

REPORT ON EXAMINATION

OF

**NORTH AMERICAN HEALTHCARE, INC
also known as Univera Healthcare - Southern Tier, Inc.**

**THE HEALTH CARE PLAN
DBA Univera Healthcare – WNY, Inc.**

**HEALTH SERVICES MEDICAL CORPORATION
of CENTRAL NY, Inc.
also known as Univera Healthcare – CNY, Inc.**

AS OF

NOVEMBER 17, 2000

DATE OF REPORT:

July 23, 2001

EXAMINER:

ROBERT W. MCLAUGHLIN, CFE, CIE

TABLE OF CONTENTS

<u>ITEM NO.</u>		<u>PAGE NO.</u>
1.	Scope of Examination	2
2.	Executive Summary	3
3.	Premium/Membership/Benefits	5
	A. Provider Enrollment and Credentialing	5
	B. Member Enrollment	6
	C. Premiums and Benefits	7
4.	Claims	8
	A. Claims Processing	8
	B. Adjustments	10
	C. Third Party Vendor Claims	10
5.	Utilization Management/Review	13
6.	Interfaces & Controls	14
7.	Policies and Procedures	17
	A. Management Reporting	17
	B. Growth Planning	18
	C. Systems Development Life Cycle (SDLC)	19
	D. Standards	20
	E. Communications	22
	F. Security Policy	25
	G. Internal Audit	25
	H. Fraud	26
	I. Internet/Intranet Management Reporting	26
8.	Disaster Recovery Plan & Business Continuity Planning	27
	A. Existing DRP Review	29
	B. Emergency Procedures	30
	C. Backup Operation Phase	31
	D. Outline of Contingency Plan	31
	E. Assessing Damage – Invoking the Plan	33
	F. ‘Cold-Site’ Determination	34

9	Document Reviews and Personnel Interviews	35
	A. Operations – HCP	35
	B. HSMC Interview and Review	37
	C. HCP Business Continuity Planning	38
	D. HSMC Business Continuity Planning	39
	E. Overall Univera Security	40
	F. Internet/Intranet	40
	G. Telecom	41
	H. FACETS Security	42
	I. MUMPS Security	42
	J. North American Healthcare, Inc. (North Americare)	43
10.	Data Warehouse	44
11.	Conversion to and Implementation of Facets	44
	A. Corporate Audit and Testing	47
	B. HCP Implementation	47
	C. HSMC Implementation	48
	D. NAHC Implementation	49
	E. Facets Configuration	49
	F. Facets' Impact on the Organization	50
12.	Conclusion	51
13.	Summary of Comments and Recommendations	53



STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NY 10004

July 23, 2001

Honorable Gregory V. Serio
Superintendent of Insurance
Albany, New York 12257

Sir:

Pursuant to the provisions of the New York Insurance Law and acting in accordance with directions contained in Appointment Numbers 21633, 21634, and 21635 dated October 11, 2000 and annexed hereto, I have made an examination into the condition and affairs of North American HealthCare, Inc. (NAHC), a for-profit Public Health Law Article 44 health maintenance organization, The Health Care Plan, Inc. (HCP) and Health Services Medical Corporation of Central New York, Inc. (HSMC), Article 43 of the New York Insurance Law health service corporations. The following report thereon is respectfully submitted.

The examination was conducted with the assistance of Unisys Corporation, Inc.

Whenever the term "Univera" or the Plan appears herein without qualification, it should be understood to refer to NAHC, HCP and HSMC. Wherever a distinction needs to be made, the terms NAHC, HCP or HSMC are used within this Report.

SCOPE OF EXAMINATION

The primary objective of the systems and process examination review was to address “systems” issues identified during preparations for the statutory examinations that are now in progress. Potential problems were noted, including an increase observed in the account receivable balances and an inability to produce timely annual reports to the Department. These were the result of systems-related operating conditions, which resulted in inadequate application support and information available to the major business functions.

This examination review was performed to determine the extent of the problems described above and the impact that they will have on the ongoing financial / market conduct examinations. A list of topics was developed from the pre-examination work and subsequently used as a basis for interviews, conversations and documentation requests. Interviews were conducted with personnel across all business functions as well as with senior management. A list of requested documents was sent to Univera in preparation for the examination. Many of these items were not delivered.

The systems review consisted of walkthroughs of the claims, enrollment and billing procedures and the review of documentation concerning System Development Life Cycle (SDLC), disaster recovery and contingency planning. Processes and procedures used throughout the company to perform on-going business operations were selected for review. Interviews were conducted with personnel across all Univera business functions and with senior management, including the VP of Finance, the CIO and other members of the staff.

2. EXECUTIVE SUMMARY

Several of the problems and issues were caused by the system conversion to Facets. Others related to the lack of uniform processes and procedures.

At Univera processes and procedures are either being developed or stabilized and implemented in non-IT departments. Information Technology (IT) has begun an attempt to develop processes and procedures within the department. It is too early to comment on adherence and compliance to these processes and procedures IT initiatives were not evaluated and integrated into the corporate operating environment, but rather treated as IT issues. Project standards are in development in IT but not yet in place. Projects are not currently viewed as corporate projects, and though Senior Management reviews large projects, they are still in the IT Department's area of responsibility. Some corporate wide thinking of both the IT and business impact of projects has begun with the initiation of the Strike Force concept but has not been fully embraced.

Senior Management does not receive reports other than those of a financial nature on a regular basis. Certain members of Senior Management receive other types of reports periodically, but such reports are not distributed to all of Senior Management. During the examination period reports provided concerning claims volume or providers enrolled/removed were not distributed to the CIO. Large projects, such as FACETS implementation are monitored. However, small projects that are targeted to specific operating areas and the utilization of

personnel are not. No definition exists of what is a large or small project. No tracking of resource availability exists within IT and general status reporting by personnel is not preformed. It should be noted that some project tracking and time reporting is done in HSMC but is not a Univera standard.

A Strike Force committee was established to determine both the best practices in replacing Univera's aging legacy systems and an implementation plan to meet the Year 2000 deadline. A third party software package from Erisco, the Facets system, was selected to replace Univera's existing applications with the goal of eliminating the HCP system prior to end of year 1999 as it was not Y2K compliant. The HSMC system was scheduled for implementation in the late second or early third quarter of the year 2000. The HCP implementation had a number of problems. However, it was implemented by the end of 1999. The history conversion from Novalis to Facets was incomplete because procedure codes were not mapped during the conversion and is now blank in the history on Facets. Some of the history is inconsistent between July 1999 and the November 1999 implementation of the Facets system.

The lack of effective financial reporting from Facets did impact the company's ability to produce the year-end financial reports to the NYSID, but are in the process of being addressed. The HSMC implementation of Facets was delayed several times in 2000. This demonstrates prudent decision making based on the cleanup that would have been involved had Univera proceeded with the implementation. As of this report, the HSMC implementation is on schedule for a Date of Service implementation of January 1, 2001. The findings of this examination indicate that, although there has been some progress, there is much room for improvement at

Univera. Details on various aspects of the Plan's operations and recommendations for improvements, as well as items of continued concern are included under the appropriate business functions described below.

3. PREMIUM / MEMBERSHIP / BENEFITS

During the examination of Univera's systems, a walkthrough and analysis of how Providers, Members, Premiums, and Benefits are managed was conducted. The examination reviewed how provider and member information was entered and maintained in Facets, as well as how premiums were entered into the system and subsequently processed by the financial systems. The information is loaded from the Facets systems to the Clinical (MUMPS) systems in both HCP and HSMC. The Providers, Members, Premiums, and Benefits units appear to have adequate controls in place where applicable and the processes are documented. Where there are not any state-defined requirements for response time, Univera has implemented their own requirements.

A. Provider Enrollment and Credentialing

Provider enrollment appears to be tightly controlled and maintained. All communication between the provider and Univera is in writing and desk level procedures appear to be in place. Improvements in the process such as adding flowcharts and Facets screen prints for the user to walk through the enrollment process would be helpful. Control reports appear to be absent. Provider files are maintained onsite in a locked room that is shared with the Credentialing Unit.

It is recommended that Univera consider scanning or microfilming its enrollment applications and storing the original document offsite or, at least, maintaining a small inventory on site. Should a disaster occur the provider enrollment files would be preserved.

There are approximately ten thousand (10,000) provider folders and the enrollment folder is within the credential folder in a locked room. There is not a disaster recovery plan in effect that covers these documents.

Upon completion of the credentialing process, Credentialing passes provider information to the Provider Enrollment Unit to be entered into Facets. Univera has set an internal goal of one week for contacting the provider with his new provider number.

It is recommended that these documents be scanned, microfilmed or microfiched and the original documents be maintained in an off site location as the legal requirements dictate in order to insure that a copy or the original is available should a disaster occur.

