

**MEDI-CAL  
MAY 2007  
LOCAL ASSISTANCE ESTIMATE  
for  
FISCAL YEARS  
2006-07 and 2007-08**

**FISCAL  
INTERMEDIARIES**

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**FISCAL INTERMEDIARY ESTIMATE**

**May 2007**

<b>FY 2006-07</b>	<b>TOTAL</b>	<b>FEDERAL (a)</b>	<b>STATE</b>
EDS CONTRACT (b)	\$158,312,000	\$106,833,000	\$51,479,000
DELTA DENTAL ADMINISTRATION ( c )	\$71,370,000	\$50,655,000	\$20,715,000
HEALTH CARE OPTIONS (d)	\$46,001,000	\$23,000,000	\$23,001,000
STATE CONTROLLER/STATE TREASURER	\$2,940,000	\$1,891,000	\$1,049,000
INSURANCE I.D. CONTRACTS	\$4,000,000	\$3,000,000	\$1,000,000
MEDICAL FI TECHNOLOGY ASSESSMENT	\$500,000	\$250,000	\$250,000
PROVIDER VERIFICATION FILE	\$4,000	\$3,000	\$1,000
CA-MMIS RFP ASSESSMENT	<u>\$100,000</u>	<u>\$75,000</u>	<u>\$25,000</u>
<b>TOTAL MEDI-CAL COSTS</b>	<b><u><u>\$283,227,000</u></u></b>	<b><u><u>\$185,707,000</u></u></b>	<b><u><u>\$97,520,000</u></u></b>

(a) The Federal Funds portion includes \$68,979 in special refugee funds.

(b) Includes \$177,663 (\$88,832 GF) for Title XXI activities (4260-113-0001/0890), and \$32,949,995 (\$5,231,920 GF) for HIPAA (4260-117-0001/0890).

(c) Includes \$185,000 (\$64,750 GF) for Title XXI activities (4260-113-0001/0890), and \$5,031,492 (\$655,149 GF) for HIPAA (4260-117-0001/0890).

(d) Includes \$19,500 (\$9,750 GF) for HIPAA (4260-117-0001/0890).

## FISCAL INTERMEDIARY ESTIMATE

May 2007

FY 2007-08	TOTAL	FEDERAL (a)	STATE
EDS CONTRACT (b)	\$164,967,000	\$112,925,000	\$52,042,000
DELTA DENTAL ADMINISTRATION ( c )	\$80,679,000	\$57,032,000	\$23,647,000
HEALTH CARE OPTIONS (d)	\$49,489,745	\$24,744,745	\$24,745,000
STATE CONTROLLER/STATE TREASURER	\$2,790,000	\$1,779,000	\$1,011,000
INSURANCE I.D. CONTRACTS	\$4,000,000	\$3,000,000	\$1,000,000
MEDICAL FI TECHNOLOGY ASSESSMENT	\$0	\$0	\$0
PROVIDER VERIFICATION FILE	\$4,000	\$3,000	\$1,000
CA-MMIS RFP ASSESSMENT	<u>\$1,300,000</u>	<u>\$975,000</u>	<u>\$325,000</u>
<b>TOTAL MEDI-CAL COSTS</b>	<b><u><u>\$303,229,745</u></u></b>	<b><u><u>\$200,458,745</u></u></b>	<b><u><u>\$102,771,000</u></u></b>

(a) The Federal Funds portion includes \$73,713 in special refugee funds.

(b) Includes \$183,418 (\$91,709 GF) for Title XXI activities (4260-113-0001/0890), and \$41,782,737 (\$5,947,495 GF) for HIPAA (4260-117-0001/0890).

(c) Includes \$210,000 (\$73,500 GF) for Title XXI activities (4260-113-0001/0890), and \$6,610,458 (\$2,651,046 GF) for HIPAA (4260-117-0001/0890).

(d) Includes \$15,000 (\$7,500 GF) for HIPAA (4260-117-0001/0890).

# FISCAL INTERMEDIARY

## Comparison of May 2007 Estimate to Appropriation and November 2006 Estimate

### Current Year 2006-07 Comparison

	<i>2006-07 Appropriation</i>		<i>November 2006 Estimate CY</i>		<i>May 2007 Estimate CY</i>		<i>Difference between May 2007 &amp; Appropriation</i>		<i>Difference between May 2007 &amp; November 2006</i>	
	Total Funds	State Funds	Total Funds	State Funds	Total Funds	State Funds	Total Funds	State Funds	Total Funds	State Funds
<b>Total EDS</b>	\$172,362,000	\$44,049,000	\$172,284,000	\$54,399,000	\$158,312,000	\$51,479,000	-\$14,050,000	\$7,430,000	-\$13,972,000	-\$2,920,000
<b>Total Delta Dental</b>	\$83,428,000	\$23,659,000	\$74,740,000	\$21,491,000	\$71,370,000	\$20,715,000	-\$12,058,000	-\$2,944,000	-\$3,370,000	-\$776,000
<b>Total Health Care Options</b>	\$47,166,000	\$23,583,000	\$45,139,000	\$22,570,000	\$46,001,000	\$23,001,000	-\$1,165,000	-\$582,000	\$862,000	\$431,000
<b>Total Miscellaneous Expenditures</b>	\$7,318,000	\$2,276,000	\$7,844,000	\$2,500,000	\$7,544,000	\$2,325,000	\$226,000	\$49,000	-\$300,000	-\$175,000
<b>GRAND TOTAL</b>	<b>\$310,274,000</b>	<b>\$93,567,000</b>	<b>\$300,007,000</b>	<b>\$100,960,000</b>	<b>\$283,227,000</b>	<b>\$97,520,000</b>	<b>-\$27,047,000</b>	<b>\$3,953,000</b>	<b>-\$16,780,000</b>	<b>-\$3,440,000</b>

### Budget Year 2007-08 Comparison

	<i>November 2006 Estimate BY</i>		<i>May 2007 Estimate BY</i>		<i>Difference between May 2007 &amp; November 2006</i>	
	Total Funds	State Funds	Total Funds	State Funds	Total Funds	State Funds
<b>Total EDS</b>	\$183,912,000	\$53,035,000	\$164,967,000	\$52,042,000	-\$18,945,000	-\$993,000
<b>Total Delta Dental</b>	\$76,569,000	\$22,736,000	\$80,679,000	\$23,647,000	\$4,110,000	\$911,000
<b>Total Health Care Options</b>	\$45,206,000	\$22,603,000	\$49,489,745	\$24,745,000	\$4,283,745	\$2,142,000
<b>Total Miscellaneous Expenditures</b>	\$8,004,000	\$2,576,000	\$8,094,000	\$2,337,000	\$90,000	-\$239,000
<b>GRAND TOTAL</b>	<b>\$313,691,000</b>	<b>\$100,950,000</b>	<b>\$303,229,745</b>	<b>\$102,771,000</b>	<b>-\$10,461,255</b>	<b>\$1,821,000</b>

**MEDICAL FISCAL INTERMEDIARY**

**ELECTRONIC DATA SYSTEMS**

## EDS DATA SYSTEMS CORPORATION (EDS)

The medical fiscal intermediary contract with Electronic Data Systems (EDS) became effective in May 2003. EDS initiated claims processing functions under this contract on July 1, 2003. The terms of the contract require EDS to process claims submitted by Medi-Cal providers for services rendered to Medi-Cal eligibles. There are numerous enhancements to the claims processing system which have been made under the terms of the contract. The main cost components of the EDS contract are:

**Operations** – Operations constitute all contractual responsibilities required for the Contractor to administer and operate the California Medicaid Management Information System (CA-MMIS). These cost categories consist of General and Online Drug Adjudicated Claim Lines (ACLs), Drug Use Review (DUR) inquiries, California Eligibility Verification and Management Systems (CA-EVS/CMS) processing and the Telephone Support Center (TSC). EDS has bid on State-specified volume ranges for each of the above categories. The Department estimates Operations costs by applying these bid rates to the projected volumes for the current and budget year.

