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# Part I – BUSINESS ARCHITECTURE

## Chapter 5 – BUSINESS CAPABILITY MATRIX

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## Introduction

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This chapter presents the Medicaid IT Architecture (MITA) Business Capability Matrix (BCM), defines its role in the MITA Framework, and explains how States and vendors use it to design better programs and improve operations. The combination of the BCM, the Business Architecture (BA), and the State Self-Assessment (SS-A) template provides a mechanism for a State Medicaid Agency (SMA) to measure the maturity level of its State Medicaid Enterprise and to indicate how its BA will mature along a predictable path.

The topics of this chapter include:

- ❖ Business Capability
- ❖ Business Capability Matrix
- ❖ Performance Monitoring
- ❖ Business Capability Matrix Evolution
- ❖ Business Capability Matrix and State Self-Assessment

***The BCM refers to the composite of business capability statements, with defined criteria across five (5) levels of maturity for each of the business processes within the MITA Framework.***

## Purpose

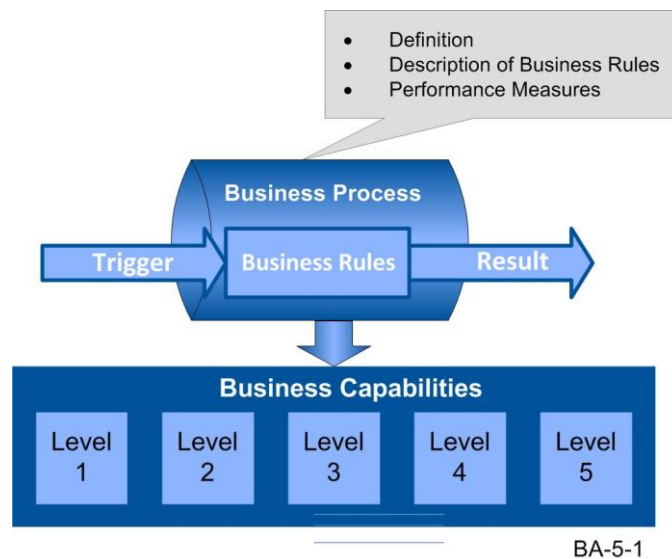
The purpose of the BCM is to describe the boundaries and behavior of each MITA business process in the context of the five (5) levels of MITA Maturity. Business capabilities illustrate how a business process matures and improves over time. Information capabilities (see Part II, Chapter 6, Information Capability Matrix) include data management strategies, and data models and data identified in the business capabilities that enable technical capabilities. Technical capabilities (see Part III, Chapter 7, Technical Capability Matrix) are enablers of business capabilities. Technical capabilities are enablers that support the business process at specific levels of maturity or technologies that promote MITA goals and objectives (e.g., flexibility, adaptability, and interoperability). There is no one-to-one match between business, information, and technical capabilities. The BCM is the primary tool for selecting the appropriate level of maturity.

## Scope

The BCM provides specific business capability statements with defined criteria across five (5) levels of maturity for each MITA business process. Part II, Chapter 6, Information Capability Matrix, defines the information capabilities for each of the MITA business areas. Part III, Chapter 7, Technical Capability Matrix, defines technical capabilities for each of the MITA business areas. This BCM chapter focuses exclusively on business capabilities.

## Business Capability

A business capability describes a business process at a specific level of maturity. The MITA Maturity Model (MMM) discussed in Part I, Chapter 3, MITA Maturity Model defines five (5) levels of maturity that show how the State Medicaid Enterprise should evolve over time. The business capabilities result from applying the MMM definitions of the five (5) 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 Business Capabilities**

The description of a business process in the Business Process Model (BPM) is neutral regarding the level of maturity. That is, the BPM 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 performance of the process changes at different points along the maturity scale. For example, the business process description is neutral regarding how to perform the steps (e.g., all automated or all manual), while the business capability statements differentiate between the manual or automated nature of each process at each maturity level.