B. Member Enrollment

Membership desk level procedures appear to be complete and easy to reference. Facets system screen prints lead the user through the member enrollment, billing and group benefits processes. Control logs are maintained throughout the member enrollment process. Communication with the member concerning the enrollment is in writing.

Since the Facets implementation, Univera does not scan these documents. Currently, this is planned for future implementation. Scanning was performed prior to the Facets implementation

It is recommended that Univera consider scanning or microfilming its enrollment applications and storing the original document offsite or, at least, maintaining a small inventory on site. Should a disaster occur the member enrollment files would be preserved.

C. Premiums and Benefits

The billing of the members as part of the enrollment process appears to have appropriate controls. The Facets system maintains adequate controls over the posting of invoice receipts. Facets will not allow the user to exit the system without all the receipts being posted. Desk level procedures for membership enrollment appear to be very complete and in great detail.

Paper files are maintained for one year on site then sent to an outside vendor to be microfilmed. Once Univera reviews the film for quality assurance they will notify the vendor to destroy the paper documents. There is only the original microfilm.

It is recommended that a copy of the microfilm be created and that a copy be maintained off-site.

4. CLAIMS

During the examination of Univera's systems, a walkthrough and analysis of how claims are managed was conducted. The examination reviewed how claim information was entered and maintained in Facets and the 3^d party claims processing systems, as well as how they were adjudicated and payments were issued with the appropriate system notifications (Data Warehouse, Lawson Financial and, when appropriate, Facets). The Claims units appear to have adequate controls in place where applicable and the processes are documented. Where there are not any New York State Insurance Department or Department of Health-defined requirements, Univera has implemented its own requirements.

A. Claims Processing

Univera provided a walkthrough of their claims process. The claims walkthrough consisted of the batching and scanning area, the logging and the examination of the claims. Three claim types Pharmacy, Vision and Chiropractor are not handled on-site but are adjudicated by third-party vendors.

Approximately 60% of Univera's claims are received electronically through Electronic Data Interchange (EDI) and more than 80% of these claims auto-adjudicate. Each phase of the transmission has a system-generated control report. Reports indicating claim and dollar totals received are sent to the provider via electronic bulletin board, fax, email or regular mail. The claims are sent to a bulletin board where they are downloaded to a desktop computer. Mercator is used to map the transmitted claims to the FileNet image used in Facets. During interviews

conducted with Company staff it was indicated that inpatient hospital claims are manually priced by the Utilization Management (UM) Department. This increases the potential for processing errors and adds to the incremental cost of claims processing overall.

Pended claims are worked using the Facets system. Univera has an internal requirement to resolve pended claims within fifteen (15) days. Reports are generated alerting management as claims age beyond twenty-five (25) days.

Reports are generated to alert management when claims are at 25, 30 and 45 days or older. There are audit report and error reports.

Desk level procedures are very detailed and complete. Screen prints of the Facets system lead the user through the entire claims process. Report definitions are documented and samples of reports are included.

Claims with incomplete information (no provider or member number) cannot be processed and are rejected out of the system. It is the policy of Univera not to change information on a claim, but to send it back to the provider for correction and resubmission. Upon resubmission, it is treated as a new claim. If the information is complete, the claim will process through Facets and suspend or deny depending on the edits programmed into Facets.

Monthly, an internal audit is conducted of the Claims Unit and an audit report is generated. The auditor will also have one-on-one meetings with the staff to go over the results of the audit. The audit report contains some informational tips to help the staff work claims.

B. Adjustments

Adjustments are handled in the Customer Services unit. An adjustment request can be received from a provider or member via phone, fax, letter, or in person. Univera currently has not established a time limit for a claims adjustment.

The adjustment is logged, researched and electronically routed to the Research & Adjustments Facets queue with detailed notes explaining the reason for the adjustment. It is then routed to the Facets Claims Processing Application where the adjustment is worked. If an adjustment is rejected for incomplete information, it is returned to the provider with an explanation. Documentation is kept in a manual file for up to four months.

It is recommended that these documents be scanned, microfilmed or microfiched and the original documents be maintained in an off site location to insure that a copy or the original is available should a disaster occur.

C. Third Party Vendor Claims

Pharmacy claims are processed by Centrus, a third party vendor. Claims are adjudicated online and are in NCPDP format. Editing and adjudication are done real time with alert messages sent to the on-site pharmacist. Most of these messages are resolved at the point of service. There are a limited number of edits that Univera mandates that they will override such as ingredient duplication. Univera sends a weekly enrollment tape to Centrus as well as daily incremental updates. Centrus runs the tapes through a process that flags new groups or plans before applying it to their system.

There are approximately 40,000 participating pharmacies. Centrus runs a payment cycle on the 15th and 30th of the month. Biweekly, they send a tape of all transmissions to Univera. Univera pays Centrus by the member, not by the number of claims submitted.

The Facets system does not maintain pharmacy claims history. Pharmacy has its own database that receives updates from Centrus. The updates include all pharmacy claims. IT is also responsible for the control reports that are generated from the exchange of data with Centrus. Univera is researching software that will allow pharmacy and medical claims to match. This will be helpful in many areas. Univera is aware of the need for a single repository for all claims data. At this time, the location for that has not been determined. Currently, there is limited access from Univera to the Centrus system. Beyond the Pharmacy Services Unit, this access is restricted to two select Customer Service personnel, the COB unit and senior management.

Because of the nature of pharmacy claims, real-time adjudication, interest is not paid. If a claim is denied, it is resubmitted and would be a new claim with a new date. If a claim has a problem and needs a pharmacy UM review, it is rejected. The on-site pharmacist contacts Univera and the issue is resolved then.

It is recommended that Univera continue its search for software that will allow for the matching of claims. This will be useful for the Utilization Management personnel.

It is recommended that Univera decide on a single location for claims data. One option is that all claims be loaded onto the Facets system. A second is that all claims be loaded into the Data Warehouse.

LandMark is the third party vendor who processes chiropractor claims and VSP processes the vision claims. Univera does a site review at least once a year to ensure both vendors are processing claims correctly. Univera also addresses any complaints that a member of Univera's department may have with the chiropractor and vision claims. Land Mark and VSP have both signed contracts with Univera accepting the regulations, including Prompt Pay, that govern timely processing. If there is a regulatory problem, Univera requires a written Plan of Corrective Action. This is reviewed with the vendor and is monitored closely by Univera.

Univera sends a monthly tape of new members and updated information to VSP and LandMark. Univera makes capitation payments to Land Mark and VSP. Univera does not have access to either VSP or LandMark's system. VSP can generate a claims history report if requested. VSP transmits a claims file to Univera monthly and LandMark quarterly. The IT group handles the control reports generated from the run. The data is loaded into an Access database for inquiry. Currently there are no plans to load this into Facets. Univera is aware of the need for a single repository for all claims data. At this time, the location for that has not been determined. HEDIS and NCQA required reports are manually generated using the data in the Access database.

All transmissions between Univera and the 3rd party vendors lack encryption

All transmissions of confidential information should be encrypted.

5. UTILIZATION MANAGEMENT / REVIEW

The Utilization Management/Review handles inpatient claims payments, prior authorizations (PA), referrals, clinical case coordination, benefit interpretation, case management/care support, outpatient rehab services, behavioral health, medical claims review. The work of this department is performed by personnel at Univera, a group of nurses who work on-site at hospitals, and, as necessary, the Medical Directors.

All PAs must be on file in Facets for claims to pay correctly. The provider performing the service, not the referring provider, must make requests for Outpatient Rehabilitative Services. This is a new process and Univera has experienced a decrease in appeals as well as rejected and denied claims.

Mental Health claims are processed in this unit. Univera has just taken this processing back from a third party vendor. This team reviews outpatient claims to determine if the operative report matches the procedure billed on the claim. The review occurs because usually the claims have been rejected by the system due to clinical edits that have been configured in Facets.

For Inpatient Claims payment and review, the Reimbursement Specialist works with the Concurrent Review Nurses to review the claims. The DRG is used for the per diem payment. Univera is working to configure the system to allow these claims to auto adjudicate. Skilled

Nursing Facility (SNF) and Hospice claims are auto adjudicated. The Acute and Rehab Inpatient claims still require manual review and pricing. This unit handles adjustments and appeals as defined in Univera guidelines, in coordination with regulations from the New York Insurance Department or the New York Department of Health. Desk level procedures were minimal.

6. INTERFACES AND CONTROLS

Control reports between the application systems were reviewed when they existed. These reports are generally only available to the operations staff and the IT applications area.

No consolidated control reports exist. The reports that do exist are not maintained in a central location and the totals are not reported to the areas responsible for the data (i.e., claims, finance or clinical).

Interfaces at Univera pose a potential data integrity risk. There appear to be inadequate controls in place concerning the transmission of data either within or out of Univera. Univera has multiple data warehouses and other Access databases, all of which are referred to as data warehouses. During the interview process it was apparent that it was unclear to some department staff members that there is more than one “data warehouse” where information is located. This is especially confusing to people new to the job.

