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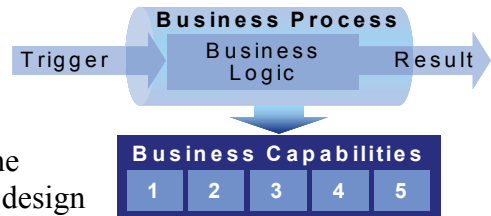
## Part I — Business Architecture

### Chapter 5 — Business Capability Matrix

#### Introduction

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This chapter presents the Medicaid IT Architecture (MITA) Business Capability Matrix (BCM) and explains its role in the MITA Framework and how States and vendors will use it to design better programs and operations and implement better Medicaid systems. One of the core MITA concepts is that business processes will mature along a predictable path.



The objective of this chapter is to answer the following questions:

- What is a business capability?
- What is the Business Capability Matrix?
- How does the Business Capability Matrix evolve?
- How do States use the Business Capability Matrix?

The BCM refers to (1) the composite of all capabilities for all business processes arrayed in a single table and (2) the subset of 1 to 5 capabilities associated with a single business process (e.g., each business process has a capability matrix).

#### Purpose

The purpose of the BCM is to describe the boundaries and behavior of each MITA business process in the context of the five levels of the MITA Maturity Model (MMM) as described in Part I Chapter 3. The BCM is one of the principal building blocks of the MITA Framework. Business capabilities link to enabling technical capabilities and are the principal drivers of business services (see Part III Chapter 4, Business Service). It is important for readers to see the BCM as the main link between the Business Architecture (BA) and the Information and Technical Architectures (IA and TA, respectively). It is a MITA principle that “business drives technology,” and it is the BCM that fills the role of the “driver.”

#### Scope

The MITA Framework 2.0 introduces the BCM in this chapter and provides a baseline package of business capability statements in Part I Appendix D. A subset of the business capability statements has been developed with significant detail, and others are represented by summary statements. The more complete business capability statements include definition of *qualities* (defined in the text below). All business capability statements require review and consensus

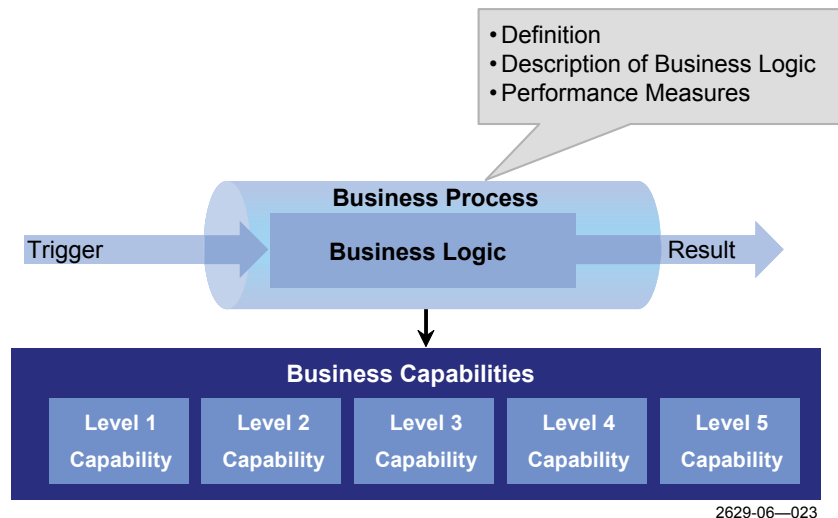
building in a collaborative effort involving the States and Centers for Medicare & Medicaid Services (CMS).

Conformance criteria are to be added in the future to support independent verification that a business process has been implemented at a specific level of maturity.

Part III Chapter 5 discusses *technical* capabilities. Technical capabilities are enablers of business capabilities. Technical capabilities are associated with the shared timeframe (0 to 10+ years) established in Part I Chapter 3, Maturity Model. The current chapter on the BCM focuses exclusively on *business* capabilities.

