goodwill is not amortized but instead tested for impairment at least annually. The first step of the impairment test is a comparison of the fair value of a reporting unit to its carrying value. Reporting units are the geographic components of its reportable segments that share similar economic characteristics. The fair value of a reporting unit is estimated using the Company's projections of discounted future operating cash flows of the unit. Goodwill allocated to a reporting unit whose fair value is equal to or greater than its carrying value is not impaired and no further testing is required. A reporting unit whose fair value is less than its carrying value requires a second step to determine whether the goodwill allocated to the unit is impaired. The second step of the goodwill impairment test is a comparison of the implied fair value of a reporting unit's goodwill to its carrying value. The implied fair value of a reporting unit's goodwill is determined by allocating the fair value of the entire reporting unit to the assets and liabilities of that unit, including any unrecognized intangible assets, based on fair value. The excess of the fair value of the entire reporting unit over the amounts allocated to the identifiable assets and liabilities of the unit is the implied fair value of the reporting unit's goodwill. Goodwill of a reporting unit is impaired when its carrying value exceeds its implied fair value. Impaired goodwill is written down to its implied fair value with a charge to expense in the period the impairment is identified. As this impairment test is based on the Company's assessment of the fair value of its reporting units, future changes to these estimates could also cause an impairment of a portion of the Company's goodwill balance.

The Company conducts an annual impairment test for goodwill as of December 1st. The Company determines the timing and frequency of additional goodwill impairment tests based on an ongoing assessment of events and circumstances that would more than likely reduce the fair value of a reporting unit below its carrying value. Events or circumstances that might require the need for more frequent tests include, but are not limited to: the loss of a number of significant clients, the identification of other impaired assets within a reporting unit, the disposition of a significant portion of a reporting unit, or a significant adverse change in business climate or regulations. The Company also considers the amount by which the fair value of a particular reporting unit exceeded its carrying value in the most recent goodwill impairment test to determine whether more frequent tests are necessary.

Purchased or licensed software not subject to a subscription agreement is capitalized and amortized on a straight-line basis, generally over two to five years. Costs of developing and maintaining software systems incurred primarily in connection with client contracts are considered contract costs. Purchased software and certain development costs for computer software sold, leased or otherwise marketed as a separate product or as part of a product or process are capitalized and amortized on a product-by-product basis over their remaining estimated useful lives at the greater of straight-line or the ratio that current gross revenues for a product bear to the total of current and anticipated future gross revenues for that product. Estimated useful lives of software products to be sold, leased or otherwise marketed range from three to seven years. Software development costs incurred to meet the Company's internal needs are capitalized and amortized on a straight-line basis over three to five years. Software under subscription arrangements, whereby the software provider makes available current software products as well as products developed or acquired during the term of the arrangement, are executory contracts and expensed ratably over the subscription term.

Sales of Financial Assets

The Company accounts for the sale of financial assets when control over the financial asset is relinquished. No financial assets were sold by the Company during 2005. The Company sold $51 million and $668 million of financial assets, primarily lease receivables, during 2004 and 2003, respectively. In most cases, the Company sold lease receivables to a legally isolated securitization trust. If a trust is not used, the receivables are sold to an independent substantive financial institution. None of these transactions resulted in any significant gain or loss, or servicing asset or servicing liability.

Revenue Recognition and Deferred Contract Costs

The Company provides IT and business process outsourcing services under time-and-material, unit-price and fixed-price contracts, which may extend up to 10 or more years. Services provided over the term of these arrangements may include one or more of the following: IT infrastructure support and management; IT system and software maintenance; application hosting; the design, development, and/or construction of software and systems ("Construct Service"); transaction processing; business process management and consulting services.

If a contract involves the provision of a single element, revenue is generally recognized when the product or service is provided and the amount earned is not contingent upon any future event. If the service is provided evenly during the contract term but service billings are irregular, revenue is recognized on a straight-line basis over the contract term. However, if the single service is a Construct Service, revenue is recognized under the percentage-of-completion method using a zero-profit methodology. Under this method, costs are deferred until contractual milestones are met, at which time the milestone billing is recognized as revenue and an amount of deferred costs is recognized as expense so that cumulative profit equals zero. If the milestone billing exceeds deferred costs, then the excess is recorded as deferred revenue. When the Construct Service is completed and the final milestone met, all unrecognized costs, milestone billings, and profit are recognized in full. If the contract does not contain contractual milestones, costs are expensed as incurred and revenue is recognized in an amount equal to costs incurred until completion of the Construct Service, at which time any profit would be recognized in full. If total costs are estimated to exceed revenue for the Construct Service, then a provision for the estimated loss is made in the period in which the loss first becomes apparent.

If a contract involves the provision of multiple service elements, total estimated contract revenue is allocated to each element based on the relative fair value of each element. The amount of revenue allocated to each element is limited to the amount that is not contingent upon the delivery of another element in the future. Revenue is then recognized for each element as described above for single-element contracts, except revenue recognized on a straight-line basis for a non-Construct Service will not exceed amounts currently billable unless the excess revenue is recoverable from the client upon any contract termination event. If the amount of revenue allocated to a Construct Service is less than its relative fair value, costs to deliver such service equal to the difference between allocated revenue and the relative fair value are deferred and amortized over the contract term. If total Construct Service costs are estimated to exceed the relative fair value for the Construct Service contained in a multiple-element arrangement, then a provision for the estimated loss is made in the period in which the loss first becomes apparent. If fair value is not determinable for all elements, the contract is treated as one accounting unit and revenue is recognized using the proportional performance method.

The Company also defers and subsequently amortizes certain set-up costs related to activities that enable the provision of contracted services to the client. Such activities include the relocation of transitioned employees, the migration of client systems or processes, and the exit of client facilities. Deferred contract costs, including set-up costs, are amortized on a straight-line basis over the remaining original contract term unless billing patterns indicate a more accelerated method is appropriate. The recoverability of deferred contract costs associated with a particular contract is analyzed on a periodic basis using the undiscounted estimated cash flows of the whole contract over its remaining contract term. If such undiscounted cash flows are insufficient to recover the long-lived assets and deferred contract costs, including contract concessions paid to the client, the deferred contract costs and contract concessions are written down by the amount of the cash flow deficiency. If a cash flow deficiency remains after reducing the balance of the deferred contract costs and contract concessions to zero, any remaining long-lived assets are evaluated for impairment. Any such impairment recognized would equal the amount by which the carrying value of the long-lived assets exceeds the fair value of those assets.

The Company's software licensing arrangements typically include multiple elements, such as software products, post-contract customer support, consulting and training. The aggregate arrangement fee is allocated to each of the undelivered elements in an amount equal to its fair value, with the residual of the arrangement fee allocated to the delivered elements. Fair values are based upon vendor-specific objective evidence. Fees allocated to each software element of the arrangement are recognized as revenue when the following criteria have been met: a) a written contract for the license of software has been executed, b) the Company has delivered the product to the customer, c) the license fee is fixed or determinable, and d) collectibility of the resulting receivable is deemed probable. If evidence of fair value of the undelivered elements of the arrangement does not exist, all revenue from the arrangement is deferred until such time evidence of fair value does exist, or until all elements of the arrangement are delivered. Fees allocated to post-contract customer support are recognized as revenue ratably over the support period. Fees allocated to other services are recognized as revenue as the service is performed.

Deferred revenue of $1,329 million and $1,061 million at December 31, 2005 and 2004, respectively, represented billings in excess of amounts earned on certain contracts.

Currency Translation

Assets and liabilities of non-U.S. subsidiaries whose functional currency is not the U.S. dollar are translated at current exchange rates. Revenue and expense accounts are translated using an average rate for the period. Translation gains and losses are not included in determining net income (loss), but are reflected in the comprehensive income (loss) component of shareholders' equity. Cumulative currency translation adjustment gains (losses) included in shareholders' equity were $189 million, $482 million (net of deferred tax of $75 million) and $226 million at December 31, 2005, 2004 and 2003, respectively. Net currency transaction gains (losses), net of income taxes, are included in determining net income (loss) and were $4 million, $(13) million and $(32) million, respectively, for the years ended December 31, 2005, 2004 and 2003.

Financial Instruments and Risk Management

Following is a summary of the carrying amounts and fair values of the Company's significant financial instruments at December 31, 2005 and 2004 (in millions):

	2005		2004	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Available-for-sale marketable securities (Note 2)	$ 1,321	$ 1,321	$ 1,453	$ 1,453
Investments in securities, joint ventures and partnerships, excluding equity method investments (Note 5)	23	23	15	15
Long-term debt (Note 8)	(3,253)	(3,351)	(3,826)	(4,025)
Foreign currency forward contracts, net liability	(5)	(5)	(19)	(19)
Interest rate swap agreements, net liability	(70)	(70)	(37)	(37)

Current marketable securities are carried at their estimated fair value based on current market quotes. The fair values of certain long-term investments are estimated based on quoted market prices for these or similar investments. For other investments, various methods are used to estimate fair value, including external valuations and discounted cash flows. The fair value of long-term debt is estimated based on the quoted market prices for the same or similar issues or based on the current rates offered to the Company for instruments with similar terms, degree of risk and remaining maturities. The fair value of foreign currency forward and interest rate swap contracts represents the estimated amount to settle the contracts using current market exchange or interest rates. The carrying values of other financial instruments, such as cash equivalents, accounts and notes receivable, and accounts payable, approximate their fair value.

The Company makes investments, receives revenues and incurs expenses in many countries and has exposure to market risks arising from changes in interest rates, foreign exchange rates and equity prices. The Company has also invested in start-up companies to gain access to technology and marketplaces in which the Company intended to grow its business. The Company's ability to sell these investments may be constrained by market or other factors. Derivative financial instruments are used to hedge against these risks by creating offsetting market positions. The Company does not hold or issue derivative financial instruments for trading purposes.

The notional amounts of derivative contracts, summarized below as part of the description of the instruments utilized, do not necessarily represent the amounts exchanged by the parties and thus are not necessarily a measure of the exposure of the Company resulting from its use of derivatives. The amounts exchanged by the parties are normally calculated on the basis of the notional amounts and the other terms of the derivatives.

Foreign Currency Risk

The Company has significant international sales and purchase transactions in foreign currencies. The Company hedges forecasted and actual foreign currency risk with purchased currency options and forward contracts that expire generally within 30 days. These derivative instruments are employed to eliminate or minimize certain foreign currency exposures that can be confidently identified and quantified. Generally, these instruments are not designated as hedges for accounting purposes, and changes in the fair value of these instruments are recognized immediately in other income (expense). The Company's currency hedging activities are focused on exchange rate movements, primarily in Canada, Mexico, the United Kingdom, Western European countries that use the euro as a common currency, Australia and New Zealand. At December 31, 2005 and 2004, the Company had forward exchange contracts to purchase various foreign currencies in the amount of $1.9 billion and $1.9 billion, respectively, and to sell various foreign currencies in the amount of $1.2 billion and $1.5 billion, respectively.

Securities Price Risk

The Company has used derivative instruments to eliminate or reduce market price risk associated with strategic equity investments. Securities selected for hedging are determined after considering market conditions, up-front hedging costs and other relevant factors. Once established, hedges are generally not removed until maturity. The Company was not party to any such instruments at December 31, 2005.

Interest Rate Risk

The Company enters into interest rate swap agreements that convert fixed-rate instruments to variable-rate instruments to manage interest rate risk. The derivative financial instruments are designated and documented as fair value hedges at the inception of the contract. Changes in fair value of derivative financial instruments are recognized in earnings as an offset to changes in fair value of the underlying exposure which are also recognized in other income (expense). The impact on earnings from recognizing the fair value of these instruments depends on their intended use, their hedge designation, and their effectiveness in offsetting the underlying exposure they are designed to hedge.

The Company had interest rate swap fair value hedges outstanding in the notional amount of $1.8 billion in connection with its long-term notes payable at December 31, 2005 and 2004 (see Note 8). Under the swaps, the Company receives fixed rates ranging from 6.0% to 7.125% and pays floating rates tied to the London Interbank Offering Rate ("LIBOR"). The weighted-average floating rates were 6.39% and 4.40% at December 31, 2005 and 2004, respectively. At December 31, 2005 and 2004, the Company had $700 million of swaps and related debt which contained the same critical terms. Accordingly, no gain or loss relating to the change in fair value of the swap and related hedged item was recognized in earnings. At December 31, 2005 and 2004, $1.1 billion of the interest rate swaps contained different terms than the related underlying debt. Accordingly, the Company recognized in earnings the change in fair value of the interest rate swap and underlying debt which amounted to gains of $5.5 million and $1.5 million during 2005 and 2004, respectively. Such gains are included in interest expense and other, net in the accompanying consolidated statements of operations.

Comprehensive Income (Loss) and Shareholders' Equity

Comprehensive income (loss) includes all changes in equity during a period, except those resulting from investments by and distributions to owners. For the years ended December 31, 2005, 2004 and 2003, reclassifications from accumulated other comprehensive loss to net income (loss) of net gains (losses) recognized on marketable security transactions were $(3) million, $1 million and $4 million, net of the related tax expense (benefit) of $(1) million, $0.4 million and $1 million, respectively.