Univera has viewed all interface issues as the responsibility of the IT organization. As the various departments were questioned about verifying transmission counts and totals between applications, the standard response was that they didn’t have the information. The information

would be in the IT department. All the departments are beginning to realize they too have a responsibility for the accuracy of the data they receive or transmit, however, nothing has been changed to take over the responsibility for the data. Many of the interfaces appear to not have clear definitions or control reports that can be articulated by Univera personnel.

It is recommended that IT work with the entire company to establish a standard procedure for notification to each department about their transmissions.

There are currently multiple databases under different spans of control. They have been developed for various reasons and at various locations apparently without consideration of existing databases. Several applications receive and transmit data into a data warehouse without good control reports.

Further, there must be clearly defined interfaces and control reports at every juncture of data transfer; there should be a change in the control of data from the IT department to the departments accepting the data for use.

For HCP, all claims history data since November 1999 is maintained in Facets. Some Novalis history data was converted. The conversion contains data from July through November, 1999 and is located in Facets. The converted Novalis history appears to have gaps and does not have procedure codes. This omission allows duplicates to be processed. Microfiche is used to retrieve claims data from the Novalis system prior to May 1999. All paid claims data from Novalis, including denied claims, goes to the data warehouse in HCP. Currently, claims retention

is a minimum of five years. For HSMC, similar events occur with their existing system. HSMC claims are routed to a HSMC data warehouse that is completely different from the HCP data warehouse. Third party claims may reside in yet a different Access database that is termed data warehouses. Some such data warehouses are only available visually (microfilm/microfiche/CD).

It is recommended that there be a single point of all claims data for the Univera organization.

The server for the Lawson application resides in HSMC. There are some Facets reports from batch processing that are fed into the General Ledger (GL). We have not seen any of the transmissions, audit checks or control reports for this process. The majority of supporting Lawson data is in the data warehouse. There are feeds defined from Facets for both the HSMC and HCP MUMPS databases.

It is noted that the Plan makes use of manual intervention of interfaces. Unisys advised that it believes that manual intervention of interfaces represents a higher than acceptable risk for errors.

It is therefore recommended that the Plan ceases the use of manual intervention of interfaces and that said interfaces be automated as soon as possible.

Currently the third phase of the Facets implementation, NAHC, is being conducted in HCP. The implementation is for a Date of Service of January 1, 2001. The UM group in HCP has access to the claims information to assist with review and questions.

It is noted that the Plan uses the development area for production purposes. This may cause possible problems in terms of control of data.

It is thus recommended that the Plan refrain from using its development area for production purposes.

7. POLICY AND PROCEDURES

Univera is lacking in standard overall policies and procedures. There are particular departments that have created and instituted standards. However, there is **no** corporate policy concerning this and no documentation about what is expected at any level.

Univera does not treat IT initiatives as corporate initiatives, this is key if Univera is to be a consolidated organization.

A. Management Reporting

Sr. Management reports vary in type from manager to manager. Univera did not produce a package of Sr. Management reports that are consistently distributed to all of Sr. Management. As we were concluding our examination, some documents were shared with us that reinforced this lack of communication. At the outset, we had requested Senior Management Reports. After much delay and questioning about what was meant, we were provided with financial reports. The day of the exit debrief, we were informed that there were additional reports. These reports

were those that one individual of the Senior Management team received. These reports were more of what we had anticipated receiving however, they were not widely distributed.

To this point, only the reports that are considered 'Required' for a particular segment are given to that manager. This distribution appears flawed. Without a complete package, Univera management cannot adequately make decisions and manage its business.

The lack of effective communication directly effects the merging of the HCP and HSMC businesses and must be corrected.

Univera should develop - a package of Sr. Management Reports of daily/weekly/monthly distribution for all of Sr. Management.

B. Growth Planning

Univera is operating NAHC as part of HCP. In addition, the management of all three companies is such that there is one CEO, CFO, and CIO for the entire organization . This is indicative of the management level consolidation that was observed during the examination. In order to eliminate the duplication of effort and overhead associated with the current working environment, a plan should be developed to indicate a timeframe for the completion of the consolidation of the Companies' IT and administrative functions. No written strategic plan for the organization was presented.

It is important that a plan be developed that addresses the structure of all three companies. A plan should be developed to indicate a timeframe for the completion of the consolidation of the companies' IT and administrative functions.

C. Systems Development Life Cycle (SDLC)

There is no System Development Life Cycle methodology. Some aspects of this exist in HSMC but this is neither accepted corporate wide, nor is it comprehensive.

It was observed that procedures for Model Office are not consistently applied throughout Univera. Some areas of Model Office have a non-written approach to changes where others have more ridged enforcement of changes to tables.

Changes to tables using Model Office need to be consistent and stringent. Circumventing established procedures for changes by telephone conversations, buddy systems and other casual methods needs to be stopped otherwise any gains to process by Model Office have been diminished. Individuals who feel that personal relationships are a basis for change control of the various tables used in Facets need to be re-trained on the purposes and procedures of Univera's Information System ("IS") quality control policy.

An SDLC is more than just that of the Model Office concept. It encompasses everything from conception to conversion to the replacement of systems. It is a way of managing systems within the company and those who are involved with the systems. SDLC is useful no matter if systems/processes are developed in house or purchased from 3rd party vendors. Model Office is

a step in the right direction but the adoption of an effective SDLC requires a commitment to a process by Univera.

D. Standards

IT standards do not exist corporate wide in Univera. HSMC and the Internet/Intranet area have some standards that are specific to their tasks/site. For these to be used to any degree, a decision must be made as to the overall direction of Univera. Corporate project standards, a methodology for development and project management, need to be selected. These issues are not independent but interdependent and must be a unified selection.

Univera needs to adopt a corporate project management methodology and a compatible systems development methodology even though Univera has selected 3^d party packages. No matter what package is selected, there is always some development that takes place. These methodologies will have to be enforced; the best avenue for this is to establish an internal audit department.

An IT documentation standard manual is believed to exist for HSMC, however, no evidence has been presented

Not having seen any evidence of IT documentation standards, it is recommended that Univera adopt a documentation standard to be used throughout the organization.

No Corporate Change Control has been adopted. HSMC has some aspects of change control implemented however, they have not been adopted corporate wide. HSMC uses some

aspects of Configuration Management (not to be confused with Facets configuration). However, the Plan does not completely abide by the standards. The CM functions do work with the “home grown” system that is used to track IT projects. The Internet/Intranet group in IT has been using VSS (Visual Source Save) with good results. This represents only one aspect of change control. Model Office has its own methods of controlling change, however it was discovered that the rules are applied inconsistently, depending on the requestor of the change (see Methodologies).

It is recommended that Univera adopt an IT Corporate Change Control policy and enforce it.

It was observed that there are no corporate signoff procedures. These currently occur when a project is connected with the Strike Forces or Committee.

Any changes to the production environment need a signoff at some level. The more complicated or intricate the change is the higher the level of signoff should be. The level of signoff should include not only IT but the user community, as well.

No corporate policy on time reporting exists at Univera. Some departments do have some measure of accountability however it is neither consistent nor mandatory. IT projects are an excellent example. The Facets project did not have hours tracked consistently. HSMC tracked some hours in its IT tracking system, however, this was not consistently done, nor was it done for all of IT. It is a matter of conjectures what it did encompass other than trouble reporting on the Facets project. Due to this lack of time accounting, Univera can not give an accurate cost of the

Facets project that includes the software cost and the hours expended to implement the project as well as the post implementation costs. Further, there is no quantifiable ‘basis of estimate’ for another project in terms of time or cost. This time accounting does not apply to the Model Office personnel in HSMC. Because there is no standard time accounting, the true cost of doing business is not known.

Univera should establish and implement a corporate time accounting policy that would be valid for the entire organization in all locations.

Univera does not subscribe to a corporate project methodology of any kind. Each project is run independently and does not have a uniform approach to a problem it is intended to solve.

Univera needs to adopt a corporate project methodology allowing for greater uniformity within the projects that Univera undertakes. This will allow for reporting and prioritization between project to be the same. A corporate project methodology will increase accountability of project success and failure and decrease the overall possibilities of failure. It will also institute a uniform approach of record keeping and documentation of events.

E. Communications

Univera has not designated a single point of control within the company, but HCP is perceived to be in control. Several individuals who were interviewed in both HSMC and HCP expressed that employees are not sure where the systems controls reside, despite an organization chart that shows areas of control.

It is important that the CEO of Univera issue a clarification of the hierarchical structure of control within Univera. This may be done with the use of the company organization chart that can be broken down into departmental areas.