## What Is a Business Capability?

A business capability describes a business process at a specific level of maturity. The MMM discussed in Part I Chapter 3 defines five levels of maturity that show how the State Medicaid enterprise can and may evolve over the next 10+ years. The business capabilities result from applying the MMM's definitions of the five levels of maturity to each business process to derive specific capabilities for each process, as shown in **Figure 5-1**.



**Figure 5-1. Each Business Process Has up to Five Capabilities**

The description of a business process is neutral regarding level of maturity. That is, it merely describes a trigger event, a series of actions, and an outcome without reference to time, efficiency, impact, or other qualities of the process. The BCM, by contrast, describes how the process will change at different points in time. For example, the business process description is neutral regarding how the steps are performed (e.g., they could be all automated or all manual), while the business capability statements and the qualities differentiate between manual and automated steps (e.g., Enroll Provider at Level 1 allows for manual receipt and processing of

enrollment applications, but Level 3 business capabilities and qualities require extensive automation).

A capability is the competence of an individual, organization, or system to perform a function or process. There are two types of capabilities: business and technical. The levels of maturity show progress from the current (As-Is) business capabilities (Levels 1 and 2) to future (To-Be) business capabilities (Levels 3 through 5) that reflects the vision for the Medicaid enterprise. Each higher level brings more operational effectiveness to the Medicaid enterprise than the prior level. Technical capabilities are enablers of business capabilities.

The BA discusses the business capabilities associated with a business process. The TA discusses technical capabilities that enable business capabilities. There is no one-to-one match between business and technical capabilities. Rather, technical capabilities are associated with a maturity level through the time axis (i.e., some capabilities exist now and others likely will become available in the future). This chapter focuses exclusively on business capabilities.

The MMM contains the guidelines for defining capabilities at the five levels of maturity, offering a general statement about the nature of each level and a set of qualities<sup>1</sup> that further explain the level. The qualities can be used to further differentiate between the levels (e.g., what it means to be at Level 2 or Level 4). The general definition of the levels of maturity is shown in **Table 5-1**.

**Table 5-1. Each Business Capability Level Aligns with the General Description of the Same Level in the MMM**

Business Capability Levels Align with the MITA Maturity Model				
Level 1	Level 2	Level 3	Level 4	Level 5
Agency focuses on meeting compliance thresholds for State and Federal regulations, aiming primarily at accurate enrollment of program eligibles and timely and accurate payment of claims for appropriate services.	Agency focuses on cost management and improving the quality of and access to care within structures designed to manage costs (e.g., managed care, catastrophic care management, and disease management).	Agency focuses on coordinating and collaborating with other agencies to adopt national standards and develop and share reusable business processes to improve the cost effectiveness of healthcare service delivery. Agency promotes intrastate data exchange.	Agency, now with widespread and secure access to clinical data, can improve healthcare outcomes, empower beneficiaries and provider stakeholders, measure objectives quantitatively, and focus on program improvement.	Agency can now focus on fine tuning and optimizing program management, planning, and evaluation, with national (and international) interoperability improvements that maximize automation of routine operations.

<sup>1</sup> “Qualities” are synonymous with characteristics or attributes.

Each general description of a level is supplemented by more specific definitions in a set of qualities. Qualities represent aspects of capabilities that are measurable, such as the following:

- Timeliness of business process
- Data accuracy and accessibility
- Ease of performance/efficiency
- Cost effectiveness
- Quality of process results
- Value to stakeholders

