

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**Y2K Readiness of Managed Care  
Organizations as of July 1999**



**JUNE GIBBS BROWN  
Inspector General**

**OCTOBER 1999  
OEI-05-98-00591**

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# EXECUTIVE SUMMARY

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## PURPOSE

To examine the current Year 2000 (Y2K) readiness of Medicare managed care organizations and provide follow-up information for the Health Care Financing Administration.

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## BACKGROUND

The Y2K problem stems from the way computers have traditionally stored dates through the use of an “implied century.” To save computer storage space, programmers used only two digits, rather than four, in year date fields. The Health Care Financing Administration (HCFA) has made remedying the Y2K problem its number one priority.

Some of the key computer systems at risk among healthcare providers that could affect the 7 million Medicare beneficiaries enrolled in managed care are: premium billing systems, medical information systems, member enrollment systems, member verification systems and provider payment systems. Failure of these systems to correctly process data could negatively impact access to care and service delivery.

The Office of Inspector General (OIG) conducted an initial survey on Medicare managed care organizations (MCOs) in January and February of 1999. The results of this survey can be found in a report entitled *Y2K Readiness of Managed Care Organizations*, OEI-05-98-00590. The Congress and HCFA requested that we conduct a follow-up survey. The OIG also conducted surveys of various medical provider types. These results can be found in a report entitled *Y2K Readiness of Medicare Providers*, OEI-03-98-00250. The OIG also conducted follow-up surveys of these providers. The results of these surveys can be found in an OIG report entitled *Y2K Readiness of Medicare Fee-for-Service Providers as of July 1999*, OEI-03-98-00253.

We received follow-up surveys from 161 MCO contracts in July and August of 1999. The data was self-reported by MCOs and was not verified. Not all MCOs were surveyed due to site visits by HCFA. The HCFA conducted 59 site visits representing 204 managed care plans. We have reviewed this data as a complement to the survey we conducted.

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## **FINDINGS**

### **Over four-fifths of managed care organizations report that their systems are Y2K compliant**

Overall, 85 percent of MCO respondents claim that they are currently Y2K ready. Approximately 9 percent of these MCOs have not yet completed testing their systems. An MCO is considered to have overall Y2K compliance if it reported that all applicable systems are Y2K ready. Ninety-four percent of MCOs report that vendor-supported products, such as hardware, telecommunications and embedded processors, are compliant. Almost all MCOs have established recommended infrastructures in preparation for Y2K testing but most have not contracted out for independent assessment of Y2K readiness.

### **About one-half indicate that they are taking steps toward ensuring compliance with external partners**

Fifty-six percent of MCOs report receiving commitments from relevant data exchange partners to participate in end-to-end testing. Nine percent of MCOs felt such commitments were not applicable. Fifty percent of MCOs have tested exchanging data with their subcontractors' systems, and 35 percent of MCOs have tested exchanging data with their medical providers' systems.

### **Approximately 80 percent report developing contingency plans; about 30 percent report testing their contingency plans**

Comparing the current survey to our previous study, we found an increase of 5 to 10 percent of MCOs reporting that they have developed contingency plans related to specific computer systems. Currently, 83 percent of MCOs report developing a contingency strategy for their membership enrollment systems, and 79 percent of MCOs report developing a strategy for their premium billing systems. Seventy-three percent report developing a contingency plan for their medical information systems. As of July 1999, 28 percent of MCOs report having tested contingency plans, compared to only 8 percent as of February 1999.

The HCFA required MCOs to submit contingency plans for review. The contingency plans were reviewed for content and feasibility of implementation. Based on their analysis, HCFA determined that 33 percent of the contingency plans submitted as of August 1999 required little or no modification, while 67 percent needed major or complete revision.

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## **AGENCY COMMENTS**

We received comments from the Health Care Financing Administration. Their comments are included as Appendix B. We appreciate HCFA's cooperation in developing our survey and sharing the results of their on-site Y2K reviews of managed care organizations. We commend HCFA's continued focus on readiness in light of the results of their on-site visits, their review of contingency plans, and our survey results.

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# INTRODUCTION

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## Purpose

To examine the current Year 2000 (Y2K) readiness of Medicare managed care organizations and provide follow-up information for the Health Care Financing Administration.