Following is a summary of changes within each classification of accumulated other comprehensive loss for the years ended December 31, 2005 and 2004 (in millions):

	Cumulative Translation Adjustments	Unrealized Gains (Losses) on Securities	Minimum Pension Liability Adjustment	Accumulated Other Comprehensive Loss
Balance at December 31, 2003	$ 226	$ 2	$ (359)	$ (131)
Change	256	(5)	(179)	72
Balance at December 31, 2004	482	(3)	(538)	(59)
Change	(293)	(1)	(14)	(308)
Balance at December 31, 2005	$ 189	$ (4)	$ (552)	$ (367)

In connection with its employee stock incentive plans, the Company issued 4.5 million, 7.6 million and 3.7 million shares of treasury stock at a cost of $252 million, $458 million and $257 million during 2005, 2004 and 2003, respectively. The difference between the cost and fair value at the date of issuance of such shares has been recognized as a charge to retained earnings of $166 million, $278 million and $154 million in the consolidated statements of shareholders' equity and comprehensive income (loss) during 2005, 2004 and 2003, respectively.

Income Taxes

The Company provides for deferred taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be reversed. The deferral method is used to account for investment tax credits. Valuation allowances are recorded to reduce deferred tax assets to an amount whose realization is more likely than not. Income taxes payable are recorded whenever there is a difference between amounts reported by the Company in its tax returns and the amounts the Company believes it would likely pay in the event of an examination by taxing authorities. The Company accrues interest on such amounts and includes the associated expense in provision (benefit) for income taxes in the accompanying consolidated statements of operations. Income taxes payable are classified in the accompanying consolidated balance sheets based on their estimated payment date.

Statements of Cash Flows

The Company considers the following asset classes with original maturities of three months or less to be cash equivalents: certificates of deposit, commercial paper, repurchase agreements and money market funds.

Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates. Areas in which significant judgments and estimates are used include, but are not limited to, cost estimation for Construct Service elements, projected cash flows associated with recoverability of deferred contract costs, contract concessions and long-lived assets, liabilities associated with pensions and performance guarantees, receivables collectibility, and loss accruals for litigation, exclusive of legal fees which are expensed as services are received. It is reasonably possible that events and circumstances could occur in the near term that would cause such estimates to change in a manner that would be material to the consolidated financial statements.

Concentration of Credit Risk

Accounts receivable, net, from General Motors ("GM") and its affiliates totaled $256 million and $292 million as of December 31, 2005 and 2004, respectively. In addition, the Company has several large contracts with major U.S. and foreign corporations, each of which may result in the Company carrying a receivable balance between $50 million and $100 million at any point in time. At December 31, 2005 and 2004, the Company had net operating receivables of $162 million and $152 million, respectively, and investments in leveraged leases of $55 million and $99 million, respectively, associated with travel-related industry clients, primarily airlines. Other than operating receivables from GM and aforementioned contracts, concentrations of credit risk with respect to accounts receivable are generally limited due to the large number of clients forming the Company's client base and their dispersion across different industries and geographic areas.

The Company is exposed to credit risk in the event of nonperformance by counterparties to derivative contracts. Because the Company deals only with major commercial banks with high-quality credit ratings, the Company believes the risk of nonperformance by any of these counterparties is remote.

Reclassifications

The Company purchases assets to be sold in sales-type lease transactions under certain contracts with customers and occasionally sells lease receivables associated with these transactions to third parties. Payments for assets to be sold to customers under sales-type leases and proceeds from associated lease receivables related to these transactions were reported as payments for and proceeds from investments and other assets in the investing section of the statement of cash flows in previous periods. During 2005, the Company began to report cash flows related to these transactions as changes in prepaid and other assets in the operating section of the statement of cash flows in accordance with guidance recently issued by the SEC. Cash flows associated with reacquired sales-type lease receivables and their subsequent collection continue to be classified as payments for and proceeds from investments and other assets in the investing section of the statement of cash flows. The respective amounts contained in the consolidated statements of cash flows for 2004 and 2003 have been reclassified to conform to the 2005 presentation.

Certain other reclassifications have been made to the 2004 and 2003 consolidated financial statements to conform to the 2005 presentation, including reclassification of balances associated with discontinued operations.

NOTE 2: MARKETABLE SECURITIES

Following is a summary of current available-for-sale marketable securities at December 31, 2005 and 2004 (in millions):

	2005			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Government and agency obligations	$ 192	$ –	$ (1)	$ 191
Obligations of states and political subdivisions	19	–	–	19
Corporate debt securities	319	–	(2)	317
Mortgage-backed securities	306	–	(4)	302
Asset-backed securities	454	–	(4)	450
Total debt securities	1,290	–	(11)	1,279
Equity securities	43	–	(1)	42
Total current available-for-sale securities	$ 1,333	$ –	$ (12)	$ 1,321

	2004			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Government and agency obligations	$ 226	$ –	$ –	$ 226
Obligations of states and political subdivisions	12	–	–	12
Corporate debt securities	359	–	(1)	358
Mortgage-backed securities	381	–	(2)	379
Asset-backed securities	438	–	(3)	435
Total debt securities	1,416	–	(6)	1,410
Equity securities	42	1	–	43
Total current available-for-sale securities	$ 1,458	$ 1	$ (6)	$ 1,453

The amortized cost and estimated fair value of current available-for-sale debt securities at December 31, 2005, by contractual maturity, are shown below (in millions). Expected maturities may differ from contractual maturities because the issuers of the securities may have the right to repay obligations without prepayment penalties.

	Amortized Cost	Estimated Fair Value
Debt securities:		
Due in one year or less	$ 257	$ 256
Due after one year through five years	258	256
Due after five years through ten years	2	2
Due after ten years	13	13
Mortgage-backed securities	306	302
Asset-backed securities	454	450
Total debt securities	$ 1,290	$ 1,279

Following is a summary of sales of available-for-sale securities for the years ended December 31, 2005, 2004 and 2003 (in millions). Specific identification was used to determine cost in computing realized gain or loss.

	2005	2004	2003
Proceeds from sales	$ 1,434	$ 956	$ 548
Gross realized gains	1	3	3
Gross realized losses	(8)	(4)	(3)

NOTE 3: PROPERTY AND EQUIPMENT

Following is a summary of property and equipment at December 31, 2005 and 2004 (in millions):

	2005	2004
Land	$ 86	$ 118
Buildings and facilities	1,599	1,792
Computer equipment	4,620	4,938
Other equipment and furniture	424	440
Subtotal	6,729	7,288
Less accumulated depreciation	(4,762)	(5,107)
Total	$ 1,967	$ 2,181

During 2005, the Company sold sixteen domestic and international real estate properties in connection with its efforts to improve its cost competitiveness and enhance workplace capacity usage. Net proceeds from the sale were $178 million. Fourteen properties involved in the sale have been leased back by the Company for various extended periods. A deferred net gain of $14 million has been allocated to the various leased properties and will be recognized by the Company over the respective term of each lease. The Company recognized a net gain of $3 million on the sale of the remaining properties which is included in other income in the 2005 consolidated statement of operations.

The Company recorded a non-cash impairment charge of $375 million in 2004 to write-down long-lived assets used on the Company's Navy Marine Corps Intranet ("NMCI") contract to estimated fair value. The impairment charge is reported as a component of cost of revenues in the consolidated statement of operations and is reflected in the results of the NMCI segment. Fair value was measured by probability weighting future contract pre-tax cash flows discounted at a pre-tax risk free discount rate. The decline in the fair value of these assets is primarily a result of lower estimates of future revenues as a result of several events occurring during 2004. Such events include the failure to meet seat cutover schedules, a revision of the timeline for meeting performance service levels contained in a contract amendment signed September 30, 2004, a deceleration in customer satisfaction improvement rates, and delays in signing certain anticipated contract modifications and additions. Remaining long-lived assets and lease receivables associated with the contract totaled approximately $240 million and $408 million, respectively, at December 31, 2005.

The Company had a significant commercial contract under which it provided various IT services using the legacy IT systems acquired from the client while developing and deploying a new IT system dedicated to that client. This contract experienced delays in its development and construction phases, and milestones in the contract had been missed. Throughout the contract period, the Company negotiated with the client to resolve critical issues, including those associated with the pricing and technical specifications for the new IT system. In July 2004, the Company and the client reached an agreement to terminate the existing contract effective as of August 1, 2004, provide transition services for a limited period thereafter and settle each party's outstanding claims. During 2004, the Company recognized impairment charges of $128 million to write-down certain assets to fair value. In addition, the Company recognized $14 million of shutdown costs during 2004 to record contract-related vendor commitments and employee severance obligations associated with the contract. All of the aforementioned amounts associated with this contract are included in cost of revenues in the consolidated statements of operations and are reflected in the results of the Outsourcing segment.

NOTE 4: DEFERRED CONTRACT COSTS

The Company defers certain costs relating to construction and set-up activities on client contracts. Following is a summary of deferred costs for the years ended December 31, 2005 and 2004 (in millions):

	Gross Carrying Amount	Accumulated Amortization	Total
Balance at December 31, 2003	$ 1,528	$ (658)	$ 870
Additions	126	(298)	(172)
Other	158	(148)	10
Balance at December 31, 2004	1,812	(1,104)	708
Additions	161	(138)	23
Other	(56)	(37)	(93)
Balance at December 31, 2005	$ 1,917	$ (1,279)	$ 638

During 2005, the Company identified deterioration in the projected performance of one of its commercial contracts based on, among other things, a change in management's judgment regarding the amount and likelihood of achieving anticipated benefits from contract-specific productivity initiatives, primarily related to the length of time necessary to achieve cost savings from planned infrastructure optimization initiatives. The Company determined that the estimated undiscounted cash flows of the contract over its remaining term were insufficient to recover the contract's deferred contract costs. As a result, the Company recognized a non-cash impairment charge of $37 million in the second quarter of 2005 to write-off the contract's deferred contract costs. The impairment charge is reported as a component of cost of revenues in the 2005 consolidated statement of operations and is included in the results of the Outsourcing segment. Remaining long-lived assets associated with this contract totaled $143 million at December 31, 2005. The current estimate of cash flows includes cost reductions resulting from the expected optimization of the contract's service delivery infrastructure based on project plans and anticipated vendor rate reductions based on historical and industry trends. Some of the project plans have near-term milestones that are critical to meeting overall cost reduction goals. It is reasonably possible that these milestones may not be met or actual cost savings from these and other planned initiatives may not materialize in the near-term and, as a result, remaining long-lived assets associated with this contract will become fully impaired. The Company continues to pursue several opportunities to improve the financial performance of this contract, including leveraging the infrastructure through the addition of new business opportunities with the client.

The "other" line item in the table above includes asset write-downs, including the write-off associated with a commercial contract in 2005 referred to above, and changes associated with foreign currency translation adjustments. Estimated amortization expense related to deferred costs at December 31, 2005 for each of the years in the five-year period ending December 31, 2010 and thereafter is (in millions): 2006 – $211; 2007 – $121; 2008 – $96; 2009 – $77; 2010 – $51; and thereafter – $82.

NOTE 5: INVESTMENTS AND OTHER ASSETS

Following is a summary of investments and other assets at December 31, 2005 and 2004 (in millions):

	2005	2004
Lease contracts receivable (net of principal and interest on non-recourse debt)	$ 52	$ 58
Estimated residual values of leased assets (not guaranteed)	22	22
Unearned income, including deferred investment tax credits	(25)	(29)
Total investment in leveraged leases (excluding deferred taxes of $18 million at December 31, 2005 and 2004)	49	51
Leveraged lease partnership investment	55	99
Investments in equipment for lease	182	411
Investments in joint ventures and partnerships	58	50
Deferred pension costs	72	59
Other	268	389
Total	$ 684	$ 1,059

The Company holds interests in various equipment leases financed with non-recourse borrowings at lease inception accounted for as leveraged leases. The Company's investment in leveraged leases is comprised of a fiber optic equipment leveraged lease with a subsidiary of MCI signed in 1988. For U.S. federal income tax purposes, the Company receives the investment tax credit (if available) at lease inception and has the benefit of tax deductions for depreciation on the leased asset and for interest on the non-recourse debt. All non-recourse borrowings have been satisfied in relation to these leases.

The Company holds an equity interest in a partnership which holds leveraged aircraft lease investments. The Company accounts for its interest in the partnership under the equity method. During 2005, the Company recorded write-downs of its investment in the partnership due to uncertainties regarding the recoverability of the partnership's investments in aircraft leased to Delta Air Lines which filed for bankruptcy on September 14, 2005, and the proposed sale of certain lease investments in the partnership. These write-downs were partially offset by the accelerated recognition of previously deferred investment tax credits associated with the investment. These write-downs total $35 million and are reflected in other income (expense) in the Company's 2005 consolidated statement of operations. During 2004, the Company recorded a write-down of $34 million of its investment in the partnership due to a reduction in the expected cash flows from the partnership. This reduction included a renegotiation of leases with a U.S. airline. These write-downs are reflected in other income (expense) in the Company's 2004 consolidated statement of operations. The carrying amount of the Company's remaining equity interest in the partnership was $55 million at December 31, 2005. The partnership's remaining leveraged lease investments, subsequent to the proposed sale, will include leases with American Airlines and one international airline. The Company's ability to recover its remaining investment in the partnership is dependent upon the continued payment of rentals by the lessees and the realization of expected future aircraft values. In the event such lessees are relieved from their obligation to pay such rentals as a result of bankruptcy, the investment in the partnership would be partially or wholly impaired.

Investments in securities, joint ventures and partnerships includes investments accounted for under the equity method of $35 million at December 31, 2005 and 2004. The Company recognized impairment losses totaling $1 million in 2005 and 2004 due to other than temporary declines in the fair values of certain non-marketable equity securities. These losses are reflected in other income (expense) in the Company's consolidated statements of operations.