In the interview process, internal communications was related to Unisys as a major concern within Univera. This was evident as it pertains to any of the departments and across departments within the company. It has been related that information has not been shared between the departments and has resulted in misinterpretations of information relevant to processes within Univera. One such example is that of the findings of the TMI comparison of the three claims system candidates, where Erisco was determined to be deficient in reporting. This was either ignored or never captured as a risk to the Financial Department.

During the examination, many individuals related that the dissemination of information below the executive level is not effective. With regard to the availability of time accounting information, during the Phase 1 implementation of the Facets project HSMC was using a previously established system that was not being used in HCP. This is a prime example of a communications and implementation issue that had regional implications during a single project. Information was only useful for the HSMC staff not the entire project and the information was of a limited nature.

Senior Management reports were requested from Univera and received mixed responses. First, were the repeated clarifications as to what was meant by the term. In the interview process,

two different groups of reports were discussed with two different Senior Managers. Finally when we were looking into another issue with a part time employee it was mentioned that a different group of reports goes out. This is yet another example of communications difficulties within Univera.

It is recommended that a renewed effort be made to increase effective communication at all levels within the company. This may involve contracting an external communications expert since it will be difficult to solve the problem without an objective view.

E-mail is an excellent tool and can be used effectively provided ground rules are set that holds everyone accountable. In some cases it was observed that the only communication that occurred was that of e-mail without the follow-up. This assumes that everyone is playing by the same set of rules treating e-mail as a command and control function within the company. This relates to the general communications issues identified in the prior area of this report. E-mail has also been used as the primary documentation for important areas of control for some projects and the sole documentation for certain project tasks. In particular, the Facets project where changes and tracking of issues is basically maintained in the e-mail boxes of the participating managers.

It is recommended that Univera examine its reliance on e-mail. Anytime a large volume of e-mail is present, individuals are overwhelmed and may not actually read the e-mail. Documentation should not be kept in personal e-mail boxes and should be available for all of those involved or possibly involved with the project. Corporate folders should be set up to store such items but a separate change log should be maintained for project changes. Project issues

should be maintained in an individual log where multiple individuals can access them. Such logs should have update permissions restricted to the individuals responsible for this task. E-mail boxes that do not reside on the mail server should be backed up on a scheduled basis. E-mail boxes that are critical to the company should be backed up on an accelerated schedule.

F. Security Policy

No security administrator exists in Univera today. Access is handled through a number of individuals depending on which system you wish to access. There are no current audits performed to insure that providers with staff using the MUMPS system are current and individuals no longer working for the providers have been removed. The number of contacts required for access or removing access is cause for concern.

Univera should institute the position of Security Administrator, who would set security policy, become the single point of access requests and perform security audits to insure that only those current individuals have access. The security administrator should also schedule and manage regular password changes to further insure a secure environment.

G. Internal Audit

Univera does not have an independent internal audit function. This department would normally handle the process verification and validation by all other departments. Claims would be verified to determine accuracy and duplication of claims. Enrollment would be audited to verify that what a provider or member requested were performed accurately. This function would also check each department for the adherence of corporate policy and procedures.

It is recommended that Univera establish an internal audit department that will be responsible for the verification and validation of policies and standards within Univera.

H. Fraud

Univera provided appropriate personnel to discuss Fraud. The director of this unit is in charge of the Special Investigation Unit (SIU) that operates in both HSMC and HCP. To date, their recoveries have been over \$30M. The monies recovered over the past five years have increased with the exception of a slight decline in 1999. The personnel in the units work together well and adhere to the plan submitted to the Department.

The review of the Fraud processes indicated that the recovered funds are in line with industry standards. An industry accepted plan for fraud detection and prevention is in place and consequently it is indicated that Univera is addressing fraud issues consistently and appropriately. There are excellent desk level procedures and there is a request in the budget to increase the staff.

I. Internet/Intranet

In examining this area it was found that while most of IT was lacking in controls and standards, this group has either instituted or is finalizing standards and procedures. In order to track and manage change within the organization, the group has instituted the use of version control software, Visual Source Safe (VSS, a Microsoft product). Further, the group has adopted a standard of acceptance testing and implementation that is consistent with industry standard practices.

Unisys found it encouraging that these kinds of initiatives have a high profile within IT. These efforts should be rewarded.

8. DISASTER RECOVERY PLAN AND BUSINESS CONTINUITY PLANNING

The Disaster Recovery Plans (DRP), as prepared by Univera Healthcare of Western New York and Central New York, describe certain responsibilities, suggested requirements and include Business Continuity Planning (BCP). As HCP and HSMC have included the DRP and BCP in the same document a discussion describing each is deemed necessary. The DRP and BCP should be two separate documents, the BCP at the individual department level and the DRP at a higher corporate level.

DRP refers to the plan in place that provides the ability to carry out mission critical business in the event of catastrophic failures or major disasters. This is usually invoked after a failure to equipment or facilities that prevents continued operations at the original location. The DRP covers large-scale disasters that address relocation of business processes off-site to facilitate continued operation of critical business functions. It also embraces the restoration of normal business functions upon relocation of operations.

BCP consists of the review of the business processes and sub-processes. The BCP defines the business units and their dependency upon various entities such as personnel, power, internal and external support and supply as well as IT systems. The unavailability of these entities has an impact on the business unit's ability to carry out mission critical business

functions. Development of processes to avoid failure and contingency planning to mitigate the impact of failure is essential. The BCP can be isolated to failures within individual business units, however, is not necessarily restricted to that level. BCP should be performed and documented as a separate process from DRP; however, BCP procedures can be incorporated within the DRP.

The DRP should document the various disasters that are likely to occur, the degree of risk of each occurring, and the plans in place that provide for continued operations when a disaster occurs. There must be a revision / update history sheet included for tracking purposes.

The DRP should cover the various team responsibilities needed to address the potential disasters, as well as the equipment, systems and external services required to establish an emergency-operating environment. The DRP should contain individual packages that address the activities and responsibilities of each team and how they interrelate. It must also have a scheduled training agenda to ensure personnel are aware of their responsibilities. The DRP should have a scheduled review and update policy to keep it current. Each team must include the team leader as well as the personnel required in order, to accomplish the tasks. It is recognized that, in some instances, a team can be comprised of a single individual, however, where there are more personnel required on the team the personnel should be identified.

A Disaster Recovery box should be made up and stored off-site. The box should contain various items including the DRP broken up into team packages, which include various drawings and illustrations, personnel and telephone lists.

A schedule for testing the DRP is necessary along with a schedule for reviewing and updating the plan.

A. Existing DRP Review

A high level review of the HCP DRP has been conducted. It should be noted that the 'cold site' referred to in the DRP is not intended to provide complete IT recoverability. That site is intended to stress medical service and not insurance services in the event of a disaster situation. The location requires an extensive amount of modification and improvement to become an adequate facility for installing all the IT equipment and systems needed for a comprehensive backup site. HSMC in Baldwinsville, NY is also described as an alternate site. Further review of that facility will be addressed later in the report.

The DRP as it exists today is not the final DRP. The final version of the DRP is not scheduled for completion until the Spring of 2001 when the new two-region DRP will be adopted. The current plan reflects a list of high-level requirements rather than a group of procedures.

Univera needs to place a concerted effort on completing and testing a workable DRP for the entire organization. The current Operations Manager in HCP has experience in this area but will require support and commitment of the corporation of time and resources to begin the task.

The following comments are a review of the current DRP with the intent of indicating the shortcomings and areas needing improvement. The comments are formatted to correspond to the layout of the existing DRP, which should be used as a guide as the observations that follow. Further discussion relating to additional specific suggestions or recommendations on wording in the existing document were provided to Univera.

B. Emergency Procedures

Emergency procedures must identify steps required to accomplish a task or set of tasks, not a description of what is required. The Emergency Procedures must also include any supporting documentation or references that enable the team(s) to carry out the procedure(s). The documentation allows the teams(s) to know exactly what is required to accomplish the task(s). It must never to be assumed that personnel know how to accomplish the task(s).

Improvements are needed in emergency procedures in the event of emergency resulting from the following:

- Fire or Explosion
- Bomb Threat
- Civil Disturbances
- Weather
- Water
- Power Failure
- Chemical/Fuel Spill

C. Backup Operation Phase

As discussed in the preamble for Emergency Procedure section, backup operation procedures must identify steps required to accomplish a task or set of tasks, not a description of what is required. Backup operation procedures must also include any supporting documentation

or references that enable the team(s) to carry out the procedure(s). This allows the teams(s) to know exactly what is expected to accomplish the task(s). It is never to be assumed that personnel know how to accomplish the task(s).

The layout of the Backup Phase portion of the document is confusing and the title somewhat misleading. A more appropriate title would be Disaster Recovery Plan. The individual teams responsible for carrying out the activities, providing ownership and familiarity with the process should develop detailed procedures. Each procedure should include as much supporting documentation as possible such as drawings, equipment lists, personnel lists, etc. The documentation should enhance the procedure and reduce the requirement to 'search elsewhere' for the information during the 'crisis'.