**Table 5-2** gives examples of two definitions of qualities that help to differentiate the five levels of maturity.

**Table 5-2. Each Business Capability Level Differs in Detailed, Measurable Ways**

Qualities Help to Define the Different Levels of Capability				
Level 1	Level 2	Level 3	Level 4	Level 5
<b>Quality: Timeliness of Process</b>				
Business process meets threshold or mandated requirements for timeliness (e.g., the process achieves results within the time specified by law, regulation, or regulation).	Business process timeliness improves through use of Web portal, EDI, or other forms of automation. Business processes that reduce costs are given priority. Timeliness exceeds legal requirements.	Timeliness improves via interagency collaboration, use of data sharing, standards, and State/regional information exchange hubs.	Clinical data is available in real time. Processes that use clinical data result in immediate action, response, and results. State or regional stakeholders are interoperable, which further improves timeliness.	Processes improve further through connectivity with other States and with Federal agencies. Most business processes are executed at the point of service. Results are as close to immediate as can be currently envisioned.
<b>Quality: Effort to Perform; Efficiency</b>				
Most business processes are labor-intensive and "stovepiped."	Business processes that reduce costs are given priority.	Business processes require less agency effort, and agency increases efficiency with State and regional data exchange, collaboration, and adoption of data standards.	Business processes are transformed and efficiency is optimized through access to clinical data. Agency transforms operations from labor-intensive to strategic planning.	Agency, with national interoperability, extends gains achieved at Level 4 to the maximum that can be currently envisioned.

The general description of the business capability and the additional information provided in the qualities combine to establish clear boundaries between levels. In addition, the quality statements can be reshaped into conformance criteria in the future. Conformance criteria would enable States, CMS, and vendors to verify that a business process is functioning at a specified level. CMS envisions a community effort to gradually evolve the BCM by refining the quality statements and adding conformance criteria.

**Table 5-3** illustrates the relationships among maturity level, business capability, capability quality, and conformance criteria. All business capability statements, qualities, and conformance criteria are traceable to the MMM definition of five levels.

**Table 5-3. Traceability from Maturity Model to Business Capability Matrix**

Maturity Level: Generic description of boundaries of the different levels; base for all capability statements	1	2	3	4	5
Maturity Level Quality: Generic description of 6 qualities used to further differentiate Levels 1 through 5					
Capability Description: Specific definition of the capability of a business process at a designated level of maturity (there is one-to-one alignment between the maturity level and the capability statement)					
Quality Definition: One to six quality statements to further refine the meaning of each capability (there is one-to-one alignment between a maturity level quality and a business capability quality); the business capability quality is tailored to a specific business process					
Conformance Criteria: Each capability description and/or quality definition can be restated as conformance criteria used to determine if a business process is performing at a stated level of maturity (conformance criteria have not been defined)					

**Table 5-4** gives an example of the business process Enroll Provider and its associated business capabilities for maturity Levels 1 through 5. The Enroll Provider business process is a series of activities (e.g., verify information or assign ID) triggered by an event (Receive Application) that results in a notification concerning the status of the application. The business capability describes the business process at a specific level of maturity. In the Enroll Provider example, each higher level of maturity introduces new and enhanced functionality, information, and results.

**Table 5-4. The Enroll Provider Business Process Has Five Levels of Maturity**

Enroll Provider Business Capabilities				
Level 1	Level 2	Level 3	Level 4	Level 5
Agency reviews (nonstandard) application data and validates much of it manually. Agency conducts verification by contacting internal and external sources via phone or fax. Agency decisions may be inconsistent. Agency requires a large staff. Agency decisions may take several days.	Agency receives standardized and automated applications that providers can submit via a portal. Agency conducts verification by a mix of manual and automated steps. Agency decisions improve in consistency. Agency requires fewer staff. Agency decisions take less time.	Agency reviews application data that is standardized nationally ("one-stop shop" within a State or region). Almost all verifications can be automated, though agency may continue to take some manual steps. Agency decisions are consistent. Agency decisions can be immediate.	Agency receives internal and external validation sources, notices of change in provider status, and recertification notices automatically. Agency can access clinical data directly and use it to process enrollment requests. Agency takes manual steps only to handle exceptions. Agency decisions can be immediate.	Agency can send or receive enrollment process inquiries on provider status to or from any other State or Federal agency or other entity. Data exchange partners can send notifications regarding providers enrolled with the Medicaid program in any State.