Investments in equipment for lease is comprised of equipment to be leased to clients under long-term IT contracts and net investment in leased equipment associated with such contracts. The net investment in leased equipment associated with the NMCI contract was $408 million and $717 million at December 31, 2005 and 2004, respectively. Future minimum lease payments to be received under the NMCI contract were $358 million at December 31, 2005. In addition, the unguaranteed residual values accruing to the Company were $78 million, and unearned interest income related to these leases was $28 million at December 31, 2005. The net lease receivable balance is classified as components of prepaids and other and investments and other assets in the consolidated balance sheets. Future minimum lease payments to be received at December 31, 2005 were as follows: 2006 – $250 million; 2007 – $108 million.

NOTE 6: GOODWILL AND OTHER INTANGIBLE ASSETS

Following is a summary of changes in the carrying amount of goodwill for the Outsourcing segment for the years ended December 31, 2005 and 2004 (in millions):

	Outsourcing
Balance at December 31, 2003	$ 3,448
Additions	54
Deletions	(11)
Other	144
Balance at December 31, 2004	3,635
Additions	416
Deletions	(45)
Other	(174)
Balance at December 31, 2005	$ 3,832

Goodwill additions resulted from acquisitions completed in 2005 and 2004 (see Note 16) and include adjustments to the preliminary purchase price allocations. Goodwill deletions resulted from divestitures completed in 2005 and 2004 (see Notes 17 and 19). Other changes to the carrying amount of goodwill were primarily due to foreign currency translation adjustments. The Company conducted its annual goodwill impairment tests as of December 1, 2005 and 2004. No impairment losses were identified as a result of these tests.

Intangible assets with definite useful lives are amortized over their respective estimated useful lives to their estimated residual values. Intangible assets with indefinite useful lives are not amortized but instead tested for impairment at least annually. All of the Company's intangible assets at December 31, 2005 and 2004 had definite useful lives. Following is a summary of intangible assets at December 31, 2005 and 2004 (in millions):

	2005		
	Gross Carrying Amount	Accumulated Amortization	Total
Software	$ 2,101	$ (1,665)	$ 436
Customer accounts	192	(90)	102
Other	393	(291)	102
Total	$ 2,686	$ (2,046)	$ 640

	2004		
	Gross Carrying Amount	Accumulated Amortization	Total
Software	$ 2,093	$ (1,662)	$ 431
Customer accounts	294	(174)	120
Other	300	(227)	73
Total	$ 2,687	$ (2,063)	$ 624

Amortization expense related to intangible assets, including amounts pertaining to discontinued operations, was $445 million and $591 million for the years ended December 31, 2005 and 2004, respectively. Estimated amortization expense related to intangible assets subject to amortization at December 31, 2005 for each of the years in the five-year period ending December 31, 2010 and thereafter is (in millions): 2006 – $317; 2007 – $171; 2008 – $72; 2009 – $22; 2010 – $14; and thereafter – $44.

NOTE 7: ACCRUED LIABILITIES

Following is a summary of accrued liabilities at December 31, 2005 and 2004 (in millions):

	2005	2004
Accrued liabilities relating to:		
Contracts	$ 609	$ 789
Payroll	694	565
Restructuring activities	66	208
Property, sales and franchise taxes	266	363
Other	795	848
Total	$ 2,430	$ 2,773

NOTE 8: LONG-TERM DEBT

Following is a summary of long-term debt at December 31, 2005 and 2004 (in millions):

	2005		2004	
	Amount	Weighted-Average Rate	Amount	Weighted-Average Rate
Senior notes due 2013	$ 1,087	6.50%	$ 1,085	6.50%
Senior notes due 2009	700	7.12%	700	7.12%
Convertible notes due 2023	690	3.88%	690	3.88%
Notes payable due 2006 to 2029	497	7.01%	1,047	6.93%
Other, including capital lease obligations	279	–	304	–
Total	3,253		3,826	
Less current portion of long-term debt	(314)		(658)	
Long-term debt	$ 2,939		$ 3,168	

In June 2003, the Company completed a private offering of $1.1 billion aggregate principal amount of 6.0% unsecured Senior Notes due 2013. Interest on the notes is payable semiannually. In the event the credit ratings assigned to the notes fall to below the Baa3 rating of Moody's or the rating BBB– of S&P, the interest rate payable on the notes will be increased to 6.5%. On July 15, 2004, Moody's lowered the Company's long-term credit rating to Ba1 from Baa3. As a result of Moody's rating action, the interest rate payable on $1.1 billion of the Company's senior unsecured debt was increased from 6.0% to 6.5%. Further downgrades in the Company's credit rating will not affect this rate. However, in the event the Company's credit rating is subsequently increased to Baa3 or above by Moody's and its S&P credit rating remains at or above BBB–, this rate will return to 6.0%. The Company may redeem some or all of the notes at any time prior to maturity. In conjunction with the issuance of the Senior Notes, the Company entered into interest rate swaps with a notional amount of $1.1 billion under which the Company receives fixed rates of 6.0% and pays floating rates equal to the six-month LIBOR (4.70% at December 31, 2005) plus 2.275% to 2.494%. These interest rate swaps are accounted for as fair value hedges (see Note 1).

In June 2003, the Company completed a private offering of $690 million aggregate principal amount of 3.875% unsecured Convertible Senior Notes due 2023. Interest on the notes is payable semiannually. Contingent interest is payable during any six-month period beginning July 2010 in which the average trading price of a note for the applicable five trading day reference period equals or exceeds 120% of the principal amount of the note as of the day immediately preceding the first day of the applicable six-month period. The five trading day reference period means the five trading days ending on the second trading day immediately preceding the relevant six-month interest period. The notes are convertible by holders into shares of the Company's common stock at an initial conversion rate of 29.2912 shares of common stock per $1,000 principal amount, representing an initial conversion price of $34.14 per share of common stock, under the following circumstances: a) during any calendar quarter, if the last reported sale price of EDS common stock for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the previous calendar quarter is greater than or equal to 120% or, following July 15, 2010, 110% of the conversion price per share of EDS common stock on such last trading day; b) if the notes have been called for redemption;

c) during any period in which the credit ratings assigned to the notes by either Moody's or S&P is lower than Ba2 or BB, respectively, or the notes are no longer rated by at least one of these rating services or their successors; or d) upon the occurrence of specified corporate transactions. The Company may redeem for cash some or all of the notes at any time on or after July 15, 2010. Holders have the right to require the Company to purchase the notes at a price equal to 100% of the principal amount of the notes plus accrued interest, including contingent interest and additional amounts, if any, on July 15, 2010, July 15, 2013 and July 15, 2018, or upon a fundamental change in the Company's ownership, control or the marketability of the Company's common stock prior to July 15, 2010.

In June 2001, the Company completed the public offering of 32.2 million units of a security, initially referred to as Income PRIDES, each with a stated price of $50 before underwriting discount. Each unit initially consisted of $50 principal amount of EDS senior notes due August 2006 and a purchase contract which obligated the investor to purchase $50 of EDS common stock no later than August 17, 2004 at a price ranging from $59.31 to $71.47 per share. On May 12, 2004, the Company completed an offer to exchange 0.843 shares of EDS common stock plus $1.58 in cash for each validly tendered and accepted Income PRIDES. The Company accepted all of the 28.2 million Income PRIDES tendered pursuant to the offer and issued 23.8 million shares plus $45 million in cash to the holders. The notes relating to the 4.0 million units not tendered totaling $198 million were remarketed on May 12, 2004 at an interest rate of 6.334% per annum and mature on August 17, 2006. Investors who did not tender their Income PRIDES in the exchange offer were obligated to purchase EDS common stock on August 17, 2004. On that date, the Company issued 3.3 million shares of common stock for consideration of $198 million.

As a result of the exchange, the Company increased shareholders' equity by $1,403 million in 2004 for the fair value of the purchase contracts and the fair value of the common stock issued. The remaining consideration was accounted for as an extinguishment of debt. Accordingly, the Company decreased liabilities by $1,418 million for the carrying value of the notes exchanged and the unpaid portion of contract adjustment payments that were recorded when the units were originally issued. In addition, the Company paid cash of $50 million and recognized a loss on debt extinguishment of $36 million in interest expense as a result of the exchange in 2004.

In December 2002, EDS Information Services, LLC, a wholly owned subsidiary of EDS, contributed to the capital of and sold certain trade receivables to Legacy Receivables, LLC, a limited liability company of which it is the sole member (the "LLC"), which then entered into a $500 million revolving secured financing arrangement collateralized by those trade receivables. The secured A/R facility was reduced to $400 million during 2003. There were no amounts outstanding under this facility at December 31, 2004. During 2005, the Company elected to terminate this facility.

During September 2004, the Company entered into a $550 million Three-and-One-Half Year Multi Currency Revolving Credit Agreement with a bank group including Citibank, N.A., as Administrative Agent, and Bank of America, N.A., as Syndication Agent. The facility replaced the Company's five year $550 million revolving credit facility, which expired in September 2004. The new facility may be used for general corporate borrowing purposes and the issuance of letters of credit. The aggregate availability under the new facility, together with the Company's $450 million Three-Year Multi Currency Revolving Credit Agreement entered into in September 2003, is $1.0 billion. There were no amounts outstanding under either of these facilities at December 31, 2005 and 2004. The Company had issued letters of credit totaling $160 million under the $550 million Three-and-One-Half Year Multi Currency Revolving Credit Agreement at December 31, 2005. The new facility includes financial and other covenants of the general nature contained in the facility it replaced, and the $450 million Three-Year Multi Currency Revolving Credit Agreement was amended and restated to include financial and other terms similar to the new facility. The Company pays annual commitment fees of 0.35% of the $450 million facility and 0.30% of the $550 million facility.

The Company's unsecured credit facilities and the indentures governing its long-term notes contain certain financial and other restrictive covenants that would allow any amounts outstanding under the facilities to be accelerated, or restrict the Company's ability to borrow thereunder, in the event of noncompliance. The financial covenants of the Company's unsecured credit facilities were modified in September 2004 with the renewal of its $550 million credit facility discussed above, and include a minimum net worth covenant, a fixed charge coverage requirement and a leverage ratio requirement. The leverage ratio requirement limits the Company's leverage ratio to not exceed 2.25-to-1 from July 2005 through December 2005, and 2.00-to-1 thereafter. The fixed charge coverage covenant requires the Company to maintain a fixed charge ratio of no less than 1.15-to-1 from July 2005 through December 2005, and 1.25-to-1 thereafter. The Company was in compliance with all covenants at December 31, 2005.

In addition to compliance with these financial covenants, it is a condition to the Company's ability to borrow under its unsecured credit facilities that its representations and warranties under those facilities, including among others its representation regarding no material adverse change in its business, be true and correct as of the date of the borrowing. The Company's unsecured credit facilities, the indentures governing its long-term notes and certain other debt instruments also contain cross-default provisions with respect to a default in any payment under, or resulting in the acceleration of, indebtedness greater than $50 million.

Expected maturities of long-term debt for years subsequent to December 31, 2005 are as follows (in millions):

2006	$ 314
2007	82
2008	53
2009	733
2010	698
Thereafter	1,373
Total	$ 3,253

NOTE 9: MINORITY INTERESTS AND OTHER LONG-TERM LIABILITIES

Other long-term liabilities were $337 million and $531 million at December 31, 2005 and 2004, respectively. Other long-term liabilities include liabilities related to the Company's purchased or licensed software, tax liabilities and interest rate swap agreements. Minority interests were $78 million and $184 million at December 31, 2005 and 2004, respectively. The decrease in minority interests in 2005 was primarily due to the Company's purchase of the outstanding minority interest in its Australian subsidiary (see Note 16).

NOTE 10: INCOME TAXES

Following is a summary of income tax expense for the years ended December 31, 2005, 2004 and 2003 (in millions):

	2005	2004	2003
Income (loss) from continuing operations	$ 153	$ (103)	$ (205)
Income (loss) from discontinued operations	(38)	329	66
Cumulative effect on prior years of changes in accounting principles	–	–	(829)
Shareholders' equity	(101)	(20)	68
Total	$ 14	$ 206	$ (900)

Following is a summary of the provision (benefit) for income taxes on income (loss) from continuing operations for the years ended December 31, 2005, 2004 and 2003 (in millions):

	United States			
	Federal	State	Non-U.S.	Total
2005				
Current	$ 127	$ 13	$ 87	$ 227
Deferred	(233)	(29)	188	(74)
Total	$ (106)	$ (16)	$ 275	$ 153
2004				
Current	$ (377)	$ 2	$ 145	$ (230)
Deferred	31	(7)	103	127
Total	$ (346)	$ (5)	$ 248	$ (103)
2003				
Current	$ 72	$ 13	$ (193)	$ (108)
Deferred	(339)	(71)	313	(97)
Total	$ (267)	$ (58)	$ 120	$ (205)

Following is a summary of the components of income (loss) from continuing operations before income taxes for the years ended December 31, 2005, 2004 and 2003 (in millions):

	2005	2004	2003
U.S. income	$ (170)	$ (814)	$ (782)
Non-U.S. income	609	440	265
Total	$ 439	$ (374)	$ (517)

Following is a reconciliation of income tax expense using the statutory U.S. federal income tax rate of 35.0% to actual income tax expense for the years ended December 31, 2005, 2004 and 2003 (in millions):

	2005	2004	2003
Statutory federal income tax	$ 154	$ (131)	$ (181)
State income tax, net	(10)	(3)	(30)
Foreign losses	75	64	43
Research tax credits	(54)	(45)	(46)
Other	(12)	12	9
Total	$ 153	$ (103)	$ (205)
Effective income tax rate	34.9%	27.5%	39.7%

Following is a summary of the tax effects of significant types of temporary differences and carryforwards which result in deferred tax assets and liabilities as of December 31, 2005 and 2004 (in millions):

	2005		2004	
	Assets	Liabilities	Assets	Liabilities
Leasing basis differences	$ –	$ 178	$ –	$ 186
Other accrual accounting differences	429	21	423	19
Employee benefit plans	337	18	309	33
Depreciation/amortization differences	337	257	365	270
Net operating loss and tax credit carryforwards	996	–	876	–
Employee-related compensation	233	–	215	–
Other	294	269	271	250
Subtotal	2,626	743	2,459	758
Less valuation allowances	(281)	–	(233)	–
Total deferred taxes	$ 2,345	$ 743	$ 2,226	$ 758

The net changes in the valuation allowances for the years ended December 31, 2005 and 2004 were increases of $48 million and $87 million, respectively. Of the net change in 2005, $92 million was an increase in valuation allowances for prior years' losses incurred in certain foreign tax jurisdictions, which increased current year income tax expense from continuing operations. The remaining change in the valuation allowance in 2005 was primarily due to the sale of A.T. Kearney in January 2006 (see Notes 17 and 20) and foreign currency translation adjustments. Approximately one-half of the Company's net operating loss and tax carryforwards expire over various periods from 2006 through 2025, and the remainder are unlimited.