D. Outline of Contingency Plan

The outline needs further clarification and details as to what systems and functionality will be set up at the 'Cold site'. The HCP center refers to setting up at an off site alternate location. That facility 10' x 10' room across from a DataCom area which has been wired as a hub with the intent of running only the West Seneca Medical Campus, which consists of West Seneca Medical Center and Empire Drive Medical Center, and a portion of the company from that site in a Disaster situation. Most of the medical services can be rerouted to the Western Seneca Medical Campus. However, only medical services are stressed from there.

Insurance services from the alternate location would not be able to be provided and the facility could not house or support insurance operations. It is evident that the designated alternate location is not a good recovery site.

The outline should specify the conditions that are likely to trigger activation of the plan. The Mission Critical Computer Operations must be identified or discussed elsewhere. This section of the plan would more appropriately be called an “Overview of the Disaster Recovery Plan”.

In HSMC, reference is made to using Corporate II as an alternate site. As this building is in close proximity to the present facility, unless the disaster is very localized it would not be a good choice.

Univera needs to make the commitment at all levels to complete and test a BCP for the entire organization. This will require every department's cooperation and commitment to the task with someone selected to research and manage the task of creating a comprehensive and workable BCP for all regions.

E. Assessing Damage – Invoking the Plan

Person discovering emergency –

Describe guard's/receptionist's responsibilities, and what to do if the guard, or receptionist, is not available. Avoid single point of failure, i.e. if the guard is not available, whom should the person discovering the emergency turn to or what procedure should the person discovering the emergency follow.

Emergency Team Leader –

Appendix page numbers should be included for each reference.

Emergency Team –

The documentation of criteria that is to be used to assist in the assessment process should be included. A step-by-step assessment procedure is required; the name and phone number(s) of Contingency Management Team Leader must be included.

Contingency Management Team Leader –

This procedure must include the process to set up the Emergency Operation Center. This should be complete with communications with the various sites and a list of team members with alternate members identified.

Contingency Management Team –

This should include a list of considerations for evaluating the situation. The availability of water, lighting and ventilation must be considered for habitability. Documented time estimates for replacement of equipment and/or systems are necessary for determining if systems can be returned to operational within 48 hours.

F. 'Cold-Site' Determination

Contingency Management Team –

The selected location is not a good candidate for a 'cold-site', so an alternate must be identified. The procedure for activating the Provident Mobile site in HSMC should be included.

Contingency Management Team –

Appendix page numbers should be included for each reference.

Team Leaders -

Appendix page numbers should be included for each reference.

Disaster Team –

This Team is not addressed in Appendix B, Disaster Teams, so it cannot be determined who comprises the team.

User Liaison Team - Appendix page numbers should be included for each reference.

Procedure to Activate Provident's Mobile Site in HSMC

Disaster Recovery Coordinator, EVP of Plan Operations & CIO of IT -

Telephone numbers or reference page numbers should be included. As much pre-determined information as possible should be provided in the procedure rather than having to make decisions at the time of the disaster, e.g. the location to deliver the trailer

Procedure to Modify Empire Drive/Radisson Campus Site

Construction Team -

The team should have a package identifying the number of power receptacles, telephone and data lines required along with drawings to show locations. Telephone numbers of primary and alternate contractors and drawings of the layout of the walls to be erected should be included as well.

9. DOCUMENT REVIEWS AND PERSONNEL INTERVIEWS

A. **Operations - HCP**

The Operations Department is responsible for the administration of NT Server access and VMS Server access.

VMS Server access and access terminations are requested by Human Resources and Payroll in the form of a list of actions to be performed. This can be requested for immediate termination or for the next pay period. Normally HR provides a list every two weeks indicating updates that are required. A 'Main System Access Form' is used to request access or termination to the system. Requests for access or termination are followed up by a phone call to the originator stating the action is completed. The requirement for a Medical Center Supervisor or VP to sign the Access Form covers the approval process. However, there is no provision to ensure the form is produced for each and every Medical Center user termination. This could allow someone to slip through a loophole. Also, the follow-up phone call can indicate that the action is completed, however, if the request addressed multiple actions, the phone call can be misinterpreted to indicate all were completed when it may not be the case.

The Operations Department also looks after the administration of the Novell GroupWise Email System.

The current Operations Manual has not been updated since the relocation from the Guarantee Bank building earlier this year. The Operations Manager is currently producing an

updated Operations Manual to cover the present operating procedures. A two-shift operation has recently been instituted and a plan to go to a 24 by 7 operation is intended to be implemented within the next 6 to 12 months.

The Operations Department takes care of software backups on a daily basis. The entire system is backed up once a week with a daily incremental backup carried out. This provides for backup of Operating Systems, Programs and Data to be made daily. The backups are stored off site at the Empire Drive Medical Center site in a locked room. This process does not provide for the proper amount of fire safety and it is recommended that they be stored at a reputable storage facility such as Iron Mountain, Incorporated. The backup DLTs (Digital Linear Tapes) are returned to Park Club Lane daily and these returned tapes are kept locked in a fire safe for one day before being reused. This provides for daily backup offsite and one day lag of backup on site. The 'Juke Box' that creates the CDROM of Imaged Claims Data also creates a backup CDROM at the same time.

The backups are stored off site at the Empire Drive Medical Center site in a locked room. This process does not provide for the proper amount of fire safety and it is recommended that they be stored at a reputable storage facility such as Iron Mountain, Incorporated.

The Operations Department maintains a Transaction Log of CDROMs kept offsite with Imaged Claims Data, a Problem/Activity Log of System/Server activity, a Data Center Visitors Log, Backup Logs, including documentation of backup failures, and an I/O Error log. Any

backup failures are addressed immediately and communicated to the backup teams for immediate correction.

The Operations Manager has extensive experience with Disaster Recovery Planning and it is strongly recommended that this expertise be exploited to improve the existing plan.

B. HSMC Interview and Review

Univera HSMC has an Insurance Policy that is referred to in DRP. This insurance policy is with Insurance Company of North America and is titled Recover-All. The policy covers the replacement of the Digital Equipment Corp. (now Compaq) computers and is dated May 1, 1991. This policy should be reviewed with the insurance company and updated to reflect current conditions. Since this policy was written, the computer systems have been replaced with more up to date technology. Also, there is no reference to Hewlett Packard, Novell and NT Servers in the policy. The latest version of the policy should be included in the DRP.

The insurance policy referred to in the Disaster Recovery Plan (“DRP”) with Insurance Company of North America entitled Recover – All, dated May 1, 1991, should be reviewed and updated to reflect current conditions.

HSMC no longer expects to use the ‘Contingency Computer Room’, mentioned in the DRP, and the company intends to revert directly to the mobile site to be provided by an outside vendor under an agreement dated 08/10/99. This agreement is currently under update review. The drawing that shows the layout of the trailer is not up to date and is also being revised. The

copy of the contract provided for review was not signed. There should be a signed copy of this document included in the procedure.

It is recommended that a signed agreement with the outside vendor to provide a mobile site dated August 10, 1999 be included in the DRP procedures.

HSMC has four-computer system environments comprised of Novell and NT networks, a HP UNIX server network and a Digital Alpha Server network. Software backups are conducted weekly for full backups and daily for incremental or journal backups. Full backups are stored offsite at an Iron Mountain, Inc. facility and at an adjacent building in a locked vault. Daily backups are stored either on site or in the adjacent building in the locked vault, however, there is the potential to have a one week lag in information due to loss of backups stored on site and in the adjacent building. HSMC has a contract dated 1/1/00 for the storage of backups.

C. HCP Business Continuity Planning

All documents should be numbered and indexed to provide easy access and rapid use. Where applicable, individual plans need to reference each other. Any references to Y2K should be removed. All plans are not in the same format; the recommended format is the one used for Banking and Communications (as an example). This will ensure that business process information, dependencies, impact on business and contingency plan is covered.

The BCP goes beyond the failure of computer systems; one of the main risks identified in the plans is the risk of power outages. It must be remembered that risks can occur with respect to

personnel availability and equipment failures as well as power problems. It appears the BCP was written to conform to the previous location of Guarantee Bank where there may not have been emergency generators. The evaluation of the current area and risks has not been performed.

The plans should be reviewed and edited in light of the present location and updated. It is generally noted that the printing of documents will still occur when computer systems are down, however, it is not likely that printing will be available if systems are down. Although it is listed as a Critical Business System, there is no plan for the General Ledger business function to continue in the event of a system failure. Also, there is no BCP for Claims Processing. BCP procedures should contain manual workarounds where automated processes may fail. Procedures and alternate personnel must be in place to provide continuity of business due to unavailability of personnel.

