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**42 CFR Ch. IV (10–1–13 Edition)**

must participate in an ECM system and who may decline to do so. If the State exercises this option and wishes to receive FFP for its ECM system, the system must meet the functional and additional procurement and system requirements in paragraphs (b) and (c) of this section.

(b) *Functional requirements.* The ECM system developed by the State must include at least the on-line, real-time capabilities specified in paragraphs (b)(1) through (3) of this section. The real-time requirement for prescriptions filled for nursing facilities and prescriptions filled by mail order dispensers may be waived by the State to permit claims to be processed in the batch mode at the end of the day or other time mutually agreed to by the nursing facility or mail order dispenser and Medicaid agency.

(1) Eligibility verification, including identification of the following:

- (i) Third-party payers.
- (ii) beneficiaries in managed care programs.
- (iii) beneficiaries and providers in restricted service programs (for example, lock-in and lock-out).
- (iv) Properly enrolled providers.

(2) Claims data capture, including the following:

- (i) Transfer of claims information from the pharmacy to the Medicaid agency or the Medicaid agency's contractor.
- (ii) Identification of prescriber.
- (iii) Minimum data set (as defined in Part 11 of the State Medicaid Manual).

(3) Claims adjudication, including the following:

- (i) Performing all edits and audits contained in the State's Medicaid Management Information System (MMIS) applicable to prescription drugs.
- (ii) Notifying the pharmacist (or other authorized person, such as the dispensing physician) about the claim status.
- (iii) Taking steps up to, but not including, payment of the claim.

(c) *Additional requirements.* In order to receive FFP for its ECM system, the State must meet the following requirements:

(1) The ECM system must be acquired through applicable competitive procurement process in the State and

must be the most cost-effective telecommunications network and automatic data processing services and equipment. The procurement must meet the procurement requirements set forth in 45 CFR part 74, subpart P, and appendix G-O of OMB circular A-102. The request for proposal (RFP) may be substituted for the advance planning and implementation documents otherwise required by part 433 of this chapter, 45 CFR 95.205, and 45 CFR part 307. A cost-benefit analysis must accompany the RFP. If in its advance planning document, a State establishes that a separate procurement is not cost-effective, modification of an existing fiscal agent contract will be acceptable. In this case, procurement of network services and equipment (but not software modifications) must be competitively procured.

(2) States wishing to do prospective DUR as part of their ECM must do the following:

- (i) Submit a cost benefit analysis showing the cost-effectiveness of such a system. A State's decisions as to who must participate in the ECM system and who may decline to do so must be included in the cost-benefit analysis.
- (ii) Establish a central State-wide electronic repository for capturing, storing, and updating data for all prescriptions dispensed and for providing access to such data by all authorized participants.
- (iii) Design the system to assess data for a review of drug therapy before each prescription is filled or delivered to a Medicaid beneficiary. The type of review conducted must meet the requirements for prospective drug review set forth in § 456.705.

(3) ECM is considered a subsystem and must be fully integrated with the remainder of the State's MMIS. In addition, information about ECM claims must be part of the single comprehensive utilization and management reporting system used by the DUR program.

**§ 456.725 Funding of ECM system.**

(a) For funds expended during calendar quarters in fiscal years 1991 and 1992 and attributable to the design, development, and implementation of an on-line, real-time claims management

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system (that is, the most cost-effective telecommunications network and automatic data processing services and equipment) that meets the requirements of § 456.722, FFP is available at a matching rate of 90 percent. After fiscal year 1992, ECM subsystems are funded at the standard applicable MMIS enhanced rates, subject to the requirements of part 433, subpart A of this chapter.

(b) FFP is available at a matching rate of 75 percent for funds expended for the following:

(1) Telecommunications equipment and other equipment to directly access MMIS files.

(2) Telecommunications equipment (such as modems and point of sale terminals) furnished to providers.

(3) Operational costs including telecommunications network costs, provided that the ECM system includes eligibility verification systems, electronic claims capture, claims adjudication (except for payment), and a claims data process that is integrated into a single comprehensive utilization and information reporting system.