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## Background

The Office of Inspector General (OIG) conducted a number of surveys examining the Year 2000 (Y2K) readiness of the health care industry. Among the areas of the health care industry surveyed by the OIG were Medicare managed care organizations (MCOs). The results of this survey can be found in a report entitled *Y2K Readiness of Managed Care Organizations*, OEI-05-98-00590. The Congress, along with the Health Care Financing Administration (HCFA), requested that we conduct a follow-up survey examining the current Y2K readiness of MCOs.

The Y2K problem stems from the way computers have traditionally stored dates through the use of an “implied century.” To save memory and storage space, programmers have conventionally used only two digits, rather than four, in year date fields. When the calendar flips over to January 1, 2000, many computer systems will recognize the year “00” as 1900 and applications will either stop running or produce unpredictable results. Computer systems that are not “Y2K compliant” simply will not be able to recognize dates occurring after 1999 (e.g., “01” will be recognized as 1901 rather than 2001). These computer systems will not be able to process date and time sensitive data from one century into another or between centuries.

Though perhaps not as complex or problematic as government program systems, MCOs are considered vulnerable to Y2K problems due to the myriad business systems they operate. These are systems that are crucial to the ongoing interface necessary to communicate with corporate and government payer sources and accounts-payable balances with physicians, hospitals, and other medical and non-medical providers and subcontractors.

Some of the key computer systems at risk among healthcare providers that could affect the 7 million Medicare beneficiaries enrolled in managed care are: premium billing systems, medical information systems, member enrollment systems, member verification systems and provider payment systems. Failure of these systems to correctly process data could negatively impact beneficiary access to care, service delivery and efficient Medicare reimbursement.

## Meeting the Y2K Challenge

The HCFA has made the Y2K initiative its number one priority and is committed to making sure that its date-sensitive systems and those of its business partners are ready to verify eligibility, enrollment, coverage and payment. The HCFA defines Y2K compliant as:

...information technology that accurately processes date/time data (including, but not limited to, calculating, comparing, and sequencing) from, into, and between the nineteenth, twentieth and twenty-first centuries, and the years 1999 and 2000 and leap year calculations. Furthermore, Year 2000 compliant information technology, when used in combination with other information technology, shall accurately process date/time data if the other information technology properly exchanges date/time data with it.

Meeting the Y2K challenge requires identifying, renovating and testing all computer and information systems to assure the transition from a six-digit date (12/31/99) to an eight-digit date (12/31/1999) by January 1, 2000. Some examples of critical dates include:

- ▶ the date a beneficiary became eligible for Medicare,
- ▶ the date a patient was admitted or discharged from a hospital,
- ▶ the date a wheelchair rental began, and
- ▶ the date an enrollee entered a Medicare managed care plan.

A trouble-free transition into the new millennium is key to meeting the needs of Medicare beneficiaries and providers. At stake are efficient reimbursement and beneficiaries' access to, and the timeliness and quality of, health care. The HCFA advises its contracting MCOs to review the Government Accounting Office (GAO) Assessment Guide as an aid to becoming Y2K compliant. The HCFA advocates using the following five proactive steps to identify and address potential impacts presented by the Year 2000 challenge:

1. **Awareness** - inventory all hardware and software systems on the potential Y2K impact.
2. **Assessment** - determine the Y2K readiness of these systems for operation beyond 12/31/99.
3. **Renovation** - update or replace systems and software programs as needed to ensure operations will be Y2K ready.
4. **Testing** - test existing and newly purchased systems and software to verify they work.
5. **Contingency Planning** - develop business contingency plans for operations beyond 12/31/99, just in case something goes wrong.



## Managed Care Organizations' Millennium Compliance Responsibilities

The HCFA has requested its managed care organizations make Y2K compliance a top priority. The HCFA has advised MCOs to assess the following business components:

- ▶ Applications (including cross-business applications and all external interfaces).
- ▶ Databases.
- ▶ Computer Infrastructure (including hardware, system software, telecommunications, and date dependent functions such as passwords, accounts and software licenses).
- ▶ Non-Information Technology Systems (including physical plant security, card entry systems, elevator systems, environmental control systems).