**Cost Reimbursement** – Various costs incurred by the Contractor while performing responsibilities under the contract will be reimbursed by the State. These costs are not a part of the bid price of the contract. Any of the following costs may be cost reimbursed under the contract: 1) postage; 2) parcel services and common carriers; 3) personal computers, monitors, printers, related equipment, and software; 4) printing; 5) telephone toll charges; 6) audio text equipment; 7) data center access; 8) special training sessions; 9) facilities improvement and modifications; 10) audits and research; 11) sales tax; 12) change orders; 13) the Medi-Cal Print and Distribution Center; 14) DUR and Eligibility Verification Telecommunications; 15) Field Office Automation Group (FOAG) equipment and furniture; and 16) IV&V Contracts. Costs under these categories consist of direct costs, or subsets thereof, which can be specifically identified with the particular cost objective.

**Hourly Reimbursement** – Certain activities are reimbursed on an hourly basis by the State. The rate paid to the Contractor consists of all direct and indirect costs required to support these activities, plus profit. Hourly reimbursed areas consist of the Systems Group (SG), FOAG, computer support, and the expert witness. The SG staff consists of technical and supervisory staff that design, develop and implement Department required modifications and/or provide technical support to the CA-MMIS. FOAG staff work in the field offices and perform field automation related tasks, such as preparing Treatment Authorization Request (TAR) batches and performing TAR data entries and corrections. The Contractor is reimbursed on an hourly basis for computer time. This occurs when the Contractor is asked to perform ad hoc reporting functions for the State. Also, the Contractor is reimbursed on an hourly basis when they provide expert witness services on behalf of the State and its political subdivisions. Such instances include subpoenas for hearings, proceedings or other meetings or events on all aspects of the Contractor's operations under this contract.

**EDS Summary  
May 2007 Estimate**

<b>FY 2006-07</b>	<b>Total</b>	<b>State Funds</b>
Operations	\$55,362,836	\$17,183,319
Hourly Reimbursement	\$54,591,084	\$12,287,721
Cost Reimbursement	\$28,153,880	\$11,229,768
Other Estimated Cost	\$8,689,721	\$4,119,195
Change Orders	\$8,367,989	\$5,619,041
Healthy Families(XXI)	\$177,663	\$88,832
Family PACT	\$280,816	\$278,960
Enhancements	\$0	\$0
Sub-Total	\$155,623,989	\$50,806,835
Sales Tax	\$2,687,536	\$671,884
<b>TOTAL EDS COSTS</b>	<b>\$158,311,525</b>	<b>\$51,478,719</b>

<b>FY 2007-08</b>	<b>Total</b>	<b>State Funds</b>
Operations	\$55,180,154	\$17,175,415
Hourly Reimbursement	\$56,470,233	\$12,490,750
Cost Reimbursement	\$26,778,983	\$11,601,635
Other Estimated Cost	\$8,920,155	\$4,235,206
Change Orders	\$14,419,195	\$5,621,561
Healthy Families(XXI)	\$183,418	\$91,709
Family PACT	\$289,241	\$144,621
Enhancements	\$0	\$0
Sub-Total	\$162,241,379	\$51,360,896
Sales Tax	\$2,725,834	\$681,459
<b>TOTAL EDS COSTS</b>	<b>\$164,967,213</b>	<b>\$52,042,355</b>

## EDS ESTIMATE (DETAIL TABLE)

May 2007

<b>FY 2006-07</b>	<b>TOTAL FUNDS</b>
<b>OPERATIONS</b>	\$55,362,836
Claims Adjudication	
ACL General Operations Bid	\$27,339,044
ACL On-Line Pharmacy	
Operations	\$5,147,765
DUR	\$1,523,742
CA-EVS/CMS Processing	\$9,920,152
SB 393 Drug Inquiries	\$92,536
Telephone Services Center	\$11,339,597
<b>HOURLY REIMBURSEMENT</b>	\$54,591,084
Systems Group	\$40,995,117
Field Office Automation Group (FOAG)	\$13,515,614
Computer Support	\$60,353
Expert Witness	\$20,000
<b>COST REIMBURSEMENT</b>	\$28,153,880
Printing	\$4,511,485
Telecommunications	\$3,212,802
Postage	\$2,903,156
Parcel Post	\$132,736
Equipment	\$10,321,388
Audit	\$93,819
Facilities Improvements/Modification	\$16,435
Administration	\$343,290
Special Training	\$33,223
Change Order Cost Reimbursement	\$5,534,899
Unisys Subcontract	\$1,050,647
<b>OTHER ESTIMATED COSTS</b>	\$8,689,721
CA-EVS/CMS Plastic Cards	\$627,697
POS Device Labor Costs	\$86,056
Health Access Program Cards	\$175,676
Savings Proposal Sharing	\$7,787,058
Additional Contractual Services	\$13,234
<b>CHANGE ORDERS</b>	\$8,367,989
Negotiated Change Orders	\$7,332,100
Change Orders in Progress	\$1,035,889
Unspecified Change Orders	\$0

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CY EDS Estimate (Detail Table), May 2007 Estimate  
Continued from Page 7

<b>FY 2006-07</b>	<b>TOTAL FUNDS</b>
<b>ENHANCEMENTS</b>	\$0
<b>HEALTHY FAMILIES</b>	\$177,663
<b>FAMILY PACT</b>	\$280,816
<b>SUBTOTAL</b>	\$155,623,989
<b>SALES TAX 7.75% as of January 2004</b>	\$2,687,536
<b>TOTAL</b>	<b>\$158,311,525</b>

**EDS ESTIMATE (DETAIL TABLE)**  
**May 2007**

<b>FY 2007-08</b>	<b>TOTAL FUNDS</b>
<b>OPERATIONS</b>	<b>\$55,180,154</b>
Claims Adjudication	
ACL General Operations Bid (a)	\$27,837,237
ACL On-Line Pharmacy	
Operations	\$5,080,156
DUR	\$820,698
CA-EVS/CMS Processing	\$9,890,546
SB 393 Drug Inquiries	\$86,710
Telephone Services Center	\$11,464,807
 <b>HOURLY REIMBURSEMENT</b>	 <b>\$56,470,233</b>
Systems Group	\$43,726,275
Field Office Automation Group	\$12,663,936
Computer Support	\$60,022
Expert Witness	\$20,000
 <b>COST REIMBURSEMENT</b>	 <b>\$26,778,983</b>
Printing	\$4,646,830
Telecommunications	\$3,309,186
Postage	\$2,990,251
Parcel Post	\$136,718
Equipment	\$13,580,288
Audit	\$96,634
Facilities Improvements/Modification	\$1,478
Administration	\$353,588
Special Training	\$34,220
Change Order Cost Reimbursement	\$547,623
Unisys Subcontract	\$1,082,167
 <b>OTHER ESTIMATED COSTS</b>	 <b>\$8,920,155</b>
CA-EVS/CMS Plastic Cards	\$622,660
POS Device Labor Costs	\$86,449
Health Access Program Cards	\$177,665
Savings Proposal Sharing	\$8,020,670
Additional Contractual Services	\$12,711
 <b>CHANGE ORDERS</b>	 <b>\$14,419,195</b>
Negotiated Change Orders	\$7,138,753
Change Orders in Progress	\$7,280,442
Unspecified Change Orders	\$0

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BY EDS Estimate (Detail Table), May 2007 Estimate  
Continued from Page 9

<b>FY 2007-08</b>	<b>TOTAL FUNDS</b>
<b>HEALTHY FAMILIES</b>	\$183,418
<b>ENHANCEMENTS</b>	\$0
<b>FAMILY PACT</b>	\$289,241
<b>SUBTOTAL</b>	\$162,241,379
<b>SALES TAX 7.75% as of January 2004</b>	\$2,725,834
<b>TOTAL</b>	<b>\$164,967,213</b>

**ELECTRONIC DATA SYSTEMS CORPORATION (EDS)**

Assumptions

ACL Projections:

<b>FY 2006-07</b>	<u>General ACLs</u>	<u>Amount</u>	<u>Online-Drug ACLs</u>	<u>Amount</u>
Total ACLs	149,195,905	\$27,499,608	55,503,090	\$5,164,864
Less HFP	<u>685,172</u>	<u>\$ 160,564</u>	<u>185,441</u>	<u>\$ 17,098</u>
<b>Total Medi-Cal ACLs</b>	<b>148,510,732</b>	<b>\$27,339,044</b>	<b>55,317,649</b>	<b>\$5,147,765</b>

Based on the estimated FY 2006-07 volumes, general ACLs are projected at (.18443) and online ACLs are projected at (.09306). ACLs are paid at different rates depending on the volume level. The average price is a blend of these rates and is determined by the actual annual volume of claims.