***A capability is the competence of an individual, organization, or system to perform a function or process. There are three (3) types of MITA capabilities: business, information, and technical. The levels of maturity show progress from the As-Is (current) operations to the To-Be (future) environment and reflect the vision for the Medicaid Enterprise. Each higher level of capability brings more operational effectiveness to the Medicaid Enterprise than the prior level.***

The MMM contains the guidelines for defining capabilities at the five (5) levels of maturity, offering a general statement about the nature of each level and a set of qualities that further explain the level. The qualities further differentiate between the levels (e.g., what it means to be at Level 2 or Level 4). **Table 5-1** shows the general definitions of the levels of MITA maturity.

**Table 5-1. Business Capability Levels Align with the MITA Maturity Model**

<b>Business Capability Levels Align with the MITA Maturity Model</b>				
<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Level 4</b>	<b>Level 5</b>
The agency focuses on compliance with regulatory requirements for enrollment of providers and members, and payment of claims within a specified timeframe to encourage the participation of providers and thereby promote access to care.	Improved health care outcomes are a by-product of new, creative programs primarily focused on managing costs, e.g., managed care and waiver programs.	There is widespread adoption and use of national standards for administrative data, and sharing of business services that provides a better base for comparing outcomes. Coordination and collaboration across intrastate health care programs contributes to improved outcomes.	All stakeholders have access to clinical data that produces a major leap forward in analysis of health care outcomes, which empowers member and providers to make decisions affecting outcomes.	The SMA meets goal in the most comprehensive way we can predict at this time through joining the gains of previous Levels with national interoperability. Agencies now have access to necessary data to compare outcomes across a broad spectrum of other agencies and States.

The MMM serves as a guide for defining business capability statements for each business process at Levels 1 through 5. The BCM provides descriptions of expected functionality as the Medicaid Enterprise matures from one level to the next. Business capability qualities represent aspects of capabilities that are objective and measurable, such as the following:

- ❖ Timeliness of business process
- ❖ Data accuracy and accessibility
- ❖ Effort to perform business process; the efficiency of business process
- ❖ Cost effectiveness
- ❖ Accuracy of business process results
- ❖ Utility or value to stakeholders

The general description of the business capability and the additional information provided in the business qualities combine to establish clear boundaries between levels. In addition, the quality statements evolve into conformance criteria. Conformance criteria enable States, the Centers for Medicare & Medicaid Services (CMS), and vendors to verify that a business process is functioning at a specified level.

**Table 5-2** provides two examples of how business capability qualities help to differentiate between the five (5) levels of MITA maturity.

**Table 5-2. Each Business Capability Level Differs**

<b>Qualities Help to Define the Different Levels of Capability</b>				
<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Level 4</b>	<b>Level 5</b>
<b>Quality: Timeliness of Process</b>				
Process meets threshold or mandated requirements for timeliness (i.e., the process achieves results within the time specified by law or regulation).	Process timeliness improves through use of automation.  Timeliness exceeds legal requirements.	Timeliness improves via collaboration, data sharing, and use of intrastate information exchange hubs. Timeliness exceeds Level 2.	Clinical data is available in near real time. Processes using clinical data provide immediate action, response, and results. State or regional stakeholders are interoperable, optimizing timeliness, which further improves timeliness over Level 3.	The SMA enhances timeliness of business process through connectivity with other States and federal agencies. Most business processes execute at the point of service. Results are as close to immediate, which further improves timeliness over Level 4.
<b>Quality: Effort to Perform; Efficiency</b>				
Process is labor intensive. The SMA wastes effort or expense to accomplish tasks. Process meets minimum state process guidelines and SMA performance	Automation and state standards increase productivity. Efficiency is higher than Level 1.	The SMA adopts MITA Framework, industry standards and information exchange with intrastate agencies and entities improving efficiency over Level 2.	The SMA adopts MITA Framework, industry standards and information exchange with interstate agencies and entities improving efficiency over	The SMA adopts MITA Framework, industry standards and information exchange with national agencies and entities improving

Qualities Help to Define the Different Levels of Capability				
Level 1	Level 2	Level 3	Level 4	Level 5
standards. Efficiency is low.			Level 3.	efficiency over Level 4.