In a Managed Care Millennium Compliance Letter dated September 17, 1998, HCFA delineates the following Year 2000 compliant responsibilities for its contracting MCOs:

- ▶ Complying with the enrollment and payment data exchange processes requirements as outlined in HCFA's Operational Policy Letter 98.068. (In essence, MCOs are to update all "date/time" fields in the record layouts of the Enrollment and Disenrollment Transaction and the Transaction Reply/Monthly Activity Report Data Format to record a four digit year.)
- ▶ Clearly defining all internal and external systems and interfaces requiring compliance (membership systems, claims systems, medical record systems, pharmacy and lab systems, exchanges between delegated groups, etc.).
- ▶ Performing a thorough risk assessment.
- ▶ Identifying all involved parties and entities with whom data is exchanged and assuring that the defined requirements are clearly understood by these parties.
- ▶ Ensuring that providers, suppliers, and beneficiaries are aware of the Y2K compliant issues and problems that may arise.
- ▶ Communicating with trading partners with whom there is a data exchange to assure that they are taking the appropriate measures toward Y2K compliance.
- ▶ Developing implementation plans and testing schedules.
- ▶ Performing extensive testing.
- ▶ Developing an extensive contingency plan.

In addition to the above responsibilities, HCFA requires MCOs to: (1) "...certify that they understand HCFA's Y2K compliant definition and have tested all of their data systems/interfaces to ensure Y2K compliance," and (2) "...have a contingency plan in place in the event that internal organization or key external business partner systems fail." The HCFA required MCOs to certify their Y2K compliance by April 15, 1999.

## Ongoing HCFA efforts

In addition to having MCOs certify their Y2K compliance, HCFA is monitoring the contingency planning efforts of MCOs. The HCFA required all MCOs to submit their contingency plans to HCFA by July 15, 1999. The MCOs are also required to report on a monthly basis the status of validating their contingency plans.

With the help of a technical support contractor, HCFA conducted 59 site reviews covering 204 MCOs. From July through mid-September 1999, HCFA visited national managed care organizations and those organizations that have more than 50,000 enrolled Medicare beneficiaries. The HCFA also included a number of small plans as part of its site reviews. The site visits were conducted to evaluate the completeness of the planned Y2K preparations, associated schedules, quality control efforts, configuration management disciplines, renovations and contingency planning that pertain to the MCOs.

## Other Office of Inspector General Work

The Office of Inspector General has also conducted surveys of hospitals, nursing homes, home health agencies, durable medical equipment suppliers and physicians to examine the Y2K readiness of these providers. The results of these surveys can be found in an OIG report entitled *Y2K Readiness of Medicare Providers*, OEI-03-98-00250. The OIG also conducted follow-up surveys of these providers. The results of these surveys can be found in an OIG report entitled *Y2K Readiness of Medicare Fee-for-Service Providers as of July 1999*, OEI-03-98-00253.

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## METHODOLOGY

The purpose of this inspection was to gather information from managed care organizations regarding their Y2K readiness. We developed our survey instrument in cooperation with the Health Care Financing Administration and timed our survey to coincide with HCFA's site visits. Based on discussions with HCFA, we did not survey those MCOs scheduled for a site review by HCFA.

The surveys were sent by overnight mail to the MCOs on June 28, 1999. We sent a postcard to the MCOs reminding them of our survey on July 12, 1999. Our deadline for returning the surveys was July 23, 1999. We contacted those MCOs that did not respond initially to our survey. We included surveys from all MCOs that responded before the end of the first week in August.

We received a list of managed care contract numbers from HCFA. In addition, HCFA provided a list of MCOs scheduled for site review. We did not survey those MCOs

scheduled for a HCFA site review. After removing these MCOs, our list contained 235 MCOs.

Nine contracts did not have sufficient information to be delivered through overnight mail. An additional 17 MCOs provided us with information that they were not renewing their Medicare contract for calendar year 2000. We did not require these MCOs to respond to our survey. An additional 60 MCOs informed us that their plans were scheduled for a site visit by HCFA and therefore should not have received the survey. This left us expecting responses from 149 MCOs.

We received responses from 161 MCOs. We received 144 surveys from the group of 149 MCOs from whom we were expecting responses, a 97 percent response rate for this group. In addition, we received survey responses from 17 valid MCO contracts that were not on the original list provided by HCFA. In some cases, the responses were from MCOs with multiple contracts of which some were on the original list. In other cases, MCOs sent us survey responses based on information provided by the American Association of Health Plans through their web site which featured a copy of our survey. Using information from our previous MCO survey, we determined that 88 additional MCOs potentially should have been included in our June 28, 1999 mailing. The 88 additional MCOs, along with the 149 original expected responses, constitute the total population of MCOs not subject to HCFA site visits. Our study reflects the responses of 68 percent of these MCOs.