<b>FY 2007-08</b>	<u>General ACLs</u>	<u>Amount</u>	<u>Online-Drug ACLs</u>	<u>Amount</u>
Total ACLs	153,219,636	\$28,004,418	60,555,827	\$5,096,394
Less HFP	<u>719,431</u>	<u>\$ 167,181</u>	<u>194,713</u>	<u>\$ 16,237</u>
<b>Total Medi-Cal ACLs</b>	<b>152,500,205</b>	<b>\$27,837,237</b>	<b>60,361,114</b>	<b>\$5,080,146</b>

Based on the estimated FY 2007-08 volumes, general ACLs are projected at (.18288) and online ACLs are projected at (.08416). ACLs are paid at different rates depending on the volume level. The average price is a blend of these rates and is determined by the actual annual volume of claims.

\*The Medicare Prescription Drug Improvement and Modernization Act of 2003 (MMA) was implemented in January 2006. MMA provides a prescription drug benefit to all Medicare eligibles who enroll in a Part D plan. All dual Medicare/Medi-Cal eligibles will receive most of their prescription drugs through Medicare beginning on that date. This caused a decrease in the number of Drug ACLs, which is reflected in the projections listed above.

**Negotiated Change Orders:**

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
1	<b>Implementation of Assembly Bill (AB) 442 Budget Trailer Cost Savings Positions</b>	7/15/2004

Assembly Bill 442, the Health Trailer Bill of 2002, instructs the Department to adjust for increased Treatment Authorization Request (TAR) volume and appeals volume by utilizing contract resources and position authority to contract with 28 Nurse Evaluator (NE) II's to meet timeliness requirements and minimize approval delays that could negatively impact beneficiary health. Additionally, 43 NE II's were to be contracted to operate the Medical Case Management Expansion Program and five Pharmaceutical Consultant II's were to be hired to negotiate rebate contracts with pharmaceutical manufacturers.

This function has transferred to the Department, with the last of the EDS NE II positions converting to State positions effective January 2004. Because of difficulty hiring and keeping Pharmaceutical Consultants, it is anticipated that one Pharmaceutical Consultant II will remain under this change order.

	<u>FY 2006-07</u>	<u>FY 2007-08</u>
<b>Change Order Administration:</b>		
Total Funds	\$236,268	\$245,719
General Funds	\$ 59,067	\$ 61,430
<b>Cost Reimbursement:</b>		
Total Funds	\$ 6,568	\$ 6,568
General Funds	\$ 3,284	\$ 3,284
<b>TOTAL FUNDS:</b>	<b>\$242,836</b>	<b>\$252,286</b>
<b>GENERAL FUNDS:</b>	<b>\$ 62,351</b>	<b>\$ 64,714</b>

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
2	<b>CHDP Gateway</b>	7/16/2004

Under the CHDP Gateway Program, children receiving a Child Health and Disability Prevention (CHDP) screen are pre-enrolled in Medi-Cal/Healthy Families. The pre-enrollment will provide two months of comprehensive coverage during which the family may choose to apply for ongoing Medi-Cal/Healthy Families coverage. To facilitate this application, each family with a child covered under pre-enrollment that indicates they want continuing coverage will be sent an application. Current Year and Budget Year costs are for ongoing operations.

	<u>FY 2006-07</u>	<u>FY 2007-08</u>
<b>Change Order Administration:</b>		
Total Funds	\$ 62,664	\$ 65,170
General Funds	\$ 31,332	\$ 32,585
<b>Cost Reimbursement:</b>		
Total Funds	\$340,228	\$353,837
General Funds	\$170,114	\$176,919
<b>TOTAL FUNDS</b>	<b>\$402,892</b>	<b>\$419,008</b>
<b>GENERAL FUNDS</b>	<b>\$201,446</b>	<b>\$209,504</b>

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
3	<b>HIPAA Operations</b>	7/16/2004

As a result of the implementation of the Health Insurance Portability and Accountability Act Transactions and Code Sets (HIPAA), additional operational workload driven by program policy, and regulatory and system modifications will be required. This change order will compensate EDS for these increased costs. Every transaction over 88,000 providers will be impacted as the result of HIPAA.

	<u>FY 2006-07</u>	<u>FY 2007-08</u>
<b>Change Order Administration:</b>		
Total Funds	\$6,012,959	\$6,253,737
General Funds	\$1,679,500	\$1,746,745
<b>Cost Reimbursement:</b>		
Total Funds	\$ 139,780	\$ 53,000
General Funds	\$ 34,945	\$ 13,250
<b>TOTAL FUNDS</b>	<b>\$6,152,739</b>	<b>\$6,306,737</b>
<b>GENERAL FUNDS</b>	<b>\$1,714,445</b>	<b>\$1,759,995</b>

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
5	<b>Lab Services Limits</b>	3/28/2005

AB 1762, The Health Trailer Bill of 2003 authorizes the Department to place limits on the number of laboratory tests that may be claimed without prior authorization under the Medi-Cal program. Select laboratory services will be subject to a frequency limitation for services within a set period of time. Once that limit is reached, additional services are subject to prior authorization for determination of medical necessity. Costs have been incurred at EDS for systems development, office equipment, and additional staffing.

	<u>FY 2006-07</u>	<u>FY 2007-08</u>
<b>Change Order Administration:</b>		
Total Funds	\$1,064,702	\$1,107,290
General Funds	\$ 532,351	\$ 553,645
<b>Cost Reimbursement:</b>		
Total Funds	\$0	\$0
General Funds	\$0	\$0
<b>TOTAL FUNDS</b>	<b>\$1,064,702</b>	<b>\$1,107,290</b>
<b>GENERAL FUNDS</b>	<b>\$ 532,351</b>	<b>\$ 553,645</b>

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
6	<b>Discontinuance of the Fee-For-Service Managed Care Network Functions</b>	N/A

The Department has instructed EDS to discontinue all Fee-For-Service Managed Care Network (FFS/MCN) functions under the contract. Since the FFS/MCN functions are being discontinued, an adjustment to the fixed price of the contract will be necessary. It is the Department's intention to recoup the costs of previously bid FFS/MCN activities through this change order.

	<u>FY 2006-07</u>	<u>FY 2007-08</u>
<b>Change Order Administration:</b>		
Total Funds	\$(127,529)	\$(127,529)
General Funds	\$ (31,882)	\$ (31,882)
<b>Cost Reimbursement:</b>		
Total Funds	\$0	\$0
General Funds	\$0	\$0
<b>TOTAL FUNDS</b>	<b>\$(127,529)</b>	<b>\$(127,529)</b>
<b>GENERAL FUNDS</b>	<b>\$ (31,882)</b>	<b>\$ (31,882)</b>

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
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7	<b>Recoupment of Operations Costs Due to N/A the Non-Acceptance of Enhancements</b>	
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As instructed by the Request For Proposal, EDS included the price of all RFP included enhancements in their operations bid. The Department opted to exclude the Fraud Detection and Prevention, Provider Enrollment Redesign and CA-MMIS Data Element Dictionary enhancements from this contract. This change order adjusts the costs that the Contractor included in the fixed price bid for these excluded enhancements, since they are no longer included in the scope of work of the contract.