The MMM and the BCM share the same five levels. A maturity level and a capability level are, therefore, one and the same. The difference is that the MMM provides a generic definition of each level, while the BCM provides a definition for a specific business process at one through five levels of maturity. A *maturity level* is generic and applies to any business process, while a *capability level* is specific to a single business process.

Qualities are added to the basic description of capabilities to further explain the difference between the levels. The intention is to refine the qualities until they become measurable.

**Table 5-5** shows the application of two qualities to Enroll Provider: “Effort to perform; efficiency” and “Cost effectiveness.”

**Table 5-5. Qualities Differentiate the Different Levels of Enroll Provider**

Enroll Provider: Examples of Business Capability Qualities				
Level 1	Level 2	Level 3	Level 4	Level 5
Quality: Effort to perform; efficiency				
Agency contacts internal and external credentialing and verification sources via phone or fax. Agency needs a large staff to meet targets for manual enrollment of providers.	Agency continues to enroll by siloed programs according to program-specific rules. Providers can submit on paper and electronically via a portal, which improves turnaround time. Verifications are a mix of manual and automated steps.	Agency receives most applications electronically, in conformance with MITA standard interface requirements. Agency collaborates with other agencies on provider enrollment processes (one-stop shop). Manual steps continue only for exceptions.	Any data exchange partner can send or receive a notification regarding a provider enrolled with the State Medicaid program. Internal and external validation sources automatically send notices of change in provider status, which eliminates the need to reverify and helps agency identify sanctioned providers in real time.	Any data exchange partner can send or receive a notification regarding a provider enrolled with any program in the U.S. Nationally interoperable validation sources automatically send notices of change in provider status, which eliminates the need to reverify and helps the agency identify sanctioned providers in real time anywhere in the U.S.
Quality: Cost effectiveness				
Agency requires a large staff for this process.	Process requires fewer staff and produces better results than Level 1.	Process requires fewer staff and produces better results than Level 2. Shared processes and interagency collaboration combine to streamline the process.	Process fully automated and access to clinical data allows staff to become a core team of professionals who monitor provider network performance.	Same as Level 4, with additional benefit of access to sources of information nationally.

The following business capability statements map to the five levels of maturity. (The Authorize Service business process is used to show a different example from Enroll Provider.)

### Level 1

A State Medicaid agency receives Authorize Service requests manually in nonstandard formats (e.g., on paper or by telephone or fax). Professional staff reviews these requests individually against printed guidelines and respond to them via mail or fax. The business process complies

with State and Federal statutes, regulations, and policies on timeliness. However, time lags, inconsistent decisions, and delays in processing inhibit the delivery of patient care. Clinical information that could help decision making is difficult to access, and accessing this information causes further delays.

Level 1 reflects the capabilities seen in many of today's Authorize Service operations.

### **Level 2**

A State Medicaid agency receives requests electronically. Professional staff reviews these requests individually against guidelines and responds to them electronically. The agency responds faster when delivering patient care, though inconsistency in decisions continues. A number of States demonstrate Level 2 capabilities for the Authorize Service business process.

### **Level 3**

A State Medicaid agency incorporates automated business rules to streamline its responses to requests. Agency decision making becomes more consistent, and the agency reduces manual interventions. Electronic prescribing and treatment referrals and data-sharing protocols let providers share service authorization information. Collaboration across programs supports a “one-stop shop” for service authorizations.

### **Level 4**

A State Medicaid Agency adds direct access to clinical data, which increases the reliability and consistency of its authorization decisions and frees its clinical review staff to focus on exceptions. The agency empowers beneficiaries to make personal treatment decisions, increasing both provider and patient satisfaction and efficiency in program operations.

### **Level 5**

A State Medicaid agency is fully interoperable with other State, local, and Federal agencies, providing complete, virtual patient clinical data and national clinical guidelines. The agency can authorize or deny most services instantly at the point of service, leading to increased patient safety, more positive health outcomes, and minimum operational costs.