In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized and adjusts the valuation allowance accordingly. The ultimate realization of deferred tax assets is dependent on the generation of future taxable income during the periods in which those temporary differences become deductible. Based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, the Company believes it is more likely than not it will realize the benefits of the deductible differences, net of existing valuation allowances at December 31, 2005. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

U.S. income taxes have not been provided for $587 million of undistributed earnings of certain foreign subsidiaries, as such earnings have been permanently reinvested in the business. As of December 31, 2005, the unrecognized deferred tax liability associated with these earnings amounted to approximately $86 million.

On October 22, 2004, the President of the United States signed the American Jobs Creation Act of 2004. The Act created a temporary incentive for U.S. corporations to repatriate accumulated income earned abroad by providing an 85 percent dividends received deduction for certain dividends from controlled foreign corporations. The Company determined that the incremental cost of the repatriation did not produce a corresponding economic benefit, and as a result, it did not make a repatriation under this provision.

NOTE 11: STOCK PURCHASE AND INCENTIVE PLANS

Stock Purchase Plan

Under the Stock Purchase Plan, eligible employees may purchase EDS common stock at the end of each fiscal quarter at a purchase price equal to 85% of the lower of the market price on the first or last trading day of the quarter, through payroll deductions of up to 10% of their compensation, not to exceed $25,000 per year in market value. Shares of EDS common stock purchased under the plan may not be sold or transferred within one year of the date of purchase. The number of shares originally authorized for issuance under this plan is 57.5 million. Total compensation expense recognized under this plan was $6 million during the year ended December 31, 2005. See Note 1 for pro forma expense associated with stock-based incentive compensation for the years ended December 31, 2004 and 2003.

PerformanceShare and EDS Global Share Plans

PerformanceShare and Global Share are "broad-based" plans that permit the grant of stock options to any eligible employee of EDS or its participating subsidiaries other than executive officers. As of December 31, 2005, options for 16.0 million shares had been granted under PerformanceShare (principally in a broad-based grant in May 1997) and options for 25.9 million shares had been granted under Global Share (principally in two broad-based grants in July 2000 and February 2002). The number of shares originally authorized for issuance under PerformanceShare and Global Share is 20 million and 27 million, respectively. As of December 31, 2005, no shares were available for future issuance under these plans.

Incentive Plan

The Incentive Plan is authorized to issue up to 136.5 million shares of common stock. The Incentive Plan permits the granting of stock-based awards in the form of stock grants, restricted shares, restricted stock units, stock options or stock appreciation rights to eligible employees and non-employee directors. A restricted stock unit is the right to receive shares. The exercise price for stock options granted under this plan must be equal to or greater than the fair market value on the date of the grant.

Transition Incentive Plan

The Transition Incentive Plan permits the grant of nonqualified stock options to eligible employees. This plan was intended to be used exclusively for the grant of stock options to former employees of Structural Dynamics Research Corporation ("SDRC"), which was acquired in August 2001, and UGS PLM Solutions Inc., which became a wholly owned subsidiary in September 2001, and has been used exclusively for that purpose. UGS PLM Solutions (which was the successor by merger to SDRC) was sold by the Company in May 2004. Such options have an exercise price equal to the fair market value per share of common stock on the grant date, vested in May 2004 in connection with the sale of UGS PLM Solutions, and are exercisable for two years from the date of such sale. The number of options originally authorized for issuance under this plan is 3.7 million.

Transition Inducement Plan

The Transition Inducement Plan permits awards in the form of nonqualified stock options, stock appreciation rights, restricted stock units, restricted stock awards or stock grants to eligible employees. This plan was adopted in October 2002 in anticipation of then proposed New York Stock Exchange rules which provide that awards issued to induce new employment or in exchange for awards under an "acquired" plan are not subject to shareholder approval. All options granted under this plan must have an exercise price not less than the fair market value per share of common stock on the grant date. The maximum number of shares that can be issued under this plan is 7.0 million, of which not more than 2.0 million are available for awards other than in the form of stock options.

Stock Options

The fair value of each stock option award is estimated on the date of grant using the Black-Scholes-Merton valuation model that uses the assumptions noted below. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by employees who receive equity awards, and subsequent events are not indicative of the reasonableness of the original estimates of fair value made by the Company under SFAS 123R. The Company uses historical data to estimate the expected volatility for the term of new options and the outstanding period of the option for separate groups of employees that have similar historical exercise behavior. The risk-free rate used to estimate fair value is based on the U.S. Treasury yield curve in effect at the time of grant. The weighted-average fair values of options granted were $10.46, $8.60 and $4.70 for the years ended December 31, 2005, 2004 and 2003, respectively. The fair value of each option was estimated at the date of grant, with the following weighted-average assumptions for the years ended December 31, 2005, 2004 and 2003, respectively: dividend yields of 1.0%, 2.9% and 3.6%; expected volatility of 60.3%, 61.7% and 45.9%; risk-free interest rate of 4.1%, 2.7% and 2.7%; and

expected lives of 5.0 years, 4.8 years and 4.2 years. The total intrinsic value of options exercised during the years ended December 31, 2005, and 2004 were $23 million and $13 million, respectively, resulting in tax deductions of $8 million and $5 million, respectively. No options were exercised during the year ended December 31, 2003. During 2005, the Company issued new shares and utilized treasury shares to satisfy share option exercises and the vesting of restricted share awards. The Company plans to utilize treasury shares acquired under the repurchase program authorized in February 2006 to satisfy future share option exercises and the vesting of restricted share awards (see Note 20).

Following is a summary of options activity under the Company's various stock-based incentive compensation plans during the years ended December 31, 2005, 2004 and 2003:

	Shares (millions)	Weighted-Average Exercise Price
Fixed options:		
Outstanding at December 31, 2002	73.9	$ 53
Granted	22.5	17
Exercised	–	–
Forfeited and expired	(46.1)	52
Outstanding at December 31, 2003	50.3	38
Granted	33.7	20
Exercised	(2.9)	16
Forfeited and expired	(10.2)	34
Outstanding at December 31, 2004	70.9	31
Granted	1.5	20
Exercised	(4.7)	17
Forfeited and expired	(15.8)	51
Outstanding at December 31, 2005	51.9	26
Exercisable	26.0	29

At December 31, 2005, the weighted-average remaining contractual terms of outstanding and exercisable options were 5.2 years and 4.0 years, respectively, and the aggregate intrinsic values of these options were $211 million and $99 million, respectively. Total compensation expense recognized for stock options was $154 million during the year ended December 31, 2005. See Note 1 for pro forma expense associated with stock-based incentive compensation, including stock options for the years ended December 31, 2004 and 2003. As of December 31, 2005, there was approximately $136 million of unrecognized compensation cost related to nonvested options, which is expected to be recognized over a weighted-average period of 1.6 years.

Certain stock option grants contain market conditions that accelerate vesting if the Company's stock reaches target prices. At December 31, 2005, approximately 3.3 million, 4.3 million and 4.3 million options were outstanding that will become exercisable if the price of the Company's stock at the close of the trading day is above $24.31, $24.93 and $28.76 per share, respectively, for ten consecutive trading days (see Note 20).

Restricted Stock Units

The Company began using restricted stock units as its primary stock-based incentive compensation in March 2005. Prior to such time, stock options were primarily used for stock-based incentive compensation. Restricted stock units granted are generally scheduled to vest over periods of three to ten years. The March 31, 2005 grant consisted of performance-vesting restricted stock units. The number of awards that vest is dependent upon the Company's performance over a three-year period with vesting thereafter.

The fair value of each restricted stock unit is generally the market price of the Company's stock on the date of grant. However, if the shares have a mandatory holding period after the date of vesting, a discount is provided based on the length of the holding period. A discount was applied in determining the fair value of all restricted stock unit awards to adjust for the present value of foregone dividends during the period the award is outstanding and unvested. An additional discount of 15% was applied in determining the fair value of all units subject to transfer restrictions for a one-year period following vesting. This transferability discount was derived based on the value of a one-year average-strike lookback put option.

Following is a summary of the status of the Company's nonvested restricted stock units as of December 31, 2005, and changes during the years ended December 31, 2005, 2004 and 2003:

	Shares (millions)	Weighted-Average Grant Date Fair Value
Nonvested restricted stock units:		
Nonvested at December 31, 2002	5.7	$ 43
Granted	1.0	19
Vested	(1.5)	42
Forfeited	(0.4)	42
Nonvested at December 31, 2003	4.8	38
Granted	1.2	22
Vested	(2.1)	38
Forfeited	(0.4)	41
Nonvested at December 31, 2004	3.5	33
Granted	7.3	19
Vested	(1.5)	34
Forfeited	(0.4)	18
Nonvested at December 31, 2005	8.9	22

As of December 31, 2005, there was approximately $115 million of total unrecognized compensation cost related to nonvested restricted stock units. Such cost is expected to be recognized over a weighted-average period of 2.2 years. Total compensation expense for restricted stock units was $64 million ($42 million net of tax), $42 million ($27 million net of tax) and $62 million ($40 million net of tax), respectively, for the years ended December 31, 2005, 2004 and 2003. The aggregate fair value of shares vested during the years ended December 31, 2005, 2004 and 2003 were $33 million, $41 million and $26 million, respectively, at the date of vesting, resulting in tax deductions to realize benefits of $12 million, $14 million and $9 million, respectively, as compared to aggregate fair values of $52 million, $80 million and $59 million, respectively, on the dates of their grants.

Executive Deferral Plan

The Executive Deferral Plan is a nonqualified deferred compensation plan established for a select group of management and highly compensated employees which allows participants to contribute a percentage of their cash compensation and restricted stock units into the plan and defer income taxes until the time of distribution. The plan is a nonqualified plan for U.S. federal income tax purposes and as such, its assets are part of the Company's general assets. The Company makes matching contributions on a portion of amounts deferred by plan participants that are invested in EDS stock units. Matching contributions vest upon contribution. The fair market price of common stock on the date of matching contributions is charged to operations in the period made. The Company also makes discretionary contributions that vest over periods up to five years as determined by the Board of Directors. The fair market price of common stock on the date of discretionary contributions is charged to operations over the vesting period. No employer contributions were made to the plan during the year ended December 31, 2005. Employer contributions to the plan during the years ended December 31, 2004 and 2003 were 37 thousand and 584 thousand shares, respectively.

NOTE 12: SEGMENT INFORMATION

The Company uses operating income (loss), which consists of segment revenues less segment costs and expenses (before restructuring and other), to measure segment profit or loss. Segment information for non-U.S. operations is measured using fixed currency exchange rates in all periods presented. The Company adjusts its fixed currency exchange rates if and when the statutory rate differs significantly from the fixed rate to better align the two rates. Prior period segment information presented below has been restated to reflect a change in the fixed exchange rates of certain non-U.S. currencies and other segment attribute changes in 2005. Total segment assets and depreciation and amortization expense as of and for the year ended December 31, 2003 is not readily available under the current reporting structure and has been estimated to conform with the 2005 and 2004 presentation. The "all other" category is primarily comprised of corporate expenses, including stock-based compensation, and also includes differences between fixed and actual exchange rates. Operating segments that have similar economic and other characteristics have been aggregated to form the Company's reportable segments. The accompanying segment information excludes the net results of A.T. Kearney which are included in discontinued operations in the consolidated statements of operations (see Note 17).