	<u>FY 2006-07</u>	<u>FY 2007-08</u>
<b>Change Order Administration:</b>		
Total Funds	\$(497,780)	\$(498,867)
General Funds	\$(124,445)	\$(124,717)
<b>Cost Reimbursement:</b>		
Total Funds	\$(309,860)	\$(127,118)
General Funds	\$ (77,465)	\$ (31,780)
<b>TOTAL FUNDS</b>	<b>\$(807,640)</b>	<b>\$(625,985)</b>
<b>GENERAL FUNDS</b>	<b>\$(201,910)</b>	<b>\$(156,497)</b>

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
8	<b>Cost Reimbursement Pass-Through Invoices</b>	12/2006

The Medi-Cal FI Contract states that the Contractor may directly submit to the Department the invoices of the vendors/subcontractors for the cost reimbursable items that are only pass through items. At the request of the Department, EDS has been processing these invoices on behalf of the State. This change order establishes a mechanism for payment of any processing work already done on behalf of the State and any processing work to be done in the future.

	<u>FY 2006-07</u>	<u>FY 2007-08</u>
<b>Change Order Administration:</b>		
Total Funds	\$0	\$0
General Funds	\$0	\$0
<b>Cost Reimbursement:</b>		
Total Funds	\$474,000	\$158,000
General Funds	\$237,000	\$ 79,000
<b>TOTAL FUNDS</b>	\$474,000	\$158,000
<b>GENERAL FUNDS</b>	\$237,000	\$ 79,000

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
9	<b>Expansion of Skeletal History File</b>	N/A

Skeletal History is an abbreviated version of claims history that is used by the batch weekly adjudication process to detect duplicate billings, medical policy conflicts, excessive frequency, and follow-up conflicts; limit panel pricing; apply adjustments and voids from Erroneous Payment Corrections (EPCs) and Claims Inquiries (CIFs); and assist with the Appeals process. Currently, 15 months of claims history is kept on Skeletal History File (CP-F-078). The implementation of SDN 04048 provides the ability to maintain history in excess of 15 months. It has become apparent that maintaining Skeletal History for a period greater than 15 months will ensure more appropriate reimbursement of claims in regular claims processing cycles as well as specially handled claims such as EPCs, CIFs and Appeals. In addition, the extension is necessary to correctly process resubmitted claims. EDS is required through this change order to maintain an additional 33 months of history in the CP-F-078 file, for a total of 48 months for claim types 05, 04, 06B, 02, 03, 07 and 06A.

	<u>FY 2006-07</u>	<u>FY 2007-08</u>
<b>Change Order Administration:</b>		
Total Funds	\$57,685	\$57,685
General Funds	\$14,421	\$14,421
<b>Cost Reimbursement:</b>		
Total Funds	\$0	\$0
General Funds	\$0	\$0
<b>TOTAL FUNDS</b>	\$57,685	\$57,685
<b>GENERAL FUNDS</b>	\$14,421	\$14,421

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
11	<b>Medicare Part D Operations</b>	1/2007

Provider relations are an essential component of the activities relating to the implementation of the Medicare Modernization Act. Additional provider relations resources are required at EDS to support the major change in pharmacy benefits for dually eligible beneficiaries and the providers who serve them. During the development and implementation phases, providers and other trading partners will need to be notified of the changes made in CA-MMIS. Additional EDS staffing will also be necessary to provide training and offer telephone assistance and clarification on CA-MMIS and claims processing changes. There will also be costs for printing, postage and other costs of provider notification and education, including provider bulletins, notices via mail, and the Internet. On a cash budgeting basis, payments will be made in FY 2006-07 and FY 2007-08.

	<u>FY 2006-07</u>	<u>FY 2007-08</u>
<b>Change Order Administration:</b>		
Total Funds	\$523,131	\$35,548
General Funds	\$130,783	\$ 8,887
<b>Cost Reimbursement:</b>		
Total Funds	\$ 55,644	\$0
General Funds	\$ 27,822	\$0
<b>TOTAL FUNDS</b>	<b>\$578,775</b>	<b>\$35,548</b>
<b>GENERAL FUNDS</b>	<b>\$158,605</b>	<b>\$ 8,887</b>

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
12	<b>Telephone Service Center Minutes in Excess of the Contract Maximum</b>	N/A

Certain functions within the contract are paid using the Base Volume Method of Payment (BVMP) in which volume ranges are set by the RFP and the Contractor bids a rate per volume range. When the Contractor performs the activity in excess of the maximum volume range in the RFP, a change order is written to negotiate the rate for the additional volume. Until the time of the approval of a change order, the Contractor is paid at the maximum volume range rate. The difference between the maximum volume range rate and the negotiated rate is funded through the change order. Telephone Service Center minutes are paid under the provisions of BVMP and the top volume range was exceeded during the 2005-06 fiscal year. As a result, this change order was written to negotiate a rate for these excess minutes. The change order rendered a proposed rate identical to the maximum volume range rates already paid for the 2005-06 fiscal year. Therefore, there are no additional funds required under this change order.

	<u>FY 2006-07</u>	<u>FY 2007-08</u>
<b>Change Order Administration:</b>		
Total Funds	\$0	N/A
General Funds	\$0	N/A
<b>Cost Reimbursement:</b>		
Total Funds	\$0	N/A
General Funds	\$0	N/A
<b>TOTAL FUNDS</b>	\$0	N/A
<b>GENERAL FUNDS</b>	\$0	N/A

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
13	<b>Production of CA-EVCMS Cards in Excess of the Contract Maximum</b>	N/A

Certain functions within the contract are paid using the Base Volume Method of Payment (BVMP) in which volume ranges are set by the RFP and the Contractor bids a rate per volume range. When the Contractor performs the activity in excess of the maximum volume range in the RFP, a change order is written to negotiate the rate for the additional volume. Until the time of the approval of a change order, the Contractor is paid at the maximum volume range rate. The difference between the maximum volume range rate and the negotiated rate is funded through the change order. CA-EV/CMS cards are paid under the provisions of BVMP and the top volume range was exceeded during the 2005-06 fiscal year. As a result, this change order was written to negotiate a rate for these excess cards. The change order rendered a proposed rate identical to the maximum volume range rates already paid for the 2005-06 fiscal year. Therefore, there are no additional funds required under this change order.

	<u>FY 2006-07</u>	<u>FY 2007-08</u>
<b>Change Order Administration:</b>		
Total Funds	\$0	N/A
General Funds	\$0	N/A
<b>Cost Reimbursement:</b>		
Total Funds	\$0	N/A
General Funds	\$0	N/A
<b>TOTAL FUNDS</b>	\$0	N/A
<b>GENERAL FUNDS</b>	\$0	N/A

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
14	<b>CA-EVCMS Inquiries in Excess of the Contract Maximum</b>	N/A

Certain functions within the contract are paid using the Base Volume Method of Payment (BVMP) in which volume ranges are set by the RFP and the Contractor bids a rate per volume range. When the Contractor performs the activity in excess of the maximum volume range in the RFP, a change order is written to negotiate the rate for the additional volume. Until the time of the approval of a change order, the Contractor is paid at the maximum volume range rate. The difference between the maximum volume range rate and the negotiated rate is funded through the change order. CA-EV/CMS inquiries are paid under the provisions of BVMP and the top volume range was exceeded during the 2005-06 fiscal year. As a result, this change order was written to negotiate a rate for these excess inquiries. The change order rendered a proposed rate identical to the maximum volume range rates already paid for the 2005-06 fiscal year. Therefore, there are no additional funds required under this change order.