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

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

Maturity Model to Business Capability Matrix					
Description	1	2	3	4	5
<b>Maturity Level:</b> Generic description of boundaries of the different levels; base for all capability statements					
<b>Maturity Level Quality:</b> Generic description of six (6) qualities used to further differentiate Levels 1 through 5					
<b>Capability Description:</b> 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)					
<b>Quality Definition:</b> One (1) to six (6) 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 unique to a specific business process					
<b>Performance Measures:</b> Where applicable the capability description and/or quality definition includes performance standards to determine if a business process is performing at a stated level of maturity. CMS intends to provide additional guidance concerning performance standards—both functional and non-functional, and with respect to Service Level Agreements (SLA) and Key Performance Indicators (KPI).					

**Table 5-4** gives an example of the business process Determine Provider Eligibility and associated business capabilities for maturity Levels 1 through 5. The Determine Provider Eligibility business process is a series of activities (e.g., verify information or assign ID) triggered by an event (e.g., receipt of application, revalidation due) 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 Determine Provider Eligibility example, each higher level of maturity introduces new and enhanced functionality, information, and results.

**Table 5-4** does not match Part I, Appendix D, Business Capability Matrix Details, as Appendix D contains more details with the levels of maturity associated with the BCM capability qualities for each business process.

**Table 5-4. The Determine Provider Eligibility Levels of Maturity**

<b>Determine Provider Eligibility Business Capabilities</b>				
<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Level 4</b>	<b>Level 5</b>
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 nationally standardized application data (“one-stop shop” within a state or region). Agency automates almost all verifications though it 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 accesses clinical data directly and uses it to process enrollment requests. Agency takes manual steps only to handle exceptions. Agency decisions can be immediate.	Agency sends or receives 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 (5) levels. The difference is that the MMM provides a generic definition of each level, while the BCM provides a definition for a specific business process for each of the five (5) 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.***

Business Capability Qualities detail the basic description of capabilities to explain the difference between the levels. The intention is to refine the qualities until they become measurable.

For those performance standards that are *unique for each of the levels* of capabilities, the MITA team uses the following maturity indication:



- ❖ Level 1 – SMA does not conduct performance monitoring.
- ❖ Level 2 – SMA defines performance standard(s).
- ❖ Level 3 – SMA defines Level 3 performance measure(s) and metric(s) with baseline performance targets.
- ❖ Level 4 – SMA defines Level 4 performance measure(s) and metric(s) with baseline performance targets.
- ❖ Level 5 – SMA defines Level 5 performance measure(s) and metric(s) with baseline performance targets.

For those performance standards that are the same for the each of the levels of capabilities, the MITA team uses the following maturity indication:

- ❖ Level 1 – SMA does not conduct performance monitoring.
- ❖ Level 2 – SMA defines performance standard(s).
- ❖ Level 3 – SMA defines performance measure(s) and metric(s) with baseline performance targets.
- ❖ Level 4 – SMA improves performance measure over Level 3.
- ❖ Level 5 – SMA improves performance measure over Level 4.

**Table 5-5** shows an example of the application of two qualities to Determine Provider Eligibility. The two qualities include the Effort to Perform; Efficiency and Cost Effectiveness.

**Table 5-5. Qualities of Determine Provider Eligibility**

<b>Determine Provider Eligibility Business Capability Qualities</b>				
<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Level 4</b>	<b>Level 5</b>
<b>Business Capability Quality: Effort to Perform; Efficiency</b>				
Process is labor intensive. Agency wastes effort or expense to accomplish tasks. Process meets minimum state process guidelines and agency performance standards. Efficiency is low.	Automation and state standards increase productivity. Efficiency is higher than Level 1.	The SMA adopts MITA Framework, standard interfaces, and other nationally recognized standards for intrastate agencies and entities information exchange improving efficiency to 99%.	The SMA adopts MITA Framework, standard interfaces, and other nationally recognized standards for regional agency and entities information exchange improving efficiency to 99%.	The SMA adopts MITA Framework, standard interfaces, and other nationally recognized standards for national agencies and entities information exchange improving efficiency to