Following is a summary of certain financial information by reportable segment, including components of the Outsourcing segment, as of and for the years ended December 31, 2005, 2004 and 2003 (in millions):

	2005		
	Revenues	Operating Income (Loss)	Total Assets
Americas	$ 9,239	$ 1,433	$ 4,283
EMEA	5,935	819	3,558
Asia Pacific	1,377	103	529
U.S. Government	2,025	375	519
Other	1	(752)	1,307
Total Outsourcing	18,577	1,978	10,196
NMCI	817	(75)	922
All other	363	(1,361)	5,969
Total	$ 19,757	$ 542	$ 17,087

	2004		
	Revenues	Operating Income (Loss)	Total Assets
Americas	$ 9,251	$ 1,113	$ 3,783
EMEA	6,247	911	3,388
Asia Pacific	1,289	107	532
U.S. Government	2,132	374	520
Other	2	(560)	829
Total Outsourcing	18,921	1,945	9,052
NMCI	761	(862)	1,097
All other	181	(1,185)	7,595
Total	$ 19,863	$ (102)	$ 17,744

	2003		
	Revenues	Operating Income (Loss)	Total Assets
Americas	$ 9,589	$ 1,170	$ 3,100
EMEA	6,517	851	3,411
Asia Pacific	1,274	78	390
U.S. Government	2,167	479	1,317
Other	–	(465)	2,710
Total Outsourcing	19,547	2,113	10,928
NMCI	1,017	(948)	1,071
All other	(806)	(1,420)	6,617
Total	$ 19,758	$ (255)	$ 18,616

Following is a summary of depreciation and amortization and deferred cost charges included in the calculation of operating income (loss) above for the years ended December 31, 2005, 2004 and 2003 (in millions):

	2005	2004	2003
Outsourcing	$ 1,089	$ 1,506	$ 1,453
NMCI	102	186	818
All other	253	234	165
Total	$ 1,444	$ 1,926	$ 2,436

Following is a summary of revenues and property and equipment by country as of and for the years ended December 31, 2005, 2004 and 2003 (in millions):

	2005		2004		2003	
	Revenues	Property and Equipment	Revenues	Property and Equipment	Revenues	Property and Equipment
United States	$ 10,349	$ 1,153	$ 10,258	$ 1,186	$ 10,726	$ 1,642
United Kingdom	3,696	325	3,983	339	3,948	433
All other	5,712	489	5,622	656	5,084	707
Total	$ 19,757	$ 1,967	$ 19,863	$ 2,181	$ 19,758	$ 2,782

Revenues and property and equipment of non-U.S. operations are measured using fixed currency exchange rates in all periods presented. Differences between fixed and actual exchange rates are included in the “all other” category.

Following is a summary of the Company’s revenues by service line for the years ended December 31, 2005, 2004 and 2003 (in millions):

	2005	2004	2003
Infrastructure services	$ 11,007	$ 11,435	$ 11,747
Applications services	5,562	5,630	5,879
Business process outsourcing services	2,825	2,617	2,938
All other	363	181	(806)
Total	$ 19,757	$ 19,863	$ 19,758

Revenues of non-U.S. operations are measured using fixed currency exchange rates in all periods presented. Differences between fixed and actual exchange rates are included in the “all other” category.

For the years ended December 31, 2005, 2004 and 2003, revenues from contracts with GM and its affiliates totaled $1.8 billion, $2.0 billion and $2.2 billion, respectively. Revenues from contracts with GM were reported in the Company’s Outsourcing segment.

NOTE 13: RETIREMENT PLANS

The Company has several qualified and nonqualified pension plans (the “Plans”) covering substantially all its employees. The majority of the Plans are noncontributory. In general, employees become fully vested upon attaining two to five years of service, and benefits are based on years of service and earnings. The actuarial cost method currently used is the projected unit credit cost method. The Company’s U.S. funding policy is to contribute amounts that fall within the range of deductible contributions for U.S. federal income tax purposes.

Following is a reconciliation of the changes in the Plans' benefit obligations and fair value of assets (using October 31, 2005 and 2004 measurement dates), and a statement of the funded status as of December 31, 2005 and 2004 (in millions):

	2005	2004
Reconciliation of Benefit Obligation:		
Benefit obligation at beginning of year	$ 7,837	$ 6,544
Service cost	344	321
Interest cost	456	413
Employee contributions	33	31
Actuarial loss	532	354
Curtailments and settlements	(280)	(3)
Foreign currency exchange rate changes	(441)	317
Benefit payments	(223)	(186)
Special termination benefit	15	48
Other	37	(2)
Benefit obligation at end of year	$ 8,310	$ 7,837
Reconciliation of Fair Value of Plan Assets:		
Fair value of plan assets at beginning of year	$ 5,895	$ 4,897
Actuarial return on plan assets	912	575
Foreign currency exchange rate changes	(289)	213
Employer contributions	324	366
Employee contributions	33	31
Benefit payments	(223)	(186)
Settlements	(270)	(5)
Other	22	4
Fair value of plan assets at end of year	$ 6,404	$ 5,895
Funded Status		
Funded status at December 31	$ (1,906)	$ (1,942)
Unrecognized transition obligation	9	13
Unrecognized prior service cost	(185)	(212)
Unrecognized net actuarial loss	1,686	1,771
Adjustments from October 31 to December 31	120	98
Net amount recognized in the consolidated balance sheets (as described above)	$ (276)	$ (272)

Following is a summary of the assets and liabilities reflected on the Company's balance sheets for pension benefits as of December 31, 2005 and 2004 (in millions):

	2005	2004
Prepaid benefit cost	$ 53	$ 32
Accrued benefit liability	(1,183)	(1,145)
Intangible asset	19	27
Accumulated other comprehensive income	835	814
Net amount recognized	$ (276)	$ (272)

The tables above include plans that transitioned to A.T. Kearney in January 2006 (see Notes 17 and 20). The pension benefit liability related to these plans are presented in the consolidated balance sheets as "held for sale" and were $26 million and $27 million at December 31, 2005 and 2004, respectively. The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for these plans were $63 million, $54 million and $61 million, respectively, at December 31, 2005, and $90 million, $71 million and $54 million, respectively, at December 31, 2004. Net periodic benefit cost for these plans was $8 million, $7 million and $7 million, respectively, for the years ended December 31, 2005, 2004 and 2003.

The Company has additional defined benefit retirement plans outside the U.S. not included in the tables above due to their individual insignificance. These plans collectively represent an additional pension benefit liability of approximately $16 million.

The accumulated benefit obligation for all defined benefit pension plans was $7,542 million and $6,946 million at October 31, 2005 and 2004, respectively.

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were $7,624 million, $6,963 million and $5,721 million, respectively, at December 31, 2005, and $7,282 million, $6,480 million, and $5,328 million, respectively, at December 31, 2004.

Following is a summary of the components of net periodic pension cost recognized in earnings for the years ended December 31, 2005, 2004 and 2003 (in millions):

	2005	2004	2003
Service cost	$ 344	$ 321	$ 290
Interest cost	456	413	353
Expected return on plan assets	(522)	(440)	(339)
Amortization of transition obligation	2	2	1
Amortization of prior-service cost	(32)	(32)	(32)
Amortization of net actuarial loss	55	66	81
Net periodic benefit cost	303	330	354
Curtailment loss	1	3	–
Special termination benefit	15	48	20
Settlement loss	71	2	–
Net periodic benefit cost after curtailments and settlements	$ 390	$ 383	$ 374

Prior-service costs are amortized on a straight-line basis over the average remaining service period of active participants. Gains or losses in excess of 10% of the greater of the benefit obligation and the market-related value of assets are amortized over the average remaining service period of active participants.

As a result of the termination of the Company's service contract with the U.K. Government's Inland Revenue department, the contract's workforce transitioned to the new IT provider in July 2004. Most of the pension liability associated with this workforce also transitioned to the new provider, resulting in the recognition of a settlement loss of $77 million in 2005. The Company recorded special termination benefits of $15 million during 2005 related to reductions in force in the U.K., and $48 million during 2004 related to an early retirement offer in the U.S. In addition, the Company recorded a special termination benefit of $20 million during 2003 related to contractual obligations to its former Chief Executive Officer. These charges are included in restructuring and other in the consolidated statements of operations (see Note 19).

At December 31, 2005 and 2004, the plan assets consisted primarily of equity securities and, to a lesser extent, government obligations and other fixed income securities. The plan assets include EDS common stock with a market value of approximately $13 million at October 31, 2005. The U.S. pension plan is a cash balance plan that uses a benefit formula based on years of service, age and earnings. Employees are allocated the current value of their retirement benefit in a hypothetical account. Monthly credits based upon age, years of service, compensation and interest are added to the account. Upon retirement, the value of the account balance is converted to an annuity. Effective January 1, 2000, the Company allowed employees to elect to direct up to 33% of their monthly credits to the EDS 401(k) Plan. The Company contributed $4 million, $3 million and $3 million to the EDS 401(k) Plan related to these elections during the years ended December 31, 2005, 2004 and 2003, respectively. These amounts are not included in net periodic pension cost shown in the table above.

Following is a summary of the weighted-average assumptions used in the determination of the Company's benefit obligation for the years ended December 31, 2005, 2004 and 2003:

	2005	2004	2003
Discount rate at October 31	5.4%	5.7%	6.0%
Rate increase in compensation levels at October 31	3.2%	3.4%	3.3%

Following is a summary of the weighted-average assumptions used in the determination of the Company's net periodic benefit cost for the years ended December 31, 2005, 2004 and 2003:

	2005	2004	2003
Discount rate at October 31	6.0%	6.0%	6.4%
Rate increase in compensation levels at October 31	3.4%	3.3%	3.5%
Long-term rate of return on assets at January 1	8.6%	8.6%	8.7%

Following is a summary of the weighted-average asset allocation of all plan assets at December 31, 2005 and 2004, by asset category:

	2005	2004
Equity securities	77%	78%
Debt securities	15%	14%
Cash and cash equivalents	1%	1%
Real estate	1%	1%
Other	6%	6%
Total	100%	100%

In determining pension expense recognized in its statements of operations, the Company utilizes an expected long-term rate of return that, over time, should approximate the actual long-term returns earned on pension plan assets. The Company derives the assumed long-term rate of return on assets based upon the historical return of actual plan assets and the historical long-term return on similar asset classes as well as anticipated future returns based upon the types of invested assets. The type and mix of invested assets are determined by the pension investment strategy, which considers the average age of the Company's workforce and associated average periods until retirement. Since the average age of the Company's workforce is relatively low and average periods until retirement exceed fifteen years, plan assets are weighted heavily towards equity investments. Equity investments, while susceptible to significant short-term fluctuations, have historically outperformed most other investment alternatives on a long-term basis. The Company utilizes an active management strategy through third-party investment managers to maximize asset returns. As of December 31, 2005, the weighted-average target asset allocation for all plans was 77% equity; 15% fixed income; 1% cash and cash equivalents; 1% real estate; and 6% other. The Company expects to contribute $100 million to $200 million to its pension plans during fiscal year 2006, including discretionary and statutory contributions.

Estimated benefit payments, which include amounts to be earned by active plan employees through expected future service for all pension plans over the next ten years are: 2006 – $177 million; 2007 – $189 million; 2008 – $206 million; 2009 – $223 million; 2010 – $243 million; and 2011 through 2015 – $1,695 million.

In addition to the plans described above, the EDS 401(k) Plan provides a long-term savings program for participants. The EDS 401(k) Plan allows eligible employees to contribute a percentage of their compensation to a savings program and to defer income taxes until the time of distribution. Participants may invest their contributions in various publicly traded investment funds or EDS common stock. The EDS 401(k) Plan also provides for employer-matching contributions, in the form of EDS common stock, which participants may elect to transfer to another investment option within the EDS 401(k) Plan after two years from the date of contribution. During the years ended December 31, 2005, 2004 and 2003, employer-matching contributions totaled $37 million, $40 million and $41 million, respectively.

NOTE 14: COMMITMENTS AND RENTAL EXPENSE

Total rentals under cancelable and non-cancelable leases of tangible property and equipment included in costs and charged to expenses were $783 million, $799 million and $861 million for the years ended December 31, 2005, 2004 and 2003, respectively. Commitments for rental payments under non-cancelable operating leases of tangible property and equipment net of sublease rental income are: 2006 – $316 million; 2007 – $272 million; 2008 – $181 million; 2009 – $132 million; 2010 – $104 million; and all years thereafter – $365 million.

The Company has signed certain service agreements with terms of up to ten years with certain vendors to obtain favorable pricing and commercial terms for services that are necessary for the ongoing operation of its business. These agreements relate to software and telecommunications services. Under the terms of these agreements, the Company has committed to contractually specified minimums over the contractual periods. The contractual minimums are: 2006 – $976 million; 2007 – $972 million; 2008 – $463 million; 2009 – $453 million; 2010 – $446 million; and all years thereafter – $78 million. Amounts paid under these agreements were $991 million, $821 million and $1,364 million during the years ended December 31, 2005, 2004 and 2003, respectively. To the extent that the Company does not purchase the contractual minimum amount of services, the Company must pay the vendors the shortfall. The Company believes that it will meet the contractual minimums through the normal course of business.

NOTE 15: CONTINGENCIES

During 2001, the Company established a securitization facility under which it financed the purchase of capital assets for its NMCI contract. Under the terms of the facility, the Company sold certain financial assets resulting from that contract to a trust ("Trust") classified as a qualifying special purpose entity for accounting purposes. During 2004, the Company completed agreements with the Trust's lenders to repurchase all financial assets of the Trust for $522 million in cash. Upon completion of the transaction, the Company recognized current lease receivables of $286 million and non-current lease receivables of $236 million associated with this purchase.

In connection with certain service contracts, the Company may arrange a client supported financing transaction ("CSFT") with a client and an independent third-party financial institution or its designee. Under CSFT arrangements, the financial institution finances the purchase of certain IT-related assets and simultaneously leases those assets for use in connection with the service contract.

In a CSFT, all client contract payments are made directly to the financial institution providing the financing. After the predetermined monthly obligations to the financial institution are met, the remaining portion of the customer payment is made available to the Company. If the client does not make the required payments under the service contract, under no circumstances does the Company have any obligation to acquire the underlying assets unless nonperformance under the service contract would permit its termination, or the Company fails to comply with certain customary terms under the financing agreements, including, for example, covenants the Company has undertaken regarding the use of the assets for their intended purpose. The Company considers the likelihood of its failure to comply with any of these terms to be remote. In the event of nonperformance under applicable contracts which would permit their termination, the Company would have no additional or incremental performance risk with respect to the ownership of the assets, because it would have owned or leased the same or substantially equivalent assets in order to fulfill its obligations under its service contracts. Performance under the Company's service contracts is generally measured by contract terms relating to project deadlines, IT system deliverables or level-of-effort measurements.