	<u>FY 2006-07</u>	<u>FY 2007-08</u>
<b>Change Order Administration:</b>		
Total Funds	\$0	N/A
General Funds	\$0	N/A
<b>Cost Reimbursement:</b>		
Total Funds	\$0	N/A
General Funds	\$0	N/A
<b>TOTAL FUNDS</b>	\$0	N/A
<b>GENERAL FUNDS</b>	\$0	N/A

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
15	<b>Online Pharmacy Adjudicated Claim Lines in Excess of the Contract Maximum</b>	N/A

Certain functions within the contract are paid using the Base Volume Method of Payment (BVMP) in which volume ranges are set by the RFP and the Contractor bids a rate per volume range. When the Contractor performs the activity in excess of the maximum volume range in the RFP, a change order is written to negotiate the rate for the additional volume. Until the time of the approval of a change order, the Contractor is paid at the maximum volume range rate. The difference between the maximum volume range rate and the negotiated rate is funded through the change order. Online Pharmacy Adjudicated Claim Lines (ACLs) are paid under the provisions of BVMP and the top volume range was exceeded during the 2005-06 fiscal year. As a result, this change order was written to negotiate a rate for these excess ACLs. The change order rendered a proposed rate identical to the maximum volume range rates already paid for the 2005-06 fiscal year. Therefore, there are no additional funds required under this change order.

	<u>FY 2006-07</u>	<u>FY 2007-08</u>
<b>Change Order Administration:</b>		
Total Funds	\$0	N/A
General Funds	\$0	N/A
<b>Cost Reimbursement:</b>		
Total Funds	\$0	N/A
General Funds	\$0	N/A
<b>TOTAL FUNDS</b>	<b>\$0</b>	<b>N/A</b>
<b>GENERAL FUNDS</b>	<b>\$0</b>	<b>N/A</b>

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
16	<b>DUR in Excess of the Contract Maximum</b>	N/A

Certain functions within the contract are paid using the Base Volume Method of Payment (BVMP) in which volume ranges are set by the RFP and the Contractor bids a rate per volume range. When the Contractor performs the activity in excess of the maximum volume range in the RFP, a change order is written to negotiate the rate for the additional volume. Until the time of the approval of a change order, the Contractor is paid at the maximum volume range rate. The difference between the maximum volume range rate and the negotiated rate is funded through the change order. Drug Use Review (DUR) claim lines are paid under the provisions of BVMP and the top volume range was exceeded during the 2005-06 fiscal year. As a result, this change order was written to negotiate a rate for these excess DUR claim lines. The change order rendered a proposed rate identical to the maximum volume range rates already paid for the 2005-06 fiscal year. Therefore, there are no additional funds required under this change order.

	<u>FY 2006-07</u>	<u>FY 2007-08</u>
<b>Change Order Administration:</b>		
Total Funds	\$0	N/A
General Funds	\$0	N/A
<b>Cost Reimbursement:</b>		
Total Funds	\$0	N/A
General Funds	\$0	N/A
<b>TOTAL FUNDS</b>	\$0	N/A
<b>GENERAL FUNDS</b>	\$0	N/A

**Change Orders in Development:**

(This provides for the financing of change orders which have not yet been negotiated with EDS).

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
4	<b>Conlan, Schwarzmer, Stevens v. Bontá</b>	Not Yet Assigned

In the case of *Conlan, Schwarzmer, Stevens v. Bontá*, the Court of Appeals found that the Department failed to provide a procedure whereby Medi-Cal beneficiaries can be reimbursed for their out-of-pocket expenses for health care received during their period of retroactive eligibility and during the period between their application for Medi-Cal and their determination of eligibility. The Court held that the Department's system of relying upon the beneficiaries to obtain reimbursement from the providers for these expenses is insufficient, because it violates the comparability provisions of the Medicaid law.

The Department is developing and implementing new processes through the Medi-Cal fiscal intermediary to ensure prompt reimbursement to beneficiaries. The FI is required to hire, train and oversee appropriate staff to address this new workload. Costs have been updated based on the current workload volume EDS is receiving.

	<u>FY 2006-07</u>	<u>FY 2007-08</u>
<b>Change Order Administration:</b>		
Total Funds	\$ 1,035,889	\$4,991,986
General Funds	\$ 517,945	\$2,495,993
<b>Cost Reimbursement:</b>		
Total Funds	\$ 4,828,539	\$ 103,336
General Funds	\$ 2,414,269	\$ 51,668
<b>TOTAL FUNDS</b>	<b>\$5,864,428</b>	<b>\$5,095,322</b>
<b>GENERAL FUNDS</b>	<b>\$2,932,214</b>	<b>\$2,547,661</b>

**Change Orders in Development:**

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
Not Yet Assigned	<b>SDN 02038</b>	Not Yet Assigned

As a result of the implementation of Systems Development Notice 02038 – Electronic Processing of Crossover Part B Services billed to Part A Intermediary via Coordination of Benefits File, there is an increased workload for the manual input preparation and key data entry of Roll 82 paper daily crossover claim receipts in order to ensure correct processing and sustain cycle time compliance.

	<u>FY 2006-07</u>	<u>FY 2007-08</u>
<b>Change Order Administration:</b>		
Total Funds	\$0	\$1,427,340
General Funds	\$0	\$ 356,835
<b>Cost Reimbursement:</b>		
Total Funds	\$0	\$0
General Funds	\$0	\$0
<b>TOTAL FUNDS</b>	\$0	\$1,427,340
<b>GENERAL FUNDS</b>	\$0	\$ 356,835

**Change Orders in Development:**

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
Not Yet Assigned	<b>HIPAA-Business Associate Addendum</b>	Not Yet Assigned

As a result of changes to Security and Privacy Laws and Regulations, EDS is required to implement the National Institute of Standards and Technology (NIST) Special Publication 800-53 to the framework by OMB Circular No. A-130. The methodology for measuring the changes in Security and Privacy Laws and Regulations, as required by the HIPAA Business Associate Addendum to Contract No. 02-25999 A01, is a gap analysis comparison of 170 control framework required by NIST and the HIPAA Privacy and Security rule. The change order is for NIST controls that were not in Contract No. 02-25999 A01.

	<u>FY 2006-07</u>	<u>FY 2007-08</u>
<b>Change Order Administration:</b>		
Total Funds	\$0	\$500,000
General Funds	\$0	\$125,000
<b>Cost Reimbursement:</b>		
Total Funds	\$0	\$0
General Funds	\$0	\$0
<b>TOTAL FUNDS</b>	<b>\$0</b>	<b>\$500,000</b>
<b>GENERAL FUNDS</b>	<b>\$0</b>	<b>\$125,000</b>

**Change Orders in Development:**

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
Not Yet Assigned	<b>HIPAA-Host Intrusion Detection On Department Servers</b>	Not Yet Assigned

As a result of the implementation of Systems Development Notice 04075 instructing Electronic Data Systems to implement Cisco Security Agent (CSA) on all CDHS servers and managing them with the CSA Management Console, a Network Security position will be required to administer and manage the daily operations of CSA.

	<u>FY 2006-07</u>	<u>FY 2007-08</u>
<b>Change Order Administration:</b>		
Total Funds	\$0	\$361,116
General Funds	\$0	\$ 90,279
<b>Cost Reimbursement:</b>		
Total Funds	\$0	\$0
General Funds	\$0	\$0
<b>TOTAL FUNDS</b>	\$0	\$361,116
<b>GENERAL FUNDS</b>	\$0	\$ 90,279

### MMA – TAR Reductions

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA) was signed into law by the President on December 8, 2003. The purpose of this statute is to provide a prescription drug benefit to all Medicare beneficiaries. The Medicare program began providing prescription drug coverage for dual eligibles on January 1, 2006.

Because the Medicare program provides prescription drug coverage for dual eligibles, there was a reduction in drug Treatment Authorization Request (TAR) volume. This impacts staffing levels for EDS pharmacists and office staff, although staffing standards and the 24-hour turnaround time required by federal statute still must be maintained. It is estimated that 6 EDS Pharmacist Consultants will be reduced beginning November 1, 2006; in addition 32 Key Entry positions, 11 Clerk positions, and 2 Supervisors were reduced beginning September 1, 2006.