<b>Determine Provider Eligibility Business Capability Qualities</b>				
<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Level 4</b>	<b>Level 5</b>
				99%.
<b>Business Capability Quality: Cost-effectiveness</b>				
High relative cost due to low number of automated, standardized tasks.	Automation improves process and allows focus on exception resolution, improving cost effectiveness ratio over Level 1.	The SMA adopts MITA Framework, nationally standardized enrollment applications and verification, standard interfaces, and other nationally recognized standards further improving cost effectiveness ratio over Level 2.	The SMA adopts MITA Framework, nationally standardized enrollment applications and verification standard interfaces, and other nationally recognized standards for regional exchange improving cost effectiveness ratio over Level 3.	The SMA adopts MITA Framework, nationally standardized enrollment applications and verification standard interfaces, and other national recognized standards for national (and international) exchange improving cost effectiveness ratio over level 4.

The following example business capability statements map to the five (5) levels of maturity. The Authorize Service business process shows a different example from Determine Provider Eligibility.

### **LEVEL 1**

The SMA receives Authorize Service requests manually in nonstandard formats (e.g., on paper, by telephone or fax). Professional staff review these requests individually against printed guidelines and respond to them via postal mail or fax. The business process complies with state and federal statutes, regulations, and policies on timeliness; time lags, inconsistent decisions, and delays in processing inhibit the delivery of patient care. Clinical information that aids in decision making is difficult to access, and causes further delays.

### **LEVEL 2**

The SMA receives requests electronically. Professional staff review these requests individually against guidelines and respond 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

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

### LEVEL 4

The SMA 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 members to make personal treatment decisions, increasing both provider and patient satisfaction and efficiency in program operations.

### LEVEL 5

The SMA 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.

## Business Capability Matrix

The BCM refers to the collection of all business capabilities for all business processes contained in MITA Framework. In this context, matrix refers to the composite of all business processes and their associated capabilities arrayed in a single large table, or 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 (8) business processes and each process has six (6) business capability qualities then the business area has forty-eight (48) business capabilities in total. The BCM is adaptable in order to reflect the reality of rapid policy changes and emerging technology. The MITA team, States, and CMS work together to define the BCM as changes occur to the Medicaid Enterprise. Part I, Appendix D, Business Capability Matrix Details, contains the BCM for each of the MITA business processes.

The methodology for creating the BCM uses 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 predict what the individual process looks like as it improves over time.
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.