We asked the MCOs whether they had conducted tests of their systems for Year 2000 readiness. We allowed respondents to use their own definitions for testing based on industry standards.

We have included, as Appendix A, a copy of the questionnaire that we used along with the overall survey results.

## Scope

The data analyzed in this report was furnished by MCOs and was not verified for accuracy. The survey did not measure the quality of MCOs' testing or contingency plan development. This data represents only those MCOs that were surveyed and does not include MCOs that were scheduled for a site visit by HCFA. The HCFA conducted 59 site visits representing 204 managed care plans. We have reviewed this data as a complement to the survey we conducted.

We conducted our review in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency.

# FINDINGS

## Over four-fifths of managed care organizations report that all of their systems are Y2K compliant

Overall, 85 percent of MCO respondents claim that they are currently Y2K ready. About 9 percent of these MCOs have not yet completed testing for their systems. An MCO is considered to have overall Y2K compliance if it reported that all applicable systems are Y2K ready. Our previous survey revealed that 22 percent of MCOs reported that their computer systems were Y2K ready. On average, 82 percent of MCOs reported Y2K compliance for individual computer systems. See Table 1 for more information.

**Table 1: Majority of MCOs Report Their Individual Computer Systems Y2K Compliant**

Systems	Y2K Ready	Not Y2K Ready	Not Applicable
Provider Payment Systems	86%	6%	3%
Member Enrollment Systems	84%	7%	3%
Premium Billing Systems	83%	5%	8%
Member Verification Systems	81%	6%	7%
Medical Information Systems	75%	6%	13%

OIG MCO Survey, 1999

## Almost all MCOs respondents report having ensured that vendor-supported systems are Y2K compliant

Ninety-four percent of MCOs report that vendor-supported products, such as hardware, telecommunications and embedded processors, are compliant. Of those who reported ensuring vendor-supported products are compliant, 99 percent have established an inventory of vendor-supported products, 87 percent have obtained vendor Y2K

certifications, and 79 percent have taken steps to validate vendor's claims of Y2K compliance.

### **Almost all MCOs report having established recommended infrastructures in preparation for Y2K testing but most have not contracted out for independent assessment of Y2K readiness**

Ninety-six percent have formally assigned Y2K responsibility to a single program or project office. Ninety-seven percent of MCOs have defined Y2K compliance. Ninety-three percent have developed an organizational Y2K test and evaluation master plan, and 83 percent have established test facilities to allow Y2K testing. The GAO recommends that businesses set up these specific infrastructures to assist in Y2K compliance planning and testing.

Only 35 percent have contracted with an outside organization for an "independent verification and validation" assessment of Y2K readiness. The HCFA strongly recommends MCOs follow this course of action to ensure Y2K compliance.

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### **About one-half of managed care organizations indicate that they are taking steps toward ensuring compliance with external partners**