D. HSMC Business Continuity Planning

As with HCP, the documents should be numbered and indexed. Where applicable, individual plans need to reference one another. References to Y2K should be removed. All plans are not in the same format. The recommended format is the one used for Provider Eligibility, Identification (for example). This will ensure that business process information, dependency impact on business and contingency plans are covered. It is also noted that Business Continuity Planning goes beyond the failure of computer systems. One of the main risks identified in the plans is Power Outage. It must be remembered that risks can occur with respect to personnel availability and equipment failures as well.

The plans are extensively Y2K related and need to be reviewed and changed to reflect loss of business functions that may occur due to other circumstances. There should be emphasis on manual work around procedures to continue automated business functions that have failed due to impacts of loss of software or hardware systems or personnel. In the case of loss of personnel, alternate personnel should be identified to carry out the work and a procedure should be in place to guide that person as to how to carry out the process. Desk level procedures from all business functions should be kept off site and updated on a consistent basis. There is a listing of Critical Business Functions in Appendix H of the DRP, however, when comparing it against the individual BCP plans it is not possible to confirm that a plan is in place for each of the functions.

E. Overall Univera Security

There is no designated Security Officer or Security Administrator at Univera Healthcare in either HCP or HSMC. It is imperative that this position is filled as soon as possible to ensure that the proper level of security is maintained for the entire organization. Currently individual departments are taking care of their own security as best they can, however there is opportunity for errors or omissions to occur without a central administration point.

F. Internet/Intranet

Univera is in the process of establishing an Intranet Communication Network. The implementation is still in infant stage and is a work in progress.

Univera Healthcare established a Strategic Plan for Internet and Intranet Implementation. An Internet Strike force has also been put in place to assist in the planning of the content of the

Internet. Focus group meetings have been conducted and a total of 183 Internet requirements have been identified with 13 items given the highest priority.

The Intranet/Internet department has documented Web Applications Development Standards, Draft Acceptable Use Policy, Strategic Plan for Internet and Intranet, Web Application Data Integrity Testing Notes, Visual Source Safe Notes, Project Requirements Specification Template, Project Functional Specification Template and an Action Item Form Field Description document. The group also has a Product Development Life Cycle document and a Web Application Profile document. Various single page items such as a Software Version Numbering Scheme, a flowchart for software development, a flowchart for requirements and specification development, an action item form and a DBA Support document, as well as an Internet Services Request form. These forms, notes and templates will assist the Plan's personnel in proceeding with implementing Internet and Intranet rollouts. It should be noted that this is the best-prepared department within IT to deal with an emergency from the point of having documentation in place.

G. Telecom

Each Medical Center has a procedure for addressing telephone failures however, they need to be reviewed and updated as applicable. One concern of note is that the procedures may be outdated. *It is recommended updated procedures be included in the BCP and DRP for the Telephone Systems.*

H. FACETS Security

There is a Draft Security Maintenance Policy Perspectives document contained in the Facets Security Manual that requires finalizing. It is dated 07/11/00. The section 'Security Definitions Actions Examples' lists various types of access. There should be an item called 'View' to denote 'read only' activity.

The security of access to the Facets System is administered and controlled by the Model Office. The various levels of security are defined by individual requirements of user position or title. The administration of the security is the responsibility of the Sybase DBA.

I. MUMPS Security

The Medical Center organization is divided into three areas, each administered by a supervisor who reports to a Vice President. The medical centers are divided into North and South Regions plus an ancillary service area. The administration of security access to the MUMPS System is controlled by the use of the 'Main System Action Form'. One of the supervisors or the V.P. signs this form. If it is necessary to remove anyone such as a Doctor, Registered Nurse etc., the supervisors have the responsibility of notifying the Operations Manager of the change using the 'Main System Access Form'. This provides control of the removal of Doctors or their staff from the system if they have been terminated from Univera

Requests for access or termination are followed up by a phone call to the originator stating the action is completed. However, if a Medical Center supervisor using the 'Main System Action Form' initiates a termination, and the form gets lost in the mail, it may not get processed.

Therefore, the individual can be left on the system when he/she should be denied access. It is recommended that this process is reviewed and the possibility of this oversight removed.

The MUMPS System, running on the VMS Servers, has 9 levels of security; levels 1, 3, 5 and 7 which are allocated for normal security levels and are defined by the position of the person requiring access to the system. Alternate levels that are held in reserve to provide security levels for additional positions should be required. The various departments within the Park Club Lane Office Complex have provided a list of positions for their respective departments to have security levels allocated to them. This is not completed as yet.

J. North American Healthcare, Inc. (NAHC)

The Disaster Recovery Plan for NAHC was not reviewed. The present plans of folding the operation of this unit into the HCP operation will integrate this aspect of the DRP with the HCP DRP, however this has not occurred as of this examination. Should the implementation of this plan of combining the two operations not occur for any reason the NAHC DRP must be reviewed. *It is noted that NAHC management readily acknowledges that NAHC does not have any BCPs. It is recommended these procedures be developed and put in place to mitigate the risk of having business functions failing without having any processes in place to address the failures. A review of the completed BCP and integrated DRP should be conducted as well.*

10. DATA WAREHOUSE

Data Warehouse is a term that is used freely at Univera. The term was referred to in a number of ways. First there is the Data Warehouse in HCP, next the Data Warehouse in HSMC. The two are different repositories for data and maintain data in different formats. The third term used is for independent access databases that are used to store Chiropractic and Vision Claims data. There may be others, but these are the ones that were discovered during this examination. The term is never qualified and you must interpret it to determine which Data Warehouse you are talking about. No written plan was found that addressed the consolidation of these independent Data Warehouses into a single Data Warehouse. The consolidation of the HCP and HSMC Data warehouses was discussed, but that discussion did not address the other independent Data Warehouses.

Unisys feels strongly that this needs to be rectified. One Data Warehouse needs to exist within Univera and it needs to be able to handle whatever data is going to be stored for future claims retrieval.

11. CONVERSION TO AND IMPLEMENTATION OF FACETS

Univera followed a very aggressive schedule to implement the Facets System in the HCP office. In early 1999 it was determined that the HCP claims environment would not function past the end of 1999 and the focus of implementation was shifted from HSMC to HCP.

While problems were encountered and hard lessons were learned, the implementation occurred on time. An issue arising from the implementation was the inadequacy of reports from Facets to support the finance requirements. This issue significantly delayed HCP's reporting to the Department. Claims backlog issues and AR increases appear to have been resolved effectively

The implementation proceeded without significant system problems. However the conversion of historical data from the Novalis system had significant problems and is not complete. There was about six months of historical data from Novalis loaded into Facets, however, it was not completely loaded when Facets began processing claims for HCP. As of this report, it has become apparent that there was a window of time when claims were paid on both systems.

There are several issues with the conversion most of which are related to time. In talking with the individuals that were involved with the conversion efforts, the conversion of data was not as seamless as hoped the data loads were more time intensive than planned and the error rate far greater than anticipated. One issue of converted data is that the Procedure Code field has not been brought into Facets. The data did not translate cleanly and it is not clear how duplicate claims are identified.

Additionally, while the information given indicated that six months of historical claims data had been loaded into Facets, there are instances where claims from June and July are not in

Facets history. This is currently being addressed as it has the potential to create problems for HCP.

As of this time, there is not a cut-off for re-submission of claims that is strictly adhered to. Because of this, just converting six months of data is not sufficient to prevent the duplicate payment of claims.

This will not be an issue with HSMC or NAHC as those are both conversions as of Date of Service of January 1, 2001.

The HSMC implementation is proceeding. As of this report the implementation has not been completed.

Given that every transaction recorded by the systems is a financial transaction, there is no reason to commit to anything less than the highest quality and accuracy. It is understood that the Office of Change Management will establish systemic quality control processes. There are some industry recognized models such as Carnegie Mellon University's "Systems Engineering Institute" (SEI) which has developed a "Capability Maturity Model" (CMM) and the International Standards Organization (ISO) 9000 series quality process. . It is suggested that these models be reviewed as input to the process of establishing quality control.

A. Corporate Audit and Testing

Univera does not have an internal audit department. Univera has relied on the implementation of the Model Office concept and guidance from TMI during the Facets implementation.

It is recommended that an Internal Audit department, with allegiance to no particular department be formed. The result of these audits would be an independent and uniform enforcement of standards (to be developed) across the company. The results would increase the reliability of any changes that are implemented within Univera.

B. HCP Implementation

The original plan for the implementation of Facets was that HSMC be converted first. Upon evaluation of the Novalis system in HCP this plan was changed to implement the system. There were decisions made as to how the configuration and implementation was to occur which proved to be labor intensive. The concepts of IT configuration management were new to Univera HCP. Project Management for a project of this size was new to the staff as well as the coordination of participating staff from HSMC in the project. The Model Office staff coordinated quality control and testing. Most of these people were new at their roles in this type of environment. The Model Office staff was comprised of representatives of various departments affected by the Facets implementation.

It is recommended that Univera adopt and enforce a rigorous quality mechanism, based on CMM or ISO in order to create a development environment where the quality of the results would enhance Univera's reputation.