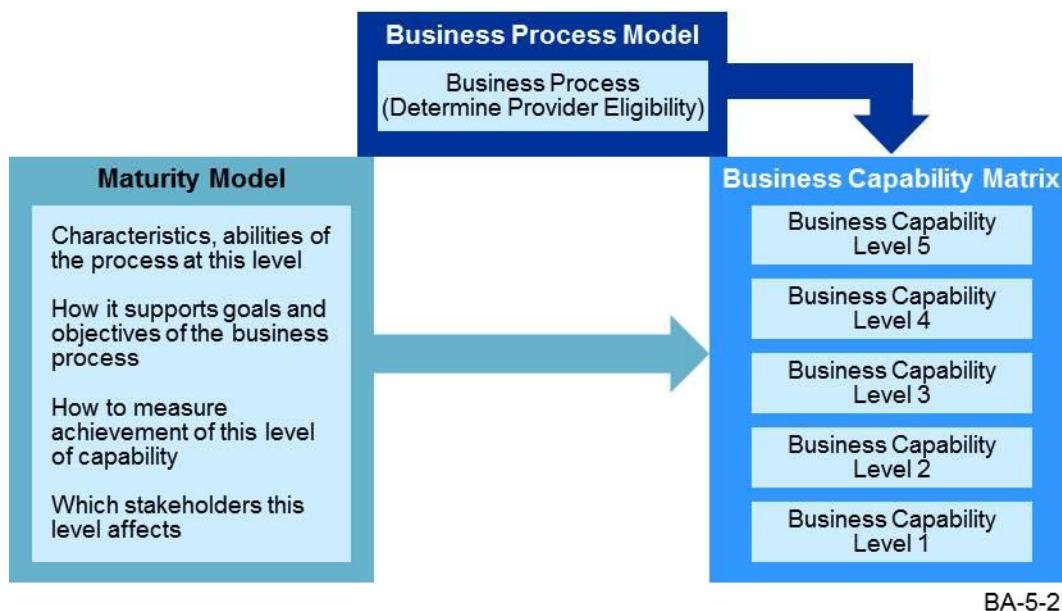


Figure 5-2. MMM Definitions Derive Business Capabilities

## Performance Monitoring

The MITA Framework aligns with IT Guidance architecture principles, requiring state systems development and enhancement projects to define and conduct system performance monitoring:

- ❖ Ensure quality, integrity, accuracy, and usefulness of functionality and information.
- ❖ Provide timely information transaction processing, including maximizing real-time determinations and decisions.
- ❖ Ensure systems are highly available and respond in a timely manner to customer requests.

An example of business-driven performance monitoring methodology is the Federal Enterprise Architecture (FEA) Performance Reference Model (PRM) as shown in **Figure 5-3**. The PRM framework articulates the cause-and-effect relationship between inputs, outputs, and outcomes. The PRM includes associated integration of data collection for strategic performance standards, outcome analysis, and reporting. The PRM provides common output measurements as a way to correlate policy changes, program changes, and business process changes.

***Do not confuse the PRM reference models with the MITA Framework. The PRM Business Reference Model (BRM) Levels 1-3 is not the same as the MITA Maturity Model Matrix maturity Levels 1-5.***