## **What Is the Business Capability Matrix?**

The Business Capability *Matrix* refers to the collection of all business capabilities for all business processes contained in MITA Framework 2.0. In this context, *matrix* refers to (1) the composite of all business processes and their associated capabilities arrayed in a single large table or (2) the capabilities and qualities associated with a single business process.

The MITA Framework presents business capabilities for each business process within each business area. For example, if a business area contains eight business processes and each process has five business capabilities, then the business area has 40 business capabilities in total (i.e., the maximum number for this business area). Some business processes will have fewer than five capabilities because they are predicted to become obsolete. The BCM will always be a work in

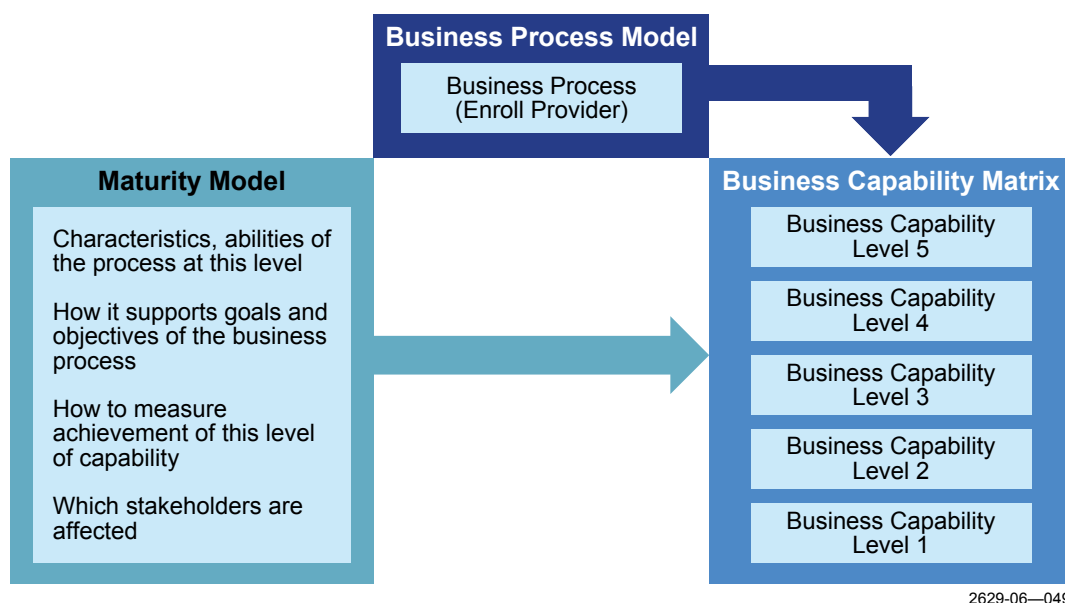


progress to reflect the reality of rapid policy changes and emerging technology. Part I Appendix D, Business Capability Matrix Details, contains the BCM. Business capabilities have been developed in detail for Provider, Member, and Operations Management business processes. Many of these have completed Quality definitions. The remaining business areas are represented at a higher level and require participation from the Medicaid community to complete.

The methodology for creating the BCM used the following steps:

1. Select a business process.
2. Consult the MMM description and qualities for each level.
3. Apply the MMM description and qualities to the business process and envision what the individual process looks like as it improves over the next 10+ years.
4. Document the business capabilities and their qualities for each business process.

**Figure 5-2** shows the relationship between the MMM, the business process, and the BCM.



**Figure 5-2. MMM Definitions Are Applied to the Business Process to Derive Its Business Capabilities**



**Figure 5-3** illustrates a fully populated BCM. Each cell would contain the full description of the capability and its qualities (in the future, conformance criteria will be added).