The Model Office capabilities have not been fully exploited. This function should be in control of the implementation and IT configuration management. Model Office should reflect the corporation's structure and should include more than Facets. The term, 'configuration', in Facets refers to an aspect of table maintenance concerning members, providers, groups and other related entities. Configuration Management in IT refers to how systems are maintained and updated by controlling the versions of the software in production.

C. HSMC Implementation

The HSMC implementation of Facets is under way at this time. There have been a number of delays. This is a different situation than that of the HCP implementation since the current system will remain in operation to handle claims with a data of service prior to the cut off date of 1/1/2001.

During the review as to why the problems existed, it was found to be data from HCP that was the root cause of much of the problems. This is not to say that HSMC did not have errors however, the errors were compounded by the origin of the data.

D. NAHC Implementation

This is currently underway at the same time the HSMC implementation is taking place. There is not a real difference other than all new claims as of 1/1/2001 being processed on Facets.

This an acceptable approach to the issue of folding this activity into the company as the original company currently performs it out of house.

E. Facets Configuration

The Facets application package is designed to remove much of the system administration from programmers and move it to the functional business area. The configuration of Facets is used to define all of the business rules of processing. Groups are defined, and programs and products are developed using this mechanism. Any person with the ability to enter configuration parameters has the ability to make changes of the kind formerly limited to the programming staff.

Univera is working to understand and handle the impact of this capability. A Change Management Team (CMT) will establish procedures and control processes for configuration changes.

Facets being driven by user defined and managed configuration rather than traditional IT programming presents a significant opportunity to shift Univera's approach to both quality and security in the matter of change control. There is no current plan to take advantage of this opportunity. Reports that Model Office standards (as such) were not applied consistently throughout the company. Unisys's position is that all persons should comply equally with the

requirement of making changes to the configuration tables and there should be no exception. Maintaining the audit trail of this type of change provides the best security and assurance that the changes have been reviewed and tested.

F. Facets' Impact on the Organization

The impact of Facets on the operations of Univera is extensive. Both the range of tools and the transfer of authority and control from the CIS organization to the functional business units have major implications for the way that Univera operates and the type of control and development processes it will need.

Univera now should continue to work with Erisco in order to effect changes in the system.

Univera should take advantage of the opportunity presented by communicating with the Facets User Group to learn more ways of optimizing the Facets system. All departments should take advantage of this wealth of knowledge to learn the best practices in using Facets.

Organizational changes should take place, as it becomes apparent that what has been accomplished for Facets in control and implementation can be applied throughout the corporation. As Univera consolidates to a single operating company these changes may be accomplished concurrently.

12. CONCLUSION

The good processes and procedures that exist in Claims, Enrollment/Premiums/Benefits, Customer Service, Utilization Management, Fraud and the IT Internet/Intranet areas was encouraging to witness. These areas are to be commended for their efforts that reflect well on Univera's commitment to its membership.

The lack of uniform processes and procedures in IT and in corporate projects is disturbing. There is no substantive DRP or BCP in place throughout the corporation. The state of many of the basic IT reliability issues such as Change Control, Quality Assurance, Configuration Management and Time Accounting is alarming.

Inconsistency rules much of the IT department. This department spans both the HSMC and HCP regions. HCP appears to be inferior in processes, procedures and standards. While some pieces of these issues exist in HSMC, they do not in HCP. The issue of HSMC vs. HCP is a very real one. In many cases tracking facilities or standards exist in HSMC and are not adopted in HCP in lieu of researching a new alternative. While the existing process and procedures of HSMC may not be ideal, they do exist and can be used while more comprehensive solutions are sought.

The following conclusions are based on the results of this examination:

Univera needs to place a concerted effort on completing and testing a workable DRP for the entire organization. The current Operations Manager in HCP has experience in this area but will require support and commitment of the organization of time and resources to begin the task.

Univera needs to make the commitment at all levels to complete and test a BCP for the entire organization. This will require every department's cooperation and commitment to the task with someone selected to research and manage the task of creating a comprehensive and workable BCP for all regions.

Univera needs to adopt quality standards across the organization. The establishment of Model Office is a move in the correct direction but has been limited to the Facets implementation. There have been reports that these standards are now being applied in an inconsistent manner.. This type of breakdown defeats the purpose of the process. Only through consistently applied processes, procedures and standards can Univera hope to proceed confidently into the future. For these reasons, it is recommended that Univera establish an independent audit function whose mandate is to ensure that all process procedures and standards are followed.

The adoption and dissemination of a strategic plan throughout the organization is vital to provide a sense of direction throughout the organization.

There are many communication concerns to be resolved at Univera. This should be addressed by an independent third party that specializes in corporate communications issues (communications dysfunction).

Univera should adopt the position of IT Security Administrator who should have the responsibility of restricting security access throughout Univera.

13. **SUMMARY OF COMMENTS AND RECOMMENDATIONS**

<u>ITEM</u>	<u>PAGE NO.</u>
A. Premium/Membership/Benefits	5 – 7
<u>Provider Enrollment and Credentialing</u>	
1. It is recommended that Univera consider scanning or microfilming its enrollment applications and storing the original documents offsite or, at least, maintaining a small inventory on site. Should a disaster occur the provider enrollment files would be preserved.	
2. It is recommended that these documents be scanned, microfilmed or microfiched and the original documents be maintained in an off site location as the legal requirements dictate in order to insure that a copy or the original is available should a disaster occur.	
<u>Member Enrollment</u>	
3. It is recommended that Univera consider scanning or microfilming its enrollment applications and storing the original document offsite or, at least, maintaining a small inventory on site. Should a disaster occur the member enrollment files would be preserved.	
<u>Premiums and Benefits</u>	
4. It is recommended that a copy of the microfilm be created and that the copy be maintained off-site.	
B. Claims	8 – 13
<u>Adjustments</u>	
1. It is recommended that these documents be scanned, microfilmed or microfiched and the original documents be maintained in an off site location to insure that a copy or the original is available should a disaster occur.	
<u>Third Party Vendor Claims</u>	
2. It is recommended that Univera continue its search for software that will allow for the matching of claims. This will be useful for the Utilization Management personnel.	

ITEM**PAGE NO.**

3. It is recommended that Univera decide on a single location for claims data. One option is that all claims be loaded onto the Facets system. A second is that all claims be loaded into the Data Warehouse.
4. All transmission of confidential information should be encrypted.

C. Interfaces & Controls

14 – 17

1. No consolidated control reports exist. The reports that do exist are not maintained in a central location and the totals are not reported to the areas responsible for the data (i.e., claims, finance or clinical).
2. It is recommended that IT work with the entire company to establish a standard procedure for notification to each department about their transmissions.
3. Further, there must be clearly defined interfaces and control reports at every juncture of data transfer; there should be a change in the control of data from the IT department to the departments accepting the data for use.
4. It is recommended that there be a single point of all claims data for the Univera organization.
5. It is recommended that the Plan cease the use of manual intervention of interfaces and that said interfaces be automated as soon as possible.
6. It is recommended that the Plan refrain from using its development area for production purposes.

D. Policy and Procedures

17 – 27

Management Reporting

1. Univera should develop a package of Sr. Management Reports of daily/weekly/monthly distribution for all of Sr. Management.

Growth Planning

2. A plan should be developed to indicate a timeframe for the completion of consolidation of the companies' IT and administrative functions.

ITEM**PAGE NO.****System Development Life Cycle (SDLC)**

3. Changes to tables using Model Office need to be consistent and stringent. Circumventing established procedures for changes by telephone conversations, buddy systems and other casual methods need to be stopped otherwise any gains to process by Model Office have been diminished. Individuals who feel that personal relationships are a basis for change control of the various tables used in Facets need to be re-trained on the purpose and procedures of Univera's Information System ("IS") quality control policy.

4. An SDLC is more than just that of the Model Office concept. It encompasses everything from conception to conversion to the replacement of systems. It is a way of managing systems within the company and those who are involved with the systems. SDLC is useful no matter if systems/processes are developed in house or purchased from 3rd party vendors. Model Office is a step in the right direction but the adoption of an effective SDLC requires a commitment to a process by Univera.

Standards

5. Univera needs to adopt a corporate project management methodology and a compatible systems development methodology even though Univera has selected 3rd party packages. No matter what package is selected, there is always some development that takes place. These methodologies will have to be enforced; the best avenue for this is to establish an internal audit department.

6. It is recommended that Univera adopt a documentation standard to be used throughout the organization

7. It is recommended that Univera adopt an IT Corporate Change Control policy and enforce it.

8. Any changes to the production environment need a signoff at some level. The more complicated or intricate the change is the higher the level of signoff should be. The level of signoff should include not only IT but the user community, as well.

9. Univera should establish and implement a corporate time accounting policy that would be valid for the entire organization in all locations.