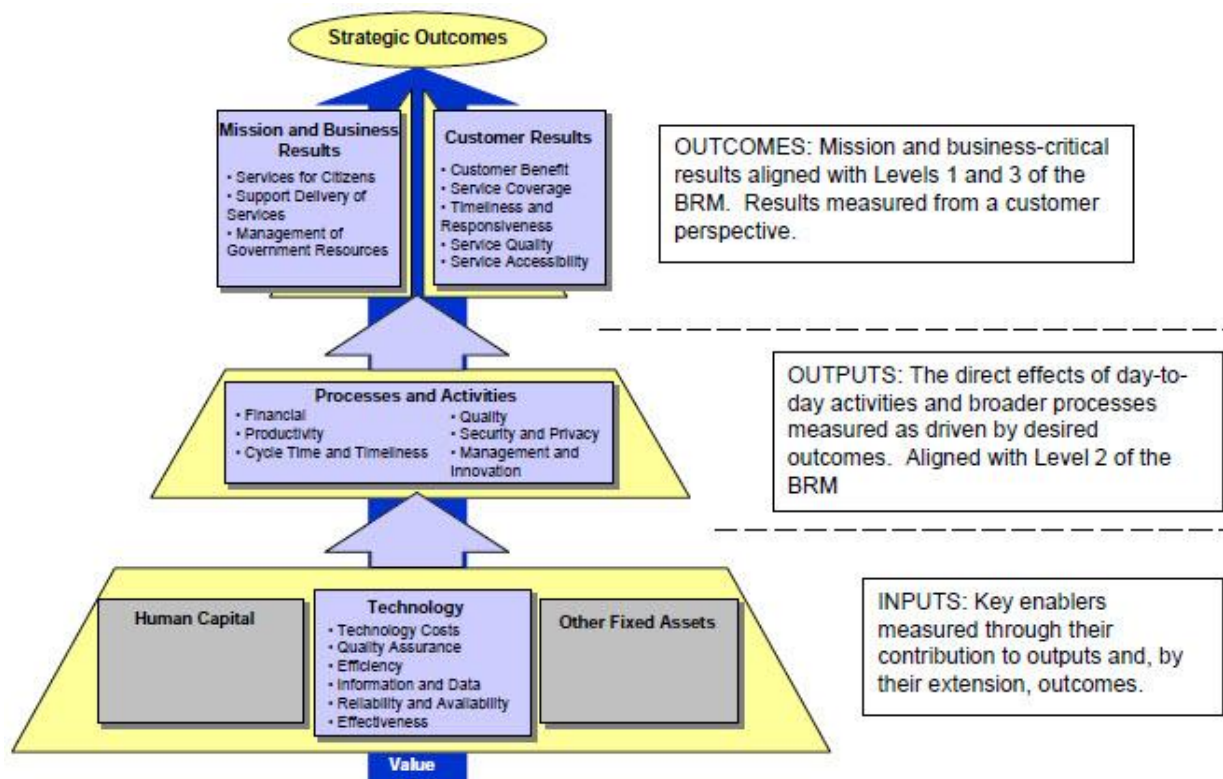


Figure 5-3. FEA Performance Reference Model Example

According to the *FEA Consolidated Reference Model Document Version 2.3*, October 2007, the PRM includes four (4) tiers structure around Measurement Areas, Categories, Groupings and Indicators. The following defines each hierarchy within the PRM framework:

- ❖ **Measurement Areas** – The high-level organizing framework of the PRM capturing aspects of performance at the output levels. This layer directly links to the performance objectives established at the agency and program levels.
- ❖ **Measurement Categories** – A collection within each measurement area describing the attribute or characteristic to measure.
- ❖ **Measurement Groupings** – Further refinement of categories into specific types of measurement indicators.
- ❖ **Measurement Indicators** – The specific measures (e.g., number and/or percentage of customers satisfied) tailored for a specific Business Reference Model Line of Business or Sub-function, agency, program, or IT initiative.

The PRM six (6) measurement areas include the following:

- ❖ Mission and Business Results Measurement Area
- ❖ Customer Results Measurement Area
- ❖ Processes and Activities Measurement Area

- ❖ Technology Measurement Area Human Capital Measurement Area
- ❖ Other Fixed Assets
- ❖ Human Capital

The MITA Framework provides guidance for a basic three (3) tier performance monitoring structure that applies to the business process template, business capability matrix and technical capability matrix. The measurement categories including the following:

- ❖ **Performance Standard** - A management-approved expression of the performance threshold(s), requirement(s), or expectation(s) that CMS expects States to meet to appraise at a particular level of performance.
- ❖ **Performance Measure** - Based on established Performance Standards and tracks past, present and future business activity.
- ❖ **Performance Metric** - A measure of an organization's activities and performance also known as key performance indicators. Often closely tied in with outputs, performance metrics should usually encourage improvement, effectiveness, and appropriate levels of control.

## Business Capability Matrix Evolution

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. The SMA does 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 SMA operations and provides tools to help States achieve that transformation. Some considerations for the continuing evolution of the BCM include:

- ❖ States and vendors clearly understand business capabilities at Levels 1 through 3. Levels 1 and 2, for example, are present in many state Medicaid operations today. Level 3 is a target that CMS believes is achievable and in some instances mandated. Levels 4 and 5 depend more on future developments in technology, enabling legislation, and funding. Levels 4 and 5 will require updating as changes occur.
- ❖ New processes will replace existing MITA business processes over 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 anticipates the possibility of paradigm shifts happening primarily at Levels 4 and 5. For example, to conduct a prior authorization under the current business model, a provider sends a request and receives approval to the State Medicaid Enterprise. In a Level 4 maturity model, the provider's Electronic Health Record (EHR) has a direct communication to the State Medicaid Enterprise system. This activity is possible at Level 4 based on notifications triggered by new clinical information entered into a patient's health record. The trigger, result, and action steps differ from those at Levels 1 through 3, and the SMA defines a new business process with new capabilities.

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## Business Capability Matrix and State Self-Assessment

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The MITA team has developed business capabilities (see Part I, Appendix D, Business Capability Matrix Details) for each business process of the MITA Framework. The Capability Matrix is a key tool for conducting the SS-A. The BA SS-A defines current State Medicaid Enterprise business functions and develops the targeted environment of the enterprise with defined business capabilities and performance standards. The SMA uses the business capability matrix to develop a MITA Maturity Model Roadmap (MITA Roadmap) for continuous improvement. See SS-A Companion Guide for additional details.