The reduced costs listed below are a component of EDS' Hourly Reimbursement, Field Office Automation Group expenditures.

	<u>FY 2006-07 TF</u>	<u>FY 2006-07 GF</u>	<u>FY 2007-08 TF</u>	<u>FY 2007-08 GF</u>
6 PCI's	(\$ 409,860)	(\$102,465)	(\$ 825,876)	(\$206,469)
32 Keyers	(\$1,279,080)	(\$319,770)	(\$1,928,124)	(\$482,031)
11 Clerks	(\$ 440,220)	(\$110,055)	(\$ 663,642)	(\$165,910)
2 Supervisors	<u>(\$ 68,160)</u>	<u>(\$ 17,040)</u>	<u>(\$ 102,744)</u>	<u>(\$ 25,686)</u>
<b>Total</b>	<b>(\$2,197,320)</b>	<b>(\$549,330)</b>	<b>(\$3,520,386)</b>	<b>(\$880,096)</b>

**DENTAL FISCAL INTERMEDIARY**

**DELTA DENTAL PLAN**

## DELTA DENTAL OF CALIFORNIA (DDC)

In 1997, the State awarded Delta Dental Plan of California a contract, which took effect in February of 1998. Full Operations of this contract ended in April 2005. In 2004, the State again awarded Delta (now Delta Dental of California) a contract with Takeover activities commencing on November 1, 2004. Full Operations, including claims processing, began May 1, 2005. The terms of the contract require DDC to process and pay claims submitted by Medi-Cal providers for services rendered to Medi-Cal eligibles. There are numerous enhancements to the claims processing system which have been made under the terms of the contract. The three main payment categories for the contract include:

**Operations** - Operations constitute all contractual responsibilities required for the Contractor to administer and operate the California Dental Management Information System (CDMMIS). These cost categories consist of General Adjudicated Claim Lines (ACLs), Treatment Authorization Requests (TARS), and Telephone Support Center (TSC). DDC has bid on State-specified volume ranges for each of the above categories. The Department estimates Operations costs by applying these bid rates to the projected volumes for the current and budget year.

**Cost Reimbursement** - Various costs incurred by the Contractor while performing responsibilities under the contract will be reimbursed by the State. These costs are not a part of the bid price of the contract. Any of the following costs may be cost reimbursed under the contract: 1) printing; 2) data center access; 3) postage, parcel services and common carriers; 4) special training sessions; convention and travel; 5) audits and research; 6) facilities improvement; 7) personal computers, monitors, printers, related equipment, and software; 8) telephone toll charges; 9) Knox Keene License Annual Assessment; 10) audio text equipment; 11) miscellaneous; 12) federal grants; 13) IV&V Contracts. Costs under these categories consist of direct costs, or a subset thereof, which can be specifically identifiable with the particular cost objective.

**Hourly Reimbursement** - Certain activities are reimbursed on an hourly basis by the State. The rate paid to the Contractor consists of all direct and indirect costs required to support these activities, plus profit. Hourly reimbursed areas consist of the Systems Group (SG), and computer support. The SG staff consists of technical and supervisory staff that design, develop and implement Department required modifications and/or provide technical support to the CDMMIS.

**Delta Dental Administration  
May 2007 Estimate**

**FY 2006-07**

	<u><b>Total Fund</b></u>	<u><b>General Fund</b></u>
Dental Administration/Operations	\$33,037,380	\$8,259,345
Telephone Service Center	\$10,800,000	\$4,563,000
Change Orders	\$380,000	\$190,000
Hourly Reimbursable Groups	\$16,188,784	\$3,372,196
Cost Reimbursable Expenses	\$7,252,992	\$3,403,149
Additional Contractual Services:		
Replacement System (10%) GF	\$0	\$0
Takeover (25%GF)	<u>\$3,710,884</u>	<u>\$927,721</u>
<b>Total Dental Administration Costs</b>	<u><b>\$71,370,040</b></u>	<u><b>\$20,715,411</b></u>

**Delta Dental Administration  
May 2007 Estimate**

**FY 2007-08**

	<u><b>Total Fund</b></u>	<u><b>General Fund</b></u>
Dental Administration Operations	\$34,163,432	\$8,540,858
Telephone Service Center	\$11,200,000	\$4,732,000
Change Orders	\$4,725,000	\$2,362,000
Hourly Reimbursable Groups	\$16,085,864	\$3,687,716
Cost Reimbursable Expenses	\$10,224,458	\$3,896,746
Additional Contractual Services:		
Replacement System (10%) GF	\$4,280,000	\$428,000
Takeover Costs (25%GF)	<u>\$0</u>	<u>\$0</u>
<b>Total Dental Administration Costs</b>	<u><u><b>\$80,678,754</b></u></u>	<u><u><b>\$23,647,320</b></u></u>

**DENTAL COST REIMBURSABLE EXPENSES**

**May 2007 Estimate**

	FY 2006-07		FY 2007-08	
	TF	GF	TF	GF
Printing (50%)	\$ 1,800,000	\$ 900,000	\$ 1,800,000	\$ 900,000
Data Center Access/CPU Usage (25%)	\$ 1,000	\$ 250	\$ 1,000	\$ 250
Postage / Parcel Service (50%)	\$ 1,900,000	\$ 950,000	\$ 1,900,000	\$ 950,000
Special Training,Convention, Travel (50%)	\$ 300,000	\$ 150,000	\$ 300,000	\$ 150,000
Audits / Research (50%)	\$ 204,500	\$ 102,250	\$ 121,000	\$ 60,500
Facilities Improvement (25%)	\$ 100,000	\$ 25,000	\$ 100,000	\$ 25,000
Toll Free Phone Charges (25%)	\$ 423,000	\$ 105,750	\$ 365,000	\$ 91,250
Knox-Keene Annual Assessment (50%)	\$ 2,100,000	\$ 1,050,000	\$ 1,850,000	\$ 925,000
Misc. (50%)	\$ 146,000	\$ 73,000	\$ 146,000	\$ 73,000
HIPAA IV&V Contractor 90/10	\$ 30,000	\$3,000	\$ 15,000	\$1,500
HIPAA IV&V Sys. Rep. Contr. 90/10	\$ -	\$0	\$ 972,000	\$97,200
HIPAA NPI Contr. 90/10	\$ 121,492	\$12,149	\$ 270,458	\$27,046
Sys. Rep. Project Mgmt 75/25	\$ 127,000	\$ 31,750	\$ 329,000	\$ 82,250
Sys. Rep. Tech. Asst. 75/25	\$ -	\$ -	\$ 2,055,000	\$ 513,750
<b>Total</b>	<b>\$ 7,252,992</b>	<b>\$ 3,403,149</b>	<b>\$ 10,224,458</b>	<b>\$ 3,896,746</b>



**Change Orders in Development:**

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
6	<b>Health Insurance Portability and Accountability Act (HIPAA) Current Dental Terminology 4 (CDT 4)</b>	6/2007

Due to a delay of the regulation package approval, implementation of a change order for CDT, begun under the previous dental FI contract, was not completed. The change order #2 was subsequently closed out, and now a new change order, under the new contract, is being issued. This change order will allow completion of the implementation of CDT. Activities necessary to complete the implementation include increasing staff to support operations due to the implementation of new codes, revising policy manuals, training internal staff, and increasing customer support and EDI support staff.