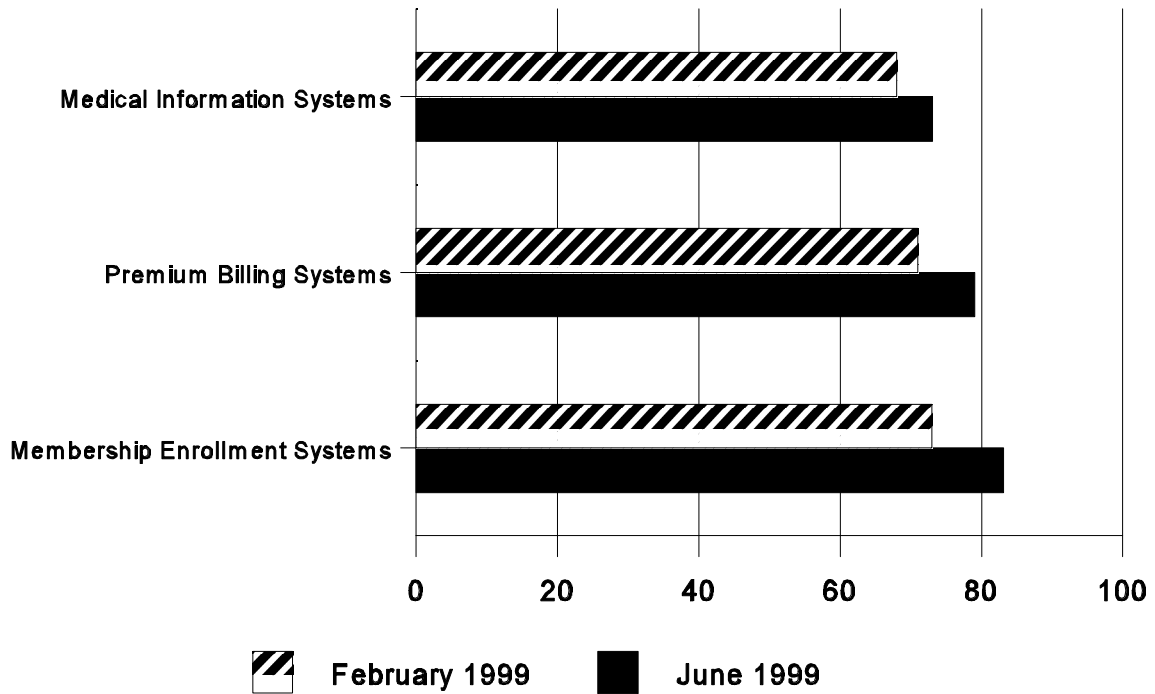
Fifty-six percent of MCOs report having received commitments from relevant data exchange partners to participate in end-to-end testing. Nine percent of MCOs felt such commitments were not applicable. Fifty percent of MCOs have tested exchanging data with their subcontractors' systems and 35 percent of MCOs have tested exchanging data with their medical providers' systems. Our previous study found that less than one quarter of MCOs had tested data exchanges with two thirds or more of these business partners.

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### **Approximately 80 percent report developing contingency plans; about 30 percent report testing their contingency plans**

Comparing the current survey to our previous study, we found an increase of 5 to 10 percent of MCOs reporting that they have developed contingency plans related to specific computer systems. On average, 78 percent of MCOs report developing contingency plans compared to an average of 71 percent previously. See Figure 1 for more information.

**Figure 1: Contingency Plan Development: MCOs Report Progress**



OIG MCO Survey, 1999

Currently, 28 percent of all MCO respondents report having tested contingency plans, compared to only 8 percent from the previous survey. According to HCFA and GAO, contingency planning and testing contingency plans are important aspects of every Year 2000 conversion program.

The HCFA required MCOs to submit contingency plans for review. The contingency plans were reviewed for content and feasibility of implementation. As of August 30, 1999, HCFA received 145 contingency plans representing 262 MCO contracts. Based on their analysis, HCFA determined that 33 percent of the contingency plans required little or no modification, while 67 percent needed major or complete revision.

## AGENCY COMMENTS

We received comments from the Health Care Financing Administration. Their comments are included as Appendix B. We appreciate HCFA's cooperation in developing our survey and sharing the results of their on-site Y2K reviews of managed care organizations. We commend HCFA's continued focus on readiness in light of the results of their on-site visits, their review of contingency plans, and our survey results.

**Medicare Managed Care Organization Year 2000 Survey**

<b>Testing Infrastructure</b>		<b>Yes</b>	<b>No</b>	<b>Not Applicable</b>	<b>Unknown</b>
1.	Has your organization formally assigned Year 2000 test management authority and responsibility to a single program or project office? <b>N=161</b>	<b>96%</b>	<b>4%</b>	<b>0%</b>	<b>0%</b>
2.	Has your organization defined what Year 2000 compliance means? If <b>No</b> skip to Question 3, otherwise does the definition include the following items? <b>N=157</b>	<b>97%</b>	<b>3%</b>	<b>0%</b>	<b>0%</b>
A.	No value for current date will cause any interruption in system operation. <b>N=146</b>	<b>93%</b>	<b>3%</b>	<b>1%</b>	<b>3%</b>
B.	Date-based system functionality must behave consistently for dates prior to, during and after Year 2000. <b>N=148</b>	<b>99%</b>	<b>0%</b>	<b>1%</b>	<b>1%</b>
C.	In all system interfaces and data storage areas, the century in any date must be specified either explicitly or by unambiguous algorithms. <b>N=146</b>	<b>94%</b>	<b>3%</b>	<b>1%</b>	<b>3%</b>
D.	Systems recognize Year 2000 as a leap year. <b>N=145</b>	<b>98%</b>	<b>1%</b>	<b>0%</b>	<b>1%</b>
3.	Has your organization developed an organizational Year 2000 test and evaluation master plan? <b>N=160</b>	<b>93%</b>	<b>6%</b>	<b>1%</b>	<b>0%</b>
4.	Has your organization established one or more test facilities that replicate the operating environment(s) to allow Year 2000 tests? <b>N=161</b>	<b>83%</b>	<b>13%</b>	<b>3%</b>	<b>1%</b>
5.	Has your organization ensured that vendor-supported products (i.e. hardware, systems, software, telecommunications, and embedded processors) are compliant? If <b>No</b> skip to question 6, otherwise has your organization completed the following? <b>N=160</b>	<b>94%</b>	<b>6%</b>	<b>0%</b>	<b>0%</b>