As of December 31, 2005, an aggregate of $241 million was outstanding under CSFTs yet to be paid by the Company's clients. The Company believes it is in compliance with performance obligations under all service contracts for which there is a related CSFT and the ultimate liability, if any, incurred in connection with such financings will not have a material adverse effect on its consolidated results of operations or financial position.

In the normal course of business, the Company may provide certain clients, principally governmental entities, with financial performance guarantees, which are generally backed by standby letters of credit or surety bonds. In general, the Company would only be liable for the amounts of these guarantees in the event that nonperformance by the Company permits termination of the related contract by the Company's client, which the Company believes is remote. At December 31, 2005, the Company had $521 million outstanding standby letters of credit and surety bonds relating to these performance guarantees. The Company believes it is in compliance with its performance obligations under all service contracts for which there is a financial performance guarantee, and the ultimate liability, if any, incurred in connection with these guarantees will not have a material adverse effect on its consolidated results of operations or financial position. In addition, the Company had $32 million of other financial guarantees outstanding at December 31, 2005 relating to indebtedness of others.

At December 31, 2005, the Company had net deferred contract and set-up costs of $638 million, of which $145 million related to 15 contracts with active construct activities. These active construct contracts had other assets, including receivables, prepaid expenses, equipment and software, of $1.2 billion at December 31, 2005, of which $0.9 billion was associated with the NMCI contract. No contract or set-up costs associated with the NMCI contract have been deferred during 2005 or 2004. Some of the Company's client contracts require significant investment in the early stages which is recovered through billings over the life of the respective contracts. These contracts often involve the construction of new computer systems and communications networks and the development and deployment of new technologies. Substantial performance risk exists in each contract with these characteristics, and some or all elements of service delivery under these contracts are dependent upon successful completion of the development, construction and deployment phases. Some of these contracts, including the NMCI contract, have experienced delays in their development and construction phases, and certain milestones have been missed.

In July 1998, the Company converted its U.S. Retirement Plan benefit formula to a cash balance benefit formula. The Company believes that cash balance plans are legal and do not violate age discrimination laws. However, in July 2003, the U.S. District Court for the Southern District of Illinois ruled that IBM's cash balance conversion violated the age discrimination provisions of the Employee Retirement Income Security Act ("ERISA"). IBM has appealed this decision and in February 2006 the U.S. Court of Appeals for the 7th Circuit heard oral arguments in the case. Based on the Company's understanding of the facts associated with the case, the Company believes the district court decision will ultimately be overturned on appeal and cannot currently estimate the financial impact of any adverse ruling on this matter. No legal proceedings have been commenced to date alleging that the Company's U.S. Retirement Plan is age discriminatory.

The Company provides IT services to Delphi Corporation ("Delphi") through a long-term agreement. On October 8, 2005, Delphi filed for protection under Chapter 11 of the United States Bankruptcy Code. Due to uncertainties regarding the recoverability of certain pre-bankruptcy receivables associated with the Delphi contract, the Company recorded receivable reserves of $17 million during the year ended December 31, 2005. This amount is reflected in cost of revenues in the Company's 2005 consolidated statements of operations. The Company recognized revenues of approximately $160 million under the Delphi services agreement during the year ended December 31, 2005. Total receivables outstanding under the Delphi agreement, excluding reserves, were $44 million at December 31, 2005. In addition, the Company had equipment and other assets with a net

book value of approximately $20 million at December 31, 2005 deployed on the Delphi agreement. The remaining assets associated with the Company's agreement with Delphi are expected to be recovered through collection or future operations.

The Company has received tax assessments from various taxing authorities and is currently at varying stages of appeals regarding these matters. The Company has provided for the amounts it believes will ultimately result from those proceedings. The U.S. Internal Revenue Service ("IRS") has completed its audit of the Company's consolidated federal income tax returns through 1998. The IRS has proposed certain disallowances of research tax credits for the period 1996-2002, and the Company is protesting the disallowance to the Appeals Office of the IRS. If the Company is unable to resolve this matter with the Appeals Office of the IRS, a decision would be made at that time as to whether the Company will litigate the IRS position and the choice of venue, which could impact the amount and timing of the cash payments. The Company believes its position is appropriate under existing U.S. Treasury Regulations and has provided the amounts it believes will ultimately result from these proceedings.

Pending Litigation and Proceedings

The Company and certain of its former officers are defendants in numerous shareholder class action suits filed from September through December 2002 in response to its September 18, 2002 earnings pre-announcement, publicity about certain equity hedging transactions that it had entered into, and the drop in the price of EDS common stock. The cases allege violations of various federal securities laws and common law fraud based upon purported misstatements or omissions of material facts regarding the Company's financial condition. In addition, five class action suits were filed on behalf of participants in the EDS 401(k) Plan against the Company, certain of its current and former officers and, in some cases, its directors, alleging the defendants breached their fiduciary duties under the Employee Retirement Income Security Act ("ERISA") and made misrepresentations to the class regarding the value of EDS shares. All of the foregoing cases have been centralized in the U.S. District Court for the Eastern District of Texas (the "District Court"). In addition, representatives of two committees responsible for administering the EDS 401(k) Plan notified the Company of their demand for payment of amounts they believe are owing to plan participants under Section 12(a)(1) of the Securities Act of 1933 (the "Securities Act") as a result of an alleged failure to register certain shares of EDS common stock sold pursuant to the plan during a period of approximately one year ending on November 18, 2002.

On July 7, 2003, the lead plaintiff in the consolidated securities action and the lead plaintiffs in the consolidated ERISA action each filed a consolidated class action complaint. The amended consolidated complaint in the securities action alleges violations of Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), Rule 10b-5 thereunder and Section 20(a) of the Exchange Act. The plaintiffs allege that the Company and certain of its former officers made false and misleading statements about the financial condition of EDS, particularly with respect to the NMCI contract and the accounting for that contract. The class period is alleged to be from February 7, 2001 to September 18, 2002. The consolidated complaint in the ERISA action alleges violation of fiduciary duties under ERISA by some or all of the defendants and violation of Section 12(a)(1) of the Securities Act by selling unregistered EDS shares to plan participants. The defendants are EDS and, with respect to the ERISA claims, certain current and former officers of EDS, members of the Compensation and Benefits Committee of its Board of Directors, and certain current and former members of the two committees responsible for administering the plan.

On February 11, 2005, the District Court certified a class in the consolidated securities action of all persons and entities, excluding defendants, who purchased or otherwise acquired EDS securities between February 7, 2001 through September 18, 2002 and who were damaged thereby. On October 24, 2005, the U.S. Fifth Circuit Court of Appeals affirmed the trial court's certification order. On November 1, 2005, the Company entered into a memorandum of understanding with the lead plaintiff and class representative to settle the consolidated securities action, subject to final approval of the settlement by the District Court. The District Court approved that settlement on March 7, 2006. The terms of the settlement provide for a cash payment of $137.5 million. The Company estimates approximately one-half of such payment would be made by its insurers and has recognized the cost of its portion of the settlement in its financial statements as of December 31, 2005.

On November 8, 2004, the District Court certified a class in the ERISA action on certain of the allegations of breach of fiduciary duty, of all participants in the EDS 401(k) Plan and their beneficiaries, excluding the defendants, for whose accounts the plan made or maintained investments in EDS stock through the EDS Stock Fund between September 7, 1999 and October 9, 2002. Also on that date the court certified a class in the ERISA action on the allegations of violation of Section 12(a)(1) of the Securities Act of all participants in the Plan and their beneficiaries, excluding the defendants, for whose accounts the Plan purchased EDS stock through the EDS Stock Fund between October 20, 2001 and November 18, 2002. On December 29, 2004, the Fifth Circuit Court of Appeal granted the Company's petition to appeal the class certification order from the District Court, and oral arguments were heard on the appeal on April 5, 2005. On May 5, 2005, the Company reached an agreement with the class representatives in the ERISA action to settle that action, subject to final approval of the settlement by an independent fiduciary and the District Court and receipt of certain assurances from the Department of Labor. Under the terms of the settlement, $16.5 million would have been paid entirely by one of the Company's insurers. In addition, the Company would have agreed to continue to make a matching contribution under the 401(k) Plan through 2006 and to make certain changes to the Plan. However, on June 30, 2005, the District

Court denied the motions of the Company and the class representatives to approve the settlement. The Company intends to defend this action vigorously.

In addition, there are three derivative complaints filed by shareholders in the District Court of Collin County, Texas against certain current and former Company directors and officers and naming EDS as a nominal defendant. The actions allege breach of fiduciary duties, abuse of control and gross mismanagement based upon purported misstatements or omissions of material facts regarding the Company's financial condition similar to those raised in the class actions described above. These cases have been consolidated into a single action. This action will be defended vigorously.

On February 25, 2004, a derivative complaint was filed by a shareholder against certain current and former directors and officers of the Company in the District Court. The plaintiff relies upon substantially the same factual allegations as the consolidated securities action discussed above. However, the plaintiff brings the suit on behalf of the Company against the named defendants claiming that they breached their fiduciary duties by failing in their oversight responsibilities and by making and/or permitting material, false and misleading statements to be made concerning the Company's business prospects, financial condition and expected financial results which artificially inflated its stock and resulted in numerous class action suits. Plaintiff seeks contribution and indemnification for the claims and litigation resulting from the defendants' alleged breach of their fiduciary duties. This action has been stayed pending the outcome of the consolidated securities action. This action will be defended vigorously.

In October 2004, two derivative complaints were filed in the District Court by shareholders against certain current and former directors and officers of the Company. The allegations against the Company include breach of fiduciary duties, abuse of control, gross mismanagement, constructive fraud, waste and unjust enrichment based upon purported misstatements or omissions of material facts regarding the Company's financial condition similar to those raised in the class actions described above. Plaintiffs seek damages, disgorgement by individual defendants, governance reforms, and punitive damages. The actions have also been stayed pending resolution of the above referenced securities action. These actions will be defended vigorously.

The Company is not able to determine the actual impact of these actions on its consolidated financial statements. However, it is reasonably possible that the Company may be required to pay judgments or settlements and incur expenses in aggregate amounts that could have a material adverse effect on its liquidity and financial condition.

The SEC staff is conducting a formal investigation of matters relating to the Company's derivatives contracts in connection with its program to manage the future stock issuance requirements of its employee stock incentive plans, the Company's NMCI contract, a contract with a client of the Company that contained a prepayment provision, and the Company's guidance and other events leading up to its third quarter 2002 earnings announcement. The SEC has deposed current and former members of the Company's management and the NMCI account team as well as other witnesses regarding these issues. The SEC staff is also investigating allegations that a former employee working in India for a branch of a former subsidiary of the Company made questionable payments allegedly to further that entity's business in India, a matter which the Company self-reported to the SEC staff and other relevant governmental authorities. The SEC staff's investigation is ongoing and the Company will continue to cooperate with the SEC staff. The Company is unable to predict the outcome of the investigation, the SEC's views of the issues being investigated or any action that the SEC might take.

In July 2004, the Company voluntarily reported to the SEC staff a matter regarding a transaction with a third party, which was subsequently identified as Delphi. The transaction was not material to the Company. In September 2004, Delphi reported that in August 2004 it had received a formal order of investigation from the SEC indicating the staff had commenced an inquiry regarding, among other things, payments made and credits given by the Company to Delphi during 2000 and 2001 and certain payments made by Delphi to the Company for system implementation services in 2002 and in early 2003. In addition, Delphi reported that the staff was also reviewing the accounting treatment of other suppliers of IT services to Delphi. The SEC has formally requested documents and witness interviews relating to the Company's transactions with Delphi. The Company has been cooperating with the SEC staff regarding this matter and will continue to do so.

The Company provided IT services to the U.K. government's Inland Revenue department, now known as Her Majesty's Revenue and Customs ("HMRC"), pursuant to a 10-year contract that ended in June 2004. Commencing in February 2004, HMRC alleged it incurred losses resulting from problems and alleged defects in IT systems developed for it by the Company and alleged losses in varying significant amounts. In November 2005, the Company and HMRC settled the dispute. Such settlement did not have a material adverse effect on the Company's financial position or results of operations.

On December 19, 2003, Sky Subscribers Services Limited ("SSSL") and British Sky Broadcasting Limited ("BSkyB"), a former client of the Company, served a draft pleading seeking redress for the Company's alleged failure to perform pursuant to a contract between the parties. Under applicable legal procedures, the Company responded to the allegations. Despite the response, on August 17, 2004, SSSL and BSkyB issued and served upon the Company a pleading alleging the following damages, each presented as an alternative cause of action: (1) pre-contract deceit in 2000 in the amount of £320 million (approximately $550

million); (2) pre-contract negligent misrepresentation in 2000 in the amount of £127 million (approximately $220 million); (3) deceit inducing the Letter of Agreement in July 2001 in the amount of £261 million (approximately $450 million); (4) negligent misrepresentation inducing the Letter of Agreement in July 2001 in the amount of £116 million (approximately $200 million); and, (5) breach of contract from 2000 through 2002 in the amount of £101 million (approximately $175 million). On November 12, 2004, the Company filed its defense and counterclaim denying the claims and seeking damages in the amount of £4.7 million (approximately $8.1 million). On December 21, 2005, SSSL and BSkyB filed a Re-Amended Particulars of Claim alleging the following damages, still as alternative causes of action: (1) pre-contract deceit in the amount of £480 million (approximately $830 million); (2) pre-contract negligent misrepresentation in the amount of £480 million (approximately $830 million); (3) deceit inducing the Letter of Agreement and negligent misrepresentation inducing the Letter of Agreement of £415 million (approximately $715 million); (4) breach of contract in the amount of £179 million (approximately $310 million). The principal stated reason for the increases in amount of damages is that the claimants have now taken the opportunity to re-assess their alleged lost profits and increased costs to deliver the project in light of the extended timetable they now require. Claimants say they will further re-assess these alleged losses prior to trial. The dispute surrounds a contract the Company entered into with BSkyB in November 2000, which was terminated by the Company in January 2003 for BSkyB's failure to pay its invoices. The contract had an initial total contract value of approximately £61 million. The Company intends to defend against these allegations vigorously. Discovery is ongoing in this matter and trial is scheduled for October 2007. Although there can be no assurance as to the outcome of this matter, the Company does not believe it will have a material adverse effect on our consolidated results of operations or financial condition.