	<u>FY 2006-07</u>	<u>FY 2007-08</u>
Total Funds	\$380,000	\$2,900,000
General Fund	\$190,000	\$1,450,000

**Change Orders in Development:**

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
7	<b>Conlan, Schwarzmer, Stevens v. Bontá</b>	7/1/2007

In the case of *Conlan, Schwarzmer, Stevens v. Bontá*, the Court of Appeals found that the Department failed to provide a procedure whereby Medi-Cal beneficiaries can be reimbursed for their out-of-pocket expenses for health care received during their period of retroactive eligibility and during the period between their application for Medi-Cal and their determination of eligibility. The Court held that the Department's system of relying upon the beneficiaries to obtain reimbursement from the providers for these expenses is insufficient, because it violates the comparability provisions of the Medicaid law.

The Department is developing and implementing new processes through the dental fiscal intermediary to ensure prompt reimbursement to beneficiaries. The Dental FI is required to hire, train and oversee appropriate staff to address this new workload. Costs have been updated based on the current workload volume the Dental FI is receiving.

	<u>FY 2006-07</u>	<u>FY 2007-08</u>
Total Funds	\$0	\$625,000
General Funds	\$0	\$312,500

**Change Orders in Development:**

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
8	<b>Health Insurance Portability and Accountability Act (HIPAA) National Provider Identification</b>	8/1/2007

This change order supports the implementation of the HIPAA National Provider Identification (NPI) to meet the federal compliance date of May 27, 2007. Activities related to NPI include operations activities, manual revisions, internal staff training, provider enrollment, provider training and electronic data Information support to support acceptance of the NPI.

	<u>FY 2006-07</u>	<u>FY 2007-08</u>
Total Funds	\$0	\$1,200,000
General Fund	\$0	\$ 600,000

## System Replacement for California Dental Management Information System (CD-MMIS)

In an effort to reduce future bid prices for the Denti-Cal fee-for-service dental program, the Department will seek to increase the competition for the next contract procurement by bringing the antiquated CD-MMIS legacy system architecture into more widely supported current technology standards. Additionally, it is envisioned that this new system will automate claims adjudication processes that are currently performed manually. The system will meet all Medicaid Information Technology Architecture (MITA) requirements and will be eligible for federal certification. The federal government has approved this proposal in concept and is awaiting the advanced planning document (APD) for review. Once approved, the federal participation is expected to be 90% FFP/10% GF for design, development and implementation of this system.

In May 2004, Delta, the current contractor, selected Electronic Data Systems (EDS) as the subcontractor to replace the CD-MMIS system. The proposal included a fixed-price additional contract service (ACS) bid for a replacement CD-MMIS. The original ACS bid price was \$26.7 million. Due to a delay in the start of the project, the recently submitted final ACS cost proposal was \$40.3 million, 51% above the original bid. As a result of the significant cost increases from the original fixed price ACS bid the Department decided to not go forward with the ACS. In March 2007, the Department gave Delta the option of going out for a competitive bid for the system replacement. Delta has accepted and plans on developing a Request for Proposal (RFP) for a replacement system by June 2007. Delta will be soliciting 5 MMIS systems integrators. Delta anticipates awarding the contract by September 2007, work is expected to begin in January 2008 and implementation of the system replacement is expected in FY 2009-10.

In FY 2006-07, a Project Manager was procured to work with the fiscal intermediary in preparing the APD, and in FY 2007-08 this contractor will conduct project management and oversight of the design, development and implementation of the new system. The Department also plans to procure an IV&V contractor to conduct independent verification and validation services for the replacement system project. The Office of Technology Review, Oversight and Security (OTROS) originally provided approval through acceptance of the Business Case Justification. DHS will update the Business Case Justification (BCJ) and IAPD upon completion of the procurement.

<b>Cost Reimbursement</b>	<b><u>FY 2006-07 TF</u></b>	<b><u>FY 2006-07 GF</u></b>
Replacement Sys.Proj Mgmt (75/25)	\$ <u>127,000</u>	\$ <u>31,750</u>
<b>Total</b>	<b>\$ <u>127,000</u></b>	<b>\$ <u>31,750</u></b>
<b>Cost Reimbursement:</b>	<b><u>FY 2007-08 TF</u></b>	<b><u>FY 2007-08 GF</u></b>
Replacement Sys.Proj Mgmt (75/25)	\$ 329,000	\$ 82,250
Replacement Sys. Tech. Assistant (75/25)	\$2,055,000	\$ 513,750
Replacement Sys. IV&V Contractor (90/10)	\$ 972,000	\$ 97,200
<b>Additional Contractual Services:</b>		
Replacement Systems (90/10)	<u>\$4,280,000</u>	<u>\$ 428,000</u>
<b>Total</b>	<b><u>\$7,636,000</u></b>	<b><u>\$1,121,200</u></b>

Note: Due to the delay in the start of the project, the IV&V Contractor will not start until June 06/07. The IV&V will not be paid until FY07/08 on a cash basis.

## **HEALTH CARE OPTIONS**

### **MAXIMUS**

## HEALTH CARE OPTIONS

The enrollment contractor, commonly referred to as Health Care Options (HCO), is responsible for enrolling Medi-Cal beneficiaries into Medi-Cal managed care health plans in 12 two-plan model counties, two Geographic Managed Care counties, and two other counties, Sonoma and Marin, where managed care is an option. The enrollment contractor also enrolls beneficiaries into dental care plans in Sacramento County, where enrollment is mandatory and Los Angeles County, where enrollment is voluntary.

The Budget Act of 2005 included geographic expansion of managed care in 13 additional counties. This action included approval to mandatorily enroll seniors and persons with disabilities (SPDs) in any of the expansion counties with County Organized Health Systems. Health Care Options will be expanding into three of the 13 counties.

MAXIMUS, Inc. has been the HCO contractor for HCO since October 1, 1996. The current HCO contract with MAXIMUS began October 1, 2001 and, with the implementation of the three one-year optional contract extension years and with the Period of Extended Operations, is expected to end on September 30, 2008.

**HEALTH CARE OPTIONS**  
**May 2007 Estimate**  
**FY 2006-07**

**CONTRACT NO. 01-15932:**

**Operations:**

Section 8.3.2	Transactions	\$4,261,607	
Section 8.3.3	Mailings	\$9,111,227	
Section 8.3.47	Beneficiary Direct Assistance	\$8,059,281	
	Incremental Rate	<u>\$1,517,098</u>	
	<i>Total Operations</i>		\$22,949,213

**Hourly Reimbursement:**

Section 8.6	Enrollment Services Representatives	\$11,616,096	
Section 8.6	Systems Group	<u>\$0</u>	
	<i>Total Hourly Reimbursement</i>		\$11,616,096

**Cost Reimbursement**

Section 8.7	Various		\$11,319,902
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**Turnover**

Section 8.8			\$115,460
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<b>Change Order #1</b>	Medi-Cal Redesign - Expansion		<u>\$0</u>
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<b>TOTAL HEALTH CARE OPTIONS FY 2006-07 ESTIMATE</b>			<b><u><u>\$46,000,671</u></u></b>
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**HEALTH CARE OPTIONS**  
**May 2007 Estimate**  
**FY 2007-08**

**CONTRACT NO. 01-15932:**

**Operations:**

Section 8.3.2	Transactions	\$4,335,897	
Section 8.3.3	Mailings	\$9,274,937	
Section 8.3.47	Beneficiary Direct Assistance	\$8,199,270	
	Incremental Rate	<u>\$1,552,199</u>	
	<i>Total Operations</i>		\$23,362,303

**Hourly Reimbursement:**

Section 8.6	Enrollment Services Representatives	\$11,792,896	
	Systems Group	<u>\$0</u>	
	<i>Total Hourly Reimbursement</i>		\$11,792,896

**Cost Reimbursement:**

Section 8.7.1	Various		\$12,559,868
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**Turnover**

Section 8.8			\$923,677
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**Change Order #1**

Medi-Cal Redesign - Expansion		<u>\$851,001</u>	
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**TOTAL HEALTH CARE OPTIONS FY 2007-08 ESTIMATE** **\$49,489,745**

### Turnover of Existing Health Care Operations Contract

The Turnover period is to ensure an orderly transfer of the Health Care Options contract from the current contractor to the State or successor contractor at the end of the contract (Period of Extended Operations which ends September 30, 2008). Turnover activities begin July 1, 2007, fifteen months prior to the end of the contract.