		Yes	No	Not Applicable	Unknown
A.	Has an inventory of vendor-supported products been established?  N=149	99%	1%	0%	0%
B.	Have vendor certifications been obtained?  N=149	87%	12%	0%	1%
C.	Have steps been taken to validate vendor's claims?  N=149	79%	20%	0%	1%
6.	Has your organization contracted with an outside organization for an "independent verification and validation" assessment of your organization's Y2K readiness?  N=161	35%	62%	1%	1%

## Computer Systems Testing

7.	Has your organization tested its enrollment system to ensure that it accurately processes date and time data (e.g. calculating, comparing and sequencing) for the years 1999 and 2000, and leap year calculations?  N=161	77%	20%	3%	0%
8.	Has your organization tested its membership verification system to ensure that it accurately processes date and time data (e.g. calculating, comparing and sequencing) for the years 1999 and 2000, and leap year calculations?  N=161	76%	19%	5%	0%
9.	Has your organization tested its medical information systems to ensure that it accurately processes date and time data (e.g. calculating, comparing and sequencing) for the years 1999 and 2000, and leap year calculations?  N=160	71%	17%	13%	0%
10.	Has your organization tested its premium billing systems to ensure that it accurately processes date and time data (e.g. calculating, comparing and sequencing) for the years 1999 and 2000, and leap year calculations?  N=160	76%	16%	8%	0%

		Yes	No	Not Applicable	Unknown
11.	Has your organization tested its provider payment systems to ensure that it accurately processes date and time data (e.g. calculating, comparing and sequencing) for the years 1999 and 2000, and leap year calculations?  N=161	78%	17%	4%	1%
12.	Has your organization tested its appeal and grievance systems to ensure that it accurately processes date and time data (e.g. calculating, comparing and sequencing) for the years 1999 and 2000, and leap year calculations?  N=160	59%	12%	27%	3%
13.	Is your organization's member enrollment system Y2K compliant? N=160	84%	7%	3%	6%
14.	Is your organization's member verification system Y2K compliant? N=160	81%	6%	7%	7%
15.	Is your organization's medical information system Y2K compliant? N=160	75%	6%	13%	6%
16.	Is your organization's premium billing system Y2K compliant?  N=160	83%	5%	8%	4%
17.	Is your organization's provider payment system Y2K compliant?  N=160	86%	6%	3%	6%
18.	Is your organization's appeal and grievance system Y2K compliant? N=161	67%	4%	25%	4%
19.	Have your relevant data exchange partners committed to participating in end-to-end testing?  N=160	56%	24%	9%	11%

		Yes	No	Not Applicable	Unknown
20.	Has your organization tested exchanging data between your system and your medical providers' systems?  N=161	35%	39%	25%	2%
21.	Has your organization tested exchanging data between your system and your subcontractors' systems?  N=161	50%	30%	17%	2%

## Contingency Plans

22.	Have you developed a contingency strategy for dealing with potential Y2K-related problems associated with your:				
A.	membership enrollment/disenrollment systems?  N=159	83%	15%	3%	0%
B.	medical information systems (e.g. patient files, utilization)?  N=160	73%	14%	13%	1%
C.	premium billing systems?  N=160	79%	13%	8%	1%
D.	provider payment systems?  N=160	81%	13%	6%	0%
E.	member appeal/grievance systems?  N=161	67%	14%	18%	1%
23.	Have you tested your contingency plans?  N=159	28%	70%	2%	0%