There are other various claims and pending actions against the Company arising in the ordinary course of its business. Certain of these actions seek damages in significant amounts. The amount of the Company's liability for such claims and pending actions at December 31, 2005 was not determinable. However, in the opinion of management, the ultimate liability, if any, resulting from such claims and pending actions will not have a material adverse effect on the Company's consolidated results of operations or financial position.

NOTE 16: ACQUISITIONS

On May 19, 2005, the Company purchased the outstanding minority interest in its Australian subsidiary for a cash purchase price of approximately $135 million. The transaction was accounted for as an acquisition by the Company, and the excess carrying value of the minority interest liability over the purchase price paid was allocated as a reduction to property and equipment – $(19) million; deferred contract costs – $(2) million; and other intangible assets – $(3) million.

On March 1, 2005, the Company and Towers Perrin entered into a joint venture whereby Towers Perrin contributed cash and its pension, health and welfare administration services business and the Company contributed cash and its payroll and related human resources ("HR") outsourcing business to a new company, known as ExcellerateHRO LLP. Upon closing of the transaction, Towers Perrin received $417 million in cash and a 15% minority interest, representing total consideration paid by the Company to Towers Perrin, and the Company received an 85% interest in the new company. The acquisition enabled the Company to offer a comprehensive set of HR outsourcing solutions across the core areas of benefits, payroll, compensation management, workforce administration and relocation, recruitment and staffing, and workforce development. The consolidated statements of operations include the results of the acquired business since the date of acquisition. The transaction was accounted for as an acquisition by the Company with the purchase price preliminarily being allocated as follows: property and equipment – $25 million; other intangibles – $48 million; goodwill – $413 million; other assets – $5 million; accrued expenses – $4 million; and minority interest – $70 million. Factors contributing to a purchase price that resulted in recognition of goodwill included the Company's and its advisors' projections of operating results of the new company, the ability to accelerate the Company's growth in the HR outsourcing market and the competitive differentiation offered by the relationship with Towers Perrin. Towers Perrin may require the Company to purchase its minority interest in the joint venture at any time after March 1, 2010, or prior to that date upon the occurrence of certain events (including the breach by the Company of certain transaction related agreements, the failure of the joint venture to achieve certain financial results or certain events related to the Company), at a price based on the fair market value of such interest, with a minimum purchase price based on the joint venture's annual revenue. In addition, the Company may require Towers Perrin to sell its minority interest in the joint venture to the Company at any time after March 1, 2012, or prior to that date upon the occurrence of certain events (including the breach by Towers Perrin of certain transaction related agreements or certain events related to Towers Perrin), at a price based on the fair market value of such interest, with a minimum purchase price based on the joint venture's annual revenue. Had the Company completed the acquisition as of the earliest date presented, results of operations on a pro forma basis would not have been materially different from actual historical results.

On January 9, 2004, the Company acquired The Feld Group, a privately held technology management firm that specialized in reorganizing and realigning technology organizations to better meet the needs of their enterprises. The acquisition enhanced the Company's offerings and expertise in the transformational business process outsourcing/business transformation services market and enabled the Company to finalize appointments to its executive management team. The aggregate purchase price of The Feld Group was $53 million, comprised of $50 million in cash payments and warrants with a fair value of $3 million. In addition, the Company issued contingent warrants with a fair value of $4 million in connection with the acquisition. The

aggregate purchase price of The Feld Group will be adjusted if and when the contingencies associated with these warrants are resolved. The excess of the aggregate purchase price over the fair value of acquired assets and assumed liabilities of $47 million was allocated to goodwill in the Outsourcing segment. The Company also issued restricted stock awards and options to acquire EDS common stock with an aggregate fair value of $40 million to certain employee shareholders of The Feld Group who became employees of the Company. Such awards and options vest over three years and are contingent upon the continuing employment of these individuals.

NOTE 17: DISCONTINUED OPERATIONS

During the third quarter of 2005, the Company approved a plan to proceed with a transaction to sell 100% of its ownership interest in its A.T. Kearney subsidiary. The net assets of the subsidiary are classified as "held for sale" at December 31, 2005 and 2004 and its results for the years ended December 31, 2005, 2004 and 2003 are included in income (loss) from discontinued operations. A.T. Kearney's results for the year ended December 31, 2005 include a pre-tax impairment charge of $118 million to write-down the carrying value of its long-lived assets, including tradename intangible, to estimated fair value less cost to sell. The estimated fair value was determined based on the terms of the sale as documented in the agreement executed on January 20, 2006 by the Company and an entity formed by the management buyout group (see Note 20). The impairment charge is partially offset by the recognition of $8 million of previously unrecognized tax assets that will be realized as a result of the sale.

Income (loss) from discontinued operations also includes the results of the Company's UGS PLM Solutions subsidiary and its Soft Solution business sold during 2004 and its Technology Solutions and subscription fulfillment businesses sold during 2003. A.T. Kearney and UGS PLM Solutions were previously reported as separate segments by the Company. Soft Solution, Technology Solutions and subscription fulfillment were previously included in the Company's Outsourcing segment. No interest expense has been allocated to discontinued operations for any of the periods presented.

Following is a summary of assets and liabilities of A.T. Kearney at December 31, 2005 and 2004 which are reflected in the consolidated balance sheets as "held for sale" (in millions):

	2005	2004
Marketable securities	$ 23	$ 37
Accounts receivable, net	217	199
Prepaids and other	34	51
Deferred income taxes	14	–
Property and equipment, net	26	35
Investments and other assets	3	2
Goodwill	–	22
Other intangibles, net	28	133
Assets held for sale	$ 345	$ 479
Accounts payable	105	62
Accrued liabilities	138	171
Deferred revenue	–	1
Pension benefit liability	26	25
Minority interest and other long-term liabilities	6	8
Liabilities held for sale	$ 275	$ 267

Following is a summary of income (loss) from discontinued operations before income taxes, excluding gains and losses, for the years ended December 31, 2005, 2004 and 2003 (in millions):

	2005	2004	2003
Revenues	$ 780	$ 1,171	$ 1,839
Costs and expenses	846	1,144	1,720
Operating income (loss)	(66)	27	119
Other income (expense)	2	(8)	(3)
Income (loss) from discontinued operations before income taxes	$ (64)	$ 19	$ 116

Income from discontinued operations includes net gains (losses) of $(92) million, $433 million and $(9) million, net of income taxes, in 2005, 2004 and 2003, respectively. Income (loss) from discontinued operations in 2005 includes after-tax net gains of $18 million related to the settlement of contingencies associated with sales of certain businesses classified as discontinued operations in prior years. Net assets sold in 2004 included goodwill of $969 million related to UGS PLM Solutions.

NOTE 18: SUPPLEMENTARY FINANCIAL INFORMATION

Following is supplemental financial information for the years ended December 31, 2005, 2004 and 2003 (in millions):

	2005	2004	2003
Property and equipment depreciation (including capital leases)	$ 831	$ 1,058	$ 1,044
Intangible asset and other amortization	450	618	619
Deferred cost amortization and charges	175	298	866
Cash paid for:			
Income taxes, net of refunds	378	343	346
Interest	232	328	319

The Company acquired $160 million, $112 million and $155 million of equipment utilizing capital leases in 2005, 2004 and 2003, respectively.

NOTE 19: RESTRUCTURING AND OTHER

Following is a summary of restructuring and other charges for the years ended December 31, 2005, 2004 and 2003 (in millions):

	2005	2004	2003
Employee separation and exit costs, net	$ 68	$ 226	$ 232
Early retirement offer	–	50	–
Asset write-downs	–	–	36
CEO severance	–	–	48
Pre-tax gain on disposal of businesses:			
European wireless clearing	(93)	–	–
U.S. wireless clearing	–	(35)	–
Automotive Retail Group	–	(66)	–
Credit Union Industry Group	–	–	(139)
Other	(1)	(5)	(2)
Total	$ (26)	$ 170	$ 175

Restructuring and other employee reduction activities:

During 2005 and 2004, the Company continued initiatives to align its workforce with customer demands and utilize technology to generate efficiencies. As a result, 2005 and 2004 restructuring and other expense includes estimated severance costs of $100 million and $80 million, respectively, related to the involuntary termination of an estimated 1,500 and 1,500 employees, respectively, throughout the Company in managerial, professional, clerical, consulting and technical positions. In addition, 2004 restructuring and other expense also includes estimated pension expenses of $50 million related to approximately 1,500 employees who accepted an early retirement offer in the U.S. While the Company plans to continue its efforts to generate efficiencies through technology-driven initiatives in 2006, no future costs are expected to be incurred associated with the 2005 and 2004 restructuring initiatives.

The following table summarizes accruals associated with restructuring and other employee reduction programs for the years ended December 31, 2005, 2004 and 2003 (in millions):

	Employee Separations	Exit Costs	Other Employee Reductions	Total
Balance at December 31, 2002	$ 22	$ 8	$ –	$ 30
2003 activity	228	4	–	232
Amounts utilized	(85)	(3)	–	(88)
Balance at December 31, 2003	165	9	–	174
2003 Plan charges	146	–	–	146
Amounts utilized	(240)	(2)	–	(242)
Other employee reductions programs	–	–	80	80
Balance at December 31, 2004	71	7	80	158
Amounts incurred	–	–	100	100
Amounts utilized	(47)	(3)	(103)	(153)
Reversal of prior years' accruals	(8)	(4)	(20)	(32)
Balance at December 31, 2005	$ 16	$ –	$ 57	$ 73

During 2003, the Company began implementation of an initiative to reduce its costs, streamline its organizational structure and exit certain operating activities. These efforts were designed to improve the Company's cost competitiveness and involved the elimination of excess capacity, primarily in Europe, and the consolidation of back-office capabilities. The Company completed the initiative in 2004 and a total of 5,800 employees were involuntarily terminated pursuant to the initiative, consisting of individuals employed throughout the Company in managerial, professional, clerical, consulting and technical positions. As a result of the initiative, the Company recorded restructuring charges of $146 million and $232 million during 2004 and 2003, respectively. These amounts primarily resulted from the involuntary termination of approximately 2,100 and 3,700 employees during 2004 and 2003, respectively.

During the first quarter of 2003, the Company recognized a one-time severance charge totaling $48 million related to the termination of employment of its former CEO. This charge was comprised of a $12 million cash payment, a non-cash charge of $16 million associated with previously deferred compensation for 344,000 restricted stock units and retirement benefits with a present value of $20 million.

Restructuring actions contemplated under restructuring plans prior to 2003 are essentially complete as of December 31, 2005 with remaining accruals of $16 million comprised of future severance-related payments to terminated employees.

Included in the 2003 amount are costs incurred for executive severance, $4 million from the exit of certain business activities and the consolidation of facilities, and asset write-downs of $36 million.

Other activities:

During 2005, the Company sold its European wireless clearing business which resulted in a pre-tax gain of $93 million. In connection with the sale, the Company recognized a $32 million valuation allowance related to deferred tax assets in certain European countries that may no longer be recoverable as a result of the sale. Net assets of the business included goodwill of $45 million. During 2004, the Company sold its U.S. wireless clearing business and its Automotive Retail Group ("ARG") which resulted in pre-tax gains of $101 million. During 2003, the Company sold its Credit Union Industry Group ("CUIG") which resulted in a pre-tax gain of $139 million. The net results of the European wireless clearing business, the U.S. wireless clearing business, ARG and CUIG are not included in discontinued operations due to the Company's level of continuing involvement as an IT service provider to the businesses.

NOTE 20: SUBSEQUENT EVENTS

The Company completed the sale of its A.T. Kearney subsidiary to the firm's management effective January 20, 2006. The subsidiary is classified as "held for sale" at December 31, 2005 and 2004 and its results for the years ended December 31, 2005, 2004 and 2003 are included in income (loss) from discontinued operations (see Note 17). Proceeds from the sale include a 10-year promissory note from the buyer valued at $52 million. The cash portion of the purchase price was offset by the cash transferred with the divested business and transaction costs. A.T. Kearney's results for the year ended December 31, 2005 include a pre-tax impairment charge of $118 million to write-down the carrying value of its long-lived assets, including tradename intangible, to net realizable value. The net realizable value was determined based on the terms in the final sale document dated January 20, 2006. The impairment charge is partially offset by the recognition of $8 million of previously unrecognized tax assets that will be realized as a result of the sale. Upon consummation of the transaction in January 2006, the Company recorded an equity translation benefit of approximately $24 million and a stock compensation charge of approximately $20 million.