Business Process	Maturity Level 1	Maturity Level 2	Maturity Level 3	Maturity Level 4	Maturity Level 5
Enroll Provider	Level 1 Capability	Level 2 Capability	Level 3 Capability	Level 4 Capability	Level 5 Capability
Authorize Service	Level 1 Capability	Level 2 Capability	Level 3 Capability	Level 4 Capability	Level 5 Capability
Adjudicate Claim	Level 1 Capability	Level 2 Capability	Level 3 Capability	Level 4 Capability	Level 5 Capability
Verify Eligibility	Level 1 Capability	Level 2 Capability	Level 3 Capability	Level 4 Capability	Level 5 Capability

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**Figure 5-3. A Fully Populated Business Capability Matrix**

Appendix D lists the business capabilities contained in MITA Framework 2.0 (approximately 400 capability statements, i.e., up to five per business process). Those capabilities are unevenly distributed across the business areas because some business areas have more (sometimes many more) processes than others.

### **Some Caveats Regarding the BCM**

- The 10+ year MMM and business capability timeline is divided into five levels of maturity, based on maturity models used in other industries and the limits of our ability to envision the future. Changes in enabling technology and legislation (which is discussed in Part I Chapter 2, Concept of Operations) will affect MITA models. The MITA Framework has the flexibility to adapt as changes occur.
- By documenting the vision of the different levels in the MMM, one can trace through the Framework from Medicaid and MITA goals and objectives through the MMM and into the individual business capabilities.
- Business capabilities are clearly understood at Levels 1 through 3. Levels 1 and 2, for example, are found in many State Medicaid operations today. Level 3 is a target that we believe is achievable over the next 3 years. Levels 4 and 5 depend more on future developments in technology, enabling legislation, and funding. Therefore, Levels 4 and 5 will require updating as changes occur.
- Some business processes will be replaced by new processes in time. If a paradigm shift occurs in the way Medicaid does business, a current process becomes obsolete and a new one will take its place. The MMM envisions the possibility of paradigm shifts happening primarily at Levels 4 and 5. For example, prior authorization under the current business model, in which a provider sends a request and receives approval, can be replaced by direct communication between the provider's system and the Medicaid enterprise system. This is possible at Level 4 based on notifications triggered by new clinical information entered into a patient's health record. At this point, the Trigger,

Result, and Action steps differ qualitatively from those at Levels 1 through 3, and a new business process and new capabilities need to be defined.

- Each new business process has an initial capability. The level of the capability indicates in general when the process is available. Both the old and the new processes remain in the model because some States may have implemented the new capabilities even as other States continue to use the older versions.
- CMS asks States to use the BCM to assess their current levels of maturity for each business process. However, the BCM is not a report card. There is no “score” for being at Level 1 or 2 versus being at a higher level. At the same time, CMS encourages States to apply increased funding to improve their processes and move to a higher level of capability.
- We do not expect States to be called “Level 1 States” or “Level 2 States,” nor do we expect them to move all of their business processes from a single lower level to a single higher level at one time. We see the process as an evolution or transformation over time — a journey that each State will chart for itself.

## How Does the Business Capability Matrix Evolve?

Over the next 10+ years, CMS foresees that maturing business capabilities can transform the Medicaid enterprise and that transformation will be a constant. Even as State Medicaid enterprises evolve, there are always increased functionality and better performance outcomes just around the corner. States do not have to achieve the higher levels of capability all at once for all business processes. The MITA Framework encourages growth and transformation by showing the benefits of improving State operations and provides tools to help States achieve that transformation.

## How Do States Use the Business Capability Matrix?

The MITA team has developed a first draft of business capabilities (see Part I Appendix D). CMS is asking States to collaborate with the MITA team to refine the capability statements and qualities and reach a consensus regarding the fairness, applicability, reasonability, and measurability of the capabilities. The BCM is to be used as a leveling tool to measure State performance in achieving higher levels of maturity.

CMS intends States to use the BCM to perform a self-assessment to establish their current maturity level for each business process and select higher levels for future improvements. CMS encourages States to develop a strategic plan for continuous improvement, targeting Level 3 now and Levels 4 and 5 later. See Part I Chapter 6, State Self-Assessment, for more detail on this process.