## Other Information

24.	Will your organization require that your medical providers demonstrate that their systems are Y2K compliant?  N=158	42%	49%	4%	5%
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		Yes	No	Not Applicable	Unknown
25.	What percent of your medical providers have demonstrated that their computer systems are Y2K compliant?  N=66				Average=39%
26.	Will your organization require that subcontractors demonstrate that their computer systems are Y2K compliant?  N=159	65%	22%	9%	4%
27.	What percent of your subcontractors have demonstrated that their computer systems are Y2K compliant?  N=103				Average=72%
28.	Can your plan continue to provide services to patients if Medicare payments were delayed?  N=161	79%	10%	7%	4%
	If <b>Yes</b> , for how long? _____days/weeks/months (Please circle appropriate unit) N=112				Average=2 months

**Please use the space below to list any of your Y2K concerns that were not covered in this survey or anything that the Medicare program could do to improve Y2K outreach efforts.**

## Agency Comments



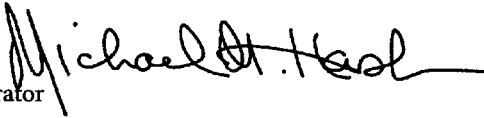
DEPARTMENT OF HEALTH &amp; HUMAN SERVICES

Health Care Financing Administration

Deputy Administrator  
Washington, D.C. 20201

**DATE:** SEP 30 1999

**TO:** June Gibbs Brown  
Inspector General

**FROM:** Michael M. Hash   
Deputy Administrator

**SUBJECT:** Office of the Inspector General (OIG) Draft Report: "Year 2000 (Y2K)  
Readiness of Managed Care Organizations (MCOs)," (OEI-05-98-00591)

Thank you for the opportunity to review the OIG report covering Y2K readiness of MCOs. I am very pleased with OIG and the Health Care Financing Administration's (HCFA) collaboration in this very important area. This cooperative relationship has proven extremely beneficial to efforts by HCFA and the Department of Health and Human Services to ensure that managed care companies take the necessary steps to ensure that the 6.9 million Medicare beneficiaries they serve continue to receive care come January 1, 2000. As we have stated on numerous occasions, beneficiary access and availability to needed health care services is our primary goal for Y2K readiness of MCOs.

We concur with OIG's assessments, and particularly appreciate your recognition of the limitations of self-reported data as being generally overly-optimistic. This survey is a valuable complement to HCFA's own reviews of readiness of a subset of the MCOs.

HCFA and the managed care companies that serve more than 6 million of nearly 39 million Medicare beneficiaries are entering a critical phase of Y2K preparations. The systems operated by HCFA that make payments to managed care companies are Y2K ready. HCFA will be able to pay managed care companies for providing care to beneficiaries. The managed care companies must make that same assurance to their enrollees - that they will continue to receive health care services on and after January 1, 2000.

HCFA will continue to take aggressive action to monitor Medicare HMOs' preparations to ensure Medicare beneficiaries have access to needed health care services. As HCFA and OIG staff have discussed, the next several months will be focused on monitoring MCOs to be sure they are: (1) fully remediating and testing their systems; (2) recertifying the readiness of their systems to HCFA; (3) developing effective contingency plans in the event normal operations are disrupted by the Y2K rollover; (4) working with their providers of health care, ensuring their readiness to deliver needed health care services; and (5) working with other partners who exchange data with them.

In addition, HCFA will take a series of additional steps over the next several weeks and months. For example, we will reassess MCO readiness as a result of the 59 site visits by HCFA staff (covering 204 MCOs), the OIG survey results, our assessment of revised contingency plans, and other information brought to our attention to identify MCOs which have the most work to do. In turn, we will perform additional site visits as necessary that are geared towards providing first-hand reviews/recommendations to those MCOs for which we still have concerns.

We are continuing to develop and implement a detailed plan of action for activities associated with the "Day One Period" -- December 28, 1999 to January 7, 2000. The HCFA Y2K Managed Care National Team's actions include: developing a training program for HCFA and MCO staff; formulating a pre-January 1 dry run that will include a sample of MCOs; and developing a tracking/monitoring system which will support HCFA's assessment of and reaction to the Y2K readiness of MCOs and managed care mission critical systems during this critical time period.

These are only some of the activities we have planned or are underway to ensure the continuation of necessary health care services to Medicare beneficiaries. We appreciate the support and collegiality of OIG in meeting this most important goal. If your staff have any additional questions regarding our comments on the subject OIG report, they should contact Ms. Yolanda Robinson at (410) 786-7627, Mr. Gary Bailey at (410) 786-4297, or Mr. Stewart Streimer at (410) 786-9318.