On February 21, 2006, the Company announced that its Board of Directors had authorized the repurchase of up to $1 billion of its outstanding common stock over the next 18 months in open market purchases or privately negotiated transactions. The Company subsequently entered into a contract with a third-party institution under which approximately 15 million shares were repurchased at $26.61 per share through an Accelerated Share Repurchase arrangement. The final amount to be paid under such arrangement will be determined by the actual cost incurred by the financial institution for the purchase of such shares in open market transactions over a period of four months. All share repurchases are being financed by currently available cash.

During January and February 2006, approximately 7.6 million outstanding stock option grants became exercisable when the Company's stock reached certain target prices (see Note 11), resulting in acceleration in the recognition of compensation expense of $25 million during the first calendar quarter of 2006.

NOTE 21: QUARTERLY FINANCIAL DATA (UNAUDITED)

(in millions, except per share amounts)

	Year Ended December 31, 2005[1][2][3][4][5]				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Revenues	$ 4,737	$ 5,000	$ 4,874	$ 5,146	$ 19,757
Gross profit from operations	456	550	594	735	2,335
Restructuring and other	(4)	31	(81)	28	(26)
Income (loss) from continuing operations	14	32	114	126	286
Income (loss) from discontinued operations	(10)	(6)	(106)	(14)	(136)
Net income	4	26	8	112	150
Basic earnings per share of common stock:					
Income (loss) from continuing operations	$ 0.03	$ 0.06	$ 0.22	$ 0.24	$ 0.55
Net income	0.01	0.05	0.02	0.21	0.29
Diluted earnings per share of common stock:					
Income (loss) from continuing operations	$ 0.03	$ 0.06	$ 0.22	$ 0.24	$ 0.54
Net income	0.01	0.05	0.02	0.21	0.28
Cash dividends per share of common stock	0.05	0.05	0.05	0.05	0.20

	Year Ended December 31, 2004[1][6][7][8]				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Revenues	$ 4,987	$ 5,034	$ 4,754	$ 5,088	$ 19,863
Gross profit from operations	396	360	176	707	1,639
Restructuring and other	(12)	37	(4)	149	170
Income (loss) from continuing operations	(36)	(133)	(169)	67	(271)
Income (loss) from discontinued operations	24	403	16	(14)	429
Net income (loss)	(12)	270	(153)	53	158
Basic earnings per share of common stock:					
Income (loss) from continuing operations	$ (0.07)	$ (0.27)	$ (0.33)	$ 0.13	$ (0.54)
Net income (loss)	(0.02)	0.54	(0.30)	0.10	0.32
Diluted earnings per share of common stock:					
Income (loss) from continuing operations	$ (0.07)	$ (0.27)	$ (0.33)	$ 0.13	$ (0.54)
Net income (loss)	(0.02)	0.54	(0.30)	0.10	0.32
Cash dividends per share of common stock	0.15	0.15	0.05	0.05	0.40

(1) Previously reported quarterly results have been restated to reflect the impact of discontinued operations (see Note 17).

(2) The Company adopted Statement of Financial Accounting Standards No. 123R, Share-Based Payment, as of January 1, 2005 (see Notes 1 and 11). This statement requires the recognition of compensation expense when an entity obtains employee services in stock-based payment transactions. This change in accounting resulted in the recognition of pre-tax compensation expense of $53 million, $37 million, $43 million and $27 million, respectively, in the first, second, third and fourth quarters of 2005.

(3) Includes a pre-tax charge of $77 million recognized in the second quarter associated with the settlement of pension obligations for employees transitioned to a third party in connection with the termination of the Company's services contract with U.K. Inland Revenue as of June 2004.

(4) Includes a pre-tax charge of $37 million recognized in the second quarter for the impairment of deferred costs associated with a large IT commercial contract.

(5) Includes a pre-tax charge of $24 million recognized in the third quarter related to reserves established for shareholder litigation.

(6) Includes a pre-tax charge of $375 million recognized in the third quarter to write-down long-lived assets related to the NMCI contract.

(7) Includes pre-tax charges of $37 million recognized in the first quarter and $135 million recognized in the second quarter related to the termination of a significant commercial contract.

(8) Includes pre-tax credits of $17 million recognized in the third quarter and $13 million recognized in the fourth quarter reversing a portion of charges taken in the second quarter of 2004 related to the termination of a significant commercial contract.

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Leadership Information

Board of Directors

Michael H. Jordan	EDS Chairman of the Board and Chief Executive Officer
Jeffrey M. Heller	EDS President
W. Roy Dunbar	President, Global Technology and Operations of MasterCard International
Roger A. Enrico	Chairman of the Board of DreamWorks Animation SKG, Inc. and former Chairman and Chief Executive Officer of PepsiCo, Inc.
S. Malcolm Gillis	Professor of Economics and former President, Rice University
Ray J. Groves	Former President, Chairman and Senior Advisor of Marsh Inc. and former Chairman and Chief Executive Officer of Ernst & Young LLP
Ellen M. Hancock	Former Chairman and Chief Executive Officer of Exodus Communications, Inc.
Ray L. Hunt	Chairman and Chief Executive Officer of Hunt Consolidated Inc.
Edward A. Kangas	Former Chairman and Chief Executive Officer of Deloitte Touche Tohmatsu
R. David Yost	Chief Executive Officer of AmerisourceBergen Corporation

EDS Executive Leadership

Michael H. Jordan	Chairman of the Board and Chief Executive Officer
Jeffrey M. Heller	President
Charles S. Feld	Executive Vice President, Portfolio Development
Storrow M. Gordon	Executive Vice President, General Counsel and Secretary
Thomas A. Haubenstricker	Interim Co-Chief Financial Officer* and Vice President of Finance Administration
Ronald A. Rittenmeyer	Co-Chief Operating Officer and Executive Vice President, Global Sales & Client Solutions
Stephen F. Schuckenbrock	Co-Chief Operating Officer and Executive Vice President, Global Sales & Client Solutions
Tina M. Sivinski	Executive Vice President, Human Resources
Ronald P. Vargo	Interim Co-Chief Financial Officer*, Vice President and Treasurer

* Appointed Interim Co-Chief Financial Officer upon the resignation of Robert H. Swan as Chief Financial Officer, effective March 15, 2006.

Shareholder Information

Stock Data

Trading: Electronic Data Systems Corporation is listed on the New York Stock Exchange and the London Stock Exchange. NYSE Ticker symbol: EDS

Stock Transfer Office

American Stock Transfer & Trust Company is the transfer agent for EDS common stock. For information about accounts, dividend checks, changes of address, stock transfers, direct deposits and similar matters, you can contact American Stock Transfer & Trust Company at the following telephone numbers and addresses:

Inside the United States, call:
1 800 250 5016.
Outside the United States, call:
1 718 921 8200.
Internet address: www.amstock.com
e-mail: info@amstock.com
Dividend Reinvestment and Direct Purchase inquiries, call:
1 877 253 6851.

Address shareholder inquiries to:

Shareholder Relations Department
American Stock Transfer
59 Maiden Lane, Plaza Level
New York, NY 10038 USA
1 800 250 5016

Answers to many of your shareholder questions and requests for forms are available by visiting American Stock Transfer & Trust Company's Web site at www.amstock.com.

Quarterly Earnings

Listen to our 2006 quarterly earnings release conference calls via live webcast at eds.com/investor.

EDS 2005 Online Annual Report

An Adobe Acrobat Portable Document Format (PDF) file of the print version is available at eds.com/05annual.

Investor Relations

Securities analysts and institutional investors should contact:

Al Hamood
Investor Relations
Inside the United States, call toll-free:
1 888 610 1122.
Outside the United States, call:
1 972 605 6660.
Fax: 1 972 605 6662
e-mail: invest@eds.com

Independent Auditors

KPMG LLP, Dallas, Texas USA

Other Information

EDS has included as Exhibits 31.1 and 31.2 to its Annual Report on Form 10-K for the year ended December 31, 2005, filed with the Securities and Exchange Commission ("Form 10-K") certificates of its Chief Executive Officer and Chief Financial Officer certifying the quality of EDS' public disclosure, and EDS has submitted to the New York Stock Exchange a certificate of its Chief Executive Officer certifying that he is not aware of any violation by EDS of New York Stock Exchange corporate governance listing standards.

A copy of the Form 10-K can be viewed, without exhibits, on our Web site at eds.com/investor. Shareholders may also request a copy of the Form 10-K, without charge, by contacting:

EDS Investor Relations
5400 Legacy Drive
Mail Stop H1-2D-05
Plano, Texas 75024
1 888 610 1122 or 1 972 605 6661

About EDS

EDS (NYSE: EDS) is a leading global technology services company delivering business solutions to its clients. EDS founded the information technology outsourcing industry more than 40 years ago. Today, EDS delivers a broad portfolio of information technology and business process outsourcing services to clients in the manufacturing, financial services, healthcare, communications, energy, transportation, and consumer and retail industries and to governments around the world. Learn more at **eds.com**.

Contact us

Corporate Headquarters

United States
5400 Legacy Drive
Plano, Texas 75024
USA
1 800 566 9337

Regional Headquarters

Asia
42/F, HSBC Tower
1000 Lujiazui Ring Road
Pudong New Area, Shanghai
China 200120
86 21 6100 6288

Australia and New Zealand
Level 1, The Bond
30 Hickson Road
Millers Point
New South Wales 2000
Australia
612 9025 0777

Canada
33 Yonge Street
Toronto, Ontario
M5E 1G4
Canada
1 416 814 4500
1 800 814 9038
(in Canada only)

Europe, Middle East and Africa
2nd Floor
Lansdowne House
Berkeley Square
London W1J 6ER
44 20 7569 5100

Latin America
Avenida Presidente Juscelino
Kubitschek, 1830
5th Floor – Tower 4
04543-900
São Paulo
Brazil
55 11 3707 4100

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50.2.11 Section K—Oral Presentations and Demonstrations

RFP Reference: 50.2.11 Section K—Oral Presentations and Demonstrations, Pages 284-287

EDS looks forward to the opportunity to describe our new operations using the Replacement Medicaid Management Information System (MMIS) and to demonstrate the baseline interChange MMIS' many proven features and capabilities. We started preparing for both events in late July, at the time of the request for proposal (RFP) release, and will be ready and excited to present as soon as we receive notification from the North Carolina Department of Health and Human Services (the State).

EDS acknowledges that we understand and agree to perform the requirements of the oral presentations and system demonstrations as represented in Section K of the RFP, as described in this section.

50.2.11.1 Oral Presentations

RFP Reference: 50.2.11.1 Oral Presentations, Pages 284-285

We are preparing a two-day presentation of no more than 160 total printed/displayed slides that will summarize the proposed offering in the following areas:

- An overview of the technical proposal (equivalent to the executive summary in the written technical proposal)
- A presentation of key aspects of the proposed technical solution

- Our project management approach during the DDI Phase
- A discussion of how EDS plans to work with the State during the DDI Phase
- A presentation of key aspects of EDS' integrated master plan (IMP) and integrated master schedule (IMS), which will include a discussion of the development strategy
- A presentation of key aspects of the proposed operations solution
- Our operations management approach
- A discussion of how EDS plans to work with the State during the Operations Phase
- Our training approach
- Our deployment and rollout approach
- Our change management approach
- A presentation of the initial risk assessment
- A review of the technical and architectural aspects of the system design
- Our software development and systems engineering methodologies

These topics map directly to sections of the technical proposal. We believe that by presenting these topics directly and in person, you will better understand the full breadth and depth of the interChange application, our proven operational approach, and the value we bring to the State's four divisions.

50.2.11.2 System Demonstrations

RFP Reference: 50.2.11.2 System Demonstrations, Pages 285-286

During the three days designated for the system demonstration, EDS will use the baseline interChange MMIS to demonstrate the following topics, as suggested by the RFP:

- Key elements of the business areas
- Claim life cycle
- How providers and recipients will access the Replacement MMIS

We plan for this to be an interactive session and welcome the State's clarifying questions. Through the demonstration and your clarifying questions, you will achieve the demonstration's stated objectives, as follows:

- Provide a better understanding of the baseline system to supplement our written proposal

- Evaluate the compatibility of EDS' baseline system to the State's requirements and objectives to help the State to understand the level of effort and risk required for EDS to transform our baseline system into the required system
- Provide an understanding of different solutions to the common MMIS requirements across states to widen the pool of potential solutions that could meet the State's requirements and objectives

Required Statements

The baseline interChange MMIS is installed and operational in five states: Oklahoma, Kansas, Tennessee, Pennsylvania, and, most recently, Kentucky. These implementations have been certified back to day one for all states except Kentucky, whose certification will occur in 2008 based on the mid-2007 implementation.

Besides the five operational installations, the baseline interChange MMIS is being installed in Wisconsin, Oregon, Alabama, Florida, Connecticut, Massachusetts, and Ohio.

The desktop solution to be used is the .NET user interface.

The operating systems and versions to be used are as follows:

- Solaris 10 for the UNIX servers
- Windows 2003 R2 Enterprise Edition for the Windows operating systems
- VMWare ESX 3 for the virtualization platform operating system

The signed Appendix 50, Attachment H appears in proposal Section A—Transmittal Letter and Execution Page.

50.2.11.3 Resources

RFP Reference: 50.2.11.3 Resources, Page 287

EDS has a substantial local presence in the Raleigh area, within 15 miles of the Office of MMIS Services (OMMISS) location at 3101 Industrial Drive. We will host the oral presentation and system demonstration from our proposed new account site on Wycliff Drive. As directed in the RFP, this location will be of sufficient size to host 30 State personnel plus the EDS presentation team and any required equipment. EDS will provide the required hardware, software, and presentation equipment, as well as 30 printed copies of the oral presentation only, with no additional handouts for the system demonstration.