ITEM**PAGE NO.**

10. Univera needs to adopt a corporate project methodology allowing for greater uniformity within the projects that Univera undertakes. This will allow for reporting and prioritization between project to be the same. A corporate project methodology will increase accountability of project success and failure and decrease the overall possibilities of failure. It will also institute a uniform approach of record keeping and documentation of events.

Communications

11. It is important that the CEO of Univera issue a clarification of the heirarchical structure of control within Univera. This may be done with the use of the company organization chart that can be broken down into departmental areas.

12. It is recommended that a renewed effort be made to increase effective communication at all levels within the company. This may involve contracting an external communications expert since it will be difficult to solve the problem without an objective view.

13. It is recommended that Univera examine its reliance on e-mail. Anytime a large volume of e-mail is present, individuals are overwhelmed and may not actually read the e-mail. Documentation should not be kept in personal e-mail boxes and should be available for all of those involved or possibly involved with the project. Corporate folders should be set up to store such items but a separate change log should be maintained for project changes. Project issues should be maintained in an individual log where multiple individuals can access them. Such logs should have update permissions restricted to the individuals responsible for this task. E-mail boxes that do not reside on the mail server should be backed up on a scheduled basis. E-mail boxes that are critical to the company should be backed up on an accelerated schedule.

Security Policy

14. Univera should institute the position of Security Administrator, who would set security policy, become the single point of access requests and perform security audits to insure that only those current individuals have access. The security administrator should also schedule and manage regular password changes to further insure a secure environment.

ITEM**PAGE NO.****Internal Audit**

15. It is recommended that Univera establish an internal audit department that will be responsible for the verification and validation of policies and standards within Univera.

E. Disaster Recovery Plan & Business Continuity Planning

27 – 34

Existing DRP Review

1. Univera needs to place a concerted effort on completing and testing a workable DRP for the entire organization. The current Operations Manager in HCP has experience in this area but will require support and commitment of the corporation of time and resources to begin the task.

Outline of Contingency Plan

2. Univera needs to make the commitment at all levels to complete and test a BCP for the entire organization. This will require every department's cooperation and commitment to the task with someone selected to research and manage the task of creating a comprehensive and workable BCP for all regions.

F. Document Reviews and Personnel Interviews

35 – 43

Operations – HCP

1. The backups are stored off site at the Empire Drive Medical Center site in a locked room. This process does not provide for the proper amount of fire safety and it is recommended that they be stored at a reputable storage facility such as Iron Mountain, Incorporate

2. The Operations Manager has extensive experience with Disaster Recovery Planning and it is strongly recommended that this expertise be exploited to improve the existing plan.

HSMC Interview and Review

3. The insurance policy referred to in the Disaster Recovery Plan (“DRP”) with Insurance Company of North America entitled Recover – All, dated May 1, 1991, should be reviewed and updated to reflect current conditions.

4. It is recommended that a signed agreement with the outside vendor to provide a mobile site dated August 10, 1999 be included in the DRP procedures.

Telecom

5. It is recommended updated procedures be included in the Business Continuity Plan (“BCP”) and the Disaster Recovery Plan (“DRP”).

MUMPS Security

6. Requests for access or termination are followed up by a phone call to the originator stating the action is completed. However, if a Medical Center supervisor using the ‘Main System Action Form’ initiates a termination, and the form gets lost in the mail, it may not get processed. Therefore, the individual can be left on the system when he/she should be denied access. It is recommended that this process be reviewed and the possibility of this oversight removed.

North American Healthcare, Inc. (NAHC)

7. It is noted that NAHC management readily acknowledges that NAHC does not have any BCPs. It is recommended that these procedures be developed and put in place to mitigate the risk of having business functions failing without having any processes in place to address the failures.

8. A review of the completed BCP and integrated DRP should be conducted as well.

G. Data Warehouse

44

1. Unisys feels strongly that this needs to be rectified. One Data Warehouse needs to exist within Univera and it needs to be able to handle whatever data is going to be stored for future claims retrieval.

H. Conversion to and Implementation of Facets

44 - 50

1. While the information given indicated that six months of historical claims data had been loaded into Facets, there are instances where claims from June and July are not in Facets history. This is currently being addressed as it has the potential for problems for HCP.

2. Given that every transaction recorded by the systems is a financial transaction, there is no reason to commit to anything less than the highest quality and accuracy. It is understood that the Office of Change Management will establish systemic quality control processes. There are some industry recognized models such as Carnegie Mellon University’s “System Engineering Institute” (SEI) which has developed a “Capability Maturity Model” (CMM) and the International Standards Organization (ISO) 9000 series quality process. It is suggested that these models be reviewed as input to the process of

establishing quality control.

Corporate Audit and Testing

3. It is recommended that an Internal Audit department, with allegiance to no particular department be formed. The result of these audits would be an independent and uniform enforcement of standards (to be developed) across the company. The results would increase the reliability of any changes that are implemented within Univera.

HCP Implementation

4. It is recommended that Univera adopt and enforce a rigorous quality mechanism, based on CMM or ISO, in order to create a development environment where the quality of the results would enhance Univera's reputation.

5. The Model Office capabilities have not been fully exploited. This function should be in control of the implementation and IT configuration management. Model Office should reflect the corporation's structure and should include more than Facets. The term, 'configuration' in Facets refers to an aspect of table maintenance concerning members, providers, groups and other related entities. Configuration Management in IT refers to how systems are maintained and updated by controlling the versions of the software in production.

HSMC Implementation

6. During the review as to why the problems existed, it was found to be data from HCP that was the root cause of much of the problems. This is not to say that HSMC did not have errors however, the errors were compounded by the origin of the data.

Facets Configuration

7. Facets being driven by user defined and managed configuration rather than traditional IT programming presents a significant opportunity to shift Univera's approach to both quality and security in the matter of change control. There is no current plan to take advantage of this opportunity. Unisys was quite taken back by reports that Model Office standards (as such) were not applied consistently throughout the company. Unisys's position is that all persons should comply equally with the requirement of making changes to the configuration tables and there should be no exception. Maintaining the audit trail of this type of change provides the best security and assurance that the changes have been reviewed and tested.

Facets Impact on the Organization

8. Univera now should continue to work with Erisco in order to effect changes in the system.
9. Univera should take advantage of the opportunity presented by communicating with the Facets User Group to learn more ways of optimizing the Facets system. All departments should take advantage of this wealth of knowledge to learn the best practices in using Facets.
10. Organizational changes should take place, as it becomes apparent that what has been accomplished for Facets in control and implementation can be applied throughout the corporation. As Univera consolidates to a single operating company these changes may be accomplished concurrently.

Appointment No. 21633

**STATE OF NEW YORK
INSURANCE DEPARTMENT**

I, NEIL D. LEVIN, Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:

UNISYS CORPORATION

as a proper person to examine into the affairs of the

North American Healthcare, Inc.

and to make a report to me in writing of the condition of the said

Company

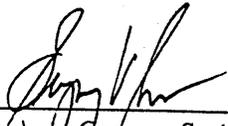
with such other information as it shall deem requisite.

*In Witness Whereof, I have hereunto subscribed by the
name and affixed the official Seal of this Department, at
the City of New York,*

this 11th day of October 2000

NEIL D. LEVIN
Superintendent of Insurance



(by) 
Gregory Serio
First Deputy Superintendent



Appointment No. 21634

**STATE OF NEW YORK
INSURANCE DEPARTMENT**

I, NEIL D. LEVIN, Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:

UNISYS CORPORATION

as a proper person to examine into the affairs of the

**The Health Care Plan
DBA Univera Healthcare – WNY Inc.**

and to make a report to me in writing of the condition of the said

Company

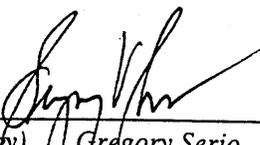
with such other information as it shall deem requisite.

*In Witness Whereof, I have hereunto subscribed by the
name and affixed the official Seal of this Department, at
the City of New York,*

this 11th day of October 2000

NEIL D. LEVIN
Superintendent of Insurance



(by) 
Gregory Serio
First Deputy Superintendent



Appointment No. 21635

**STATE OF NEW YORK
INSURANCE DEPARTMENT**

I, NEIL D. LEVIN, Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:

UNISYS CORPORATION

as a proper person to examine into the affairs of the

**Health Services Medical Corporation of Central New York, Inc.
DBA Univera Healthcare – CNY, Inc.**

and to make a report to me in writing of the condition of the said

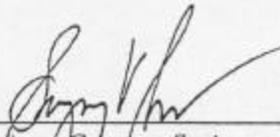
Company

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*In Witness Whereof, I have hereunto subscribed by the
name and affixed the official Seal of this Department, at
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this 11th day of October 2000

NEIL D. LEVIN
Superintendent of Insurance



(by) *Gregory Serio*
First Deputy Superintendent