	<u>FY 2006-07</u>	<u>FY 2007-08</u>
Total Funds	\$115,460	\$923,677
General Funds	\$ 57,730	\$461,839

## HIPAA National Provider ID Health Care Options Assessment and Remediation

The HIPAA Administrative Simplification provisions require the U.S. Department of Health and Human Services to establish national standards for electronic health care transactions and national identifiers for providers, health plans, and employers. They also address the security and privacy of health data. Adopting these standards will improve the efficiency and effectiveness of the nation's health care system by encouraging the widespread use of standardized electronic data interchange in health care.

The current HCO system was assessed to determine the changes that will be necessary to accommodate the National Provider ID. This assessment consisted of a gap analysis that defined the difference between current system operations and post-provider ID operations. Following the gap analysis, remediation will be undertaken to bring the system into full operations compliance with the National Provider ID.

	<u>FY 2006-07</u>	<u>FY 2007-08</u>
Total Funds	\$19,500	\$15,000
General Funds	\$ 9,750	\$ 7,500

### **Medi-Cal Redesign - Expansion**

The Budget Act of 2005 included geographic expansion of managed care in 13 additional counties. This action included approval to mandatorily enroll seniors and persons with disabilities in any of the expansion counties with County Organized Health Systems. The Department continues to work with the expansion counties.

HCO will need to develop informing materials specific to three new counties, establish new presentation sites and hire an additional Enrollment Services Representatives to staff the sites. This will result in increased packet mailings, higher volumes of call center minutes and enrollment/disenrollment transactions. HCO will be expanding into three of the 13 counties.

	<b><u>FY 2006-07</u></b>	<b><u>FY 2007-08</u></b>
Total Funds	\$0	\$851,001
General Funds	\$0	\$425,501

### Personalized Provider Directories

The Department and MAXIMUS are required to inform Medi-Cal beneficiaries of their Managed Care Plan choices. The Department currently fulfills this obligation by mailing Medi-Cal managed care enrollment packets, which contains county-wide Provider Directories for each available plan. The Provider Directories list medical and dental providers within the beneficiaries' county of residence. To save costs and assist the beneficiaries, the Department will implement pilot project that produces and mails a personalized directory listing providers located near the beneficiaries' home or workplace. Beneficiaries will also have the option of requesting the current county-wide directory, if the personalized directory did not meet their needs. This pilot project will be implemented in Los Angeles and Sacramento counties. Savings will result from a reduction in paper, printing, packet assembly, and postage costs. The savings in FY 2007-08 is minimal due to a one time cost for design, development, and implementation. These savings are contingent on a change to statute which is expected to occur in July 2007. MAXIMUS will need six months to implement this project and operations are expected to begin in January 2008.

	<u>FY 2006-07</u>	<u>FY 2007-08</u>
Total Funds	\$0	(\$1,147)
General Funds	\$0	(\$ 574)

**MISCELLANEOUS  
EXPENDITURES**

**CALIFORNIA STATE CONTROLLER AND CALIFORNIA STATE TREASURER  
AGREEMENTS**

Pursuant to an interagency agreement with the California Department of Health Services, the California State Controller's Office (CSCO) issues warrants to Medi-Cal providers and the California State Treasurer's Office (CSTO) provides funds for warrant redemption.

CSCO Assumptions

- Seventy-five percent FFP is claimed for SCO costs related to warrant and remittance advice detail (RAD) production. Due to all costs associated with the Medically Indigent Adult SNF cases being 100% payable from the General Fund, the net effective FFP ratio is 74.9%.
- Fifty percent FFP is claimed for postage costs.
- One hundred percent FFP is claimed for auditing services.
- CHDP costs are 100% GF

CSTO Assumptions

- Seventy five percent FFP is claimed for all STO costs related to warrant redemption services.

	<u>Total</u>	<u>GF</u>	<u>FFP</u>
<b><u>FY 2006-07 Estimate</u></b>			
CSCO			
Warrants & RADs	\$1,570,650	\$ 392,663	\$1,177,988
Postage	<u>\$1,255,000</u>	<u>\$ 627,500</u>	<u>\$ 627,500</u>
SCO Total	\$2,825,650	\$1,020,163	\$1,805,488
CSTO			
Warrant Redemption	<u>\$ 114,600</u>	<u>\$ 28,650</u>	<u>\$ 85,950</u>
<b><u>TOTAL</u></b>	<b><u>\$2,940,250</u></b>	<b><u>\$1,048,813</u></b>	<b><u>\$1,891,438</u></b>
<b><u>FY 2007-08 Estimate</u></b>			
CSCO			
Warrants & RADs	\$1,420,150	\$ 355,038	\$1,065,113
Postage	<u>\$1,255,000</u>	<u>\$ 627,500</u>	<u>\$ 627,500</u>
SCO Total	\$2,675,150	\$ 982,538	\$1,692,613
CSTO			
Warrant Redemption	<u>\$ 114,600</u>	<u>\$ 28,650</u>	<u>\$ 85,950</u>
<b><u>TOTAL</u></b>	<b><u>\$2,789,750</u></b>	<b><u>\$1,011,188</u></b>	<b><u>\$1,778,563</u></b>

## INSURANCE I.D. CONTRACTS

The Department contracts with vendors to identify recipients with other health insurance. Since Medi-Cal is the payor of last resort, other health plans must first be billed before the Medi-Cal program. These contracts provide: 1) data matches between the Department's Medi-Cal Recipient Eligibility file and the contractor's policy holder/subscriber file, 2) identification and recovery of Medi-Cal expenditures in worker's compensation action, 3) identification and verification of private and group health coverage held, 4) online access to research database services for the public records of Medi-Cal recipients, and 5) cost avoidance activities.

	<u>FY 2006-07</u>	<u>FY 2007-08</u>
Total Funds	\$4,000,000	\$4,000,000
General Funds	\$1,000,000	\$1,000,000

## MEDICAL FI TECHNOLOGY ASSESSMENT

The Department requires the services of a consultant versed in state-of-the-art technology, business trends and the Department's business requirements to help develop the technology requirements for the medical FI request proposal. The consultant contractor will interview key Department staff involved in the daily monitoring of the current FI contract to understand the present day working level environment and needs. The consultant will then be able to extrapolate critical information as the foundation for defining and describing the Department's future business needs with regard to the FI contract. The consultant contractor will also serve as a key member of the evaluation team (in their review of bidder proposal responsiveness and bidder qualification for undertaking the FI workload).

	<u>FY 2006-07</u>	<u>FY 2007-08</u>
Total Funds	\$500,000	\$0
General Funds	\$250,000	\$0

## PROVIDER VERIFICATION FILE

Pursuant to an interagency agreement with the California Department of Consumer Affairs, Medical Board of California, the California Department of Health Services (CDHS) purchases licensure data. This data gives CDHS the ability to verify that prospective providers are currently licensed prior to enrollment in the Medi-Cal program. It also enables CDHS to verify the validity of the referring provider license number on Medi-Cal claims.

	<u>FY 2006-07</u>	<u>FY 2007-08</u>
Total Funds	\$4,000	\$4,000
General Funds	\$1,000	\$1,000

**California Medicaid Management System  
Replacement Contractor**

California-Medicaid Management Information System (CA-MMIS) is the Claims Processing System used for Medi-Cal. This system has changed considerably over the past 30 years to incorporate technological advances as well as address new business and legislative requirements and as a result CA-MMIS is extremely complex, difficult to maintain, and nearing the end of its useful lifecycle. CA-MMIS is a mission critical system that must assure timely and accurate claims processing for Medi-Cal providers. Given the business-critical nature of CA-MMIS, a detailed assessment was recently completed by a specialty vendor and it recommends modernization of CA-MMIS begin immediately. Therefore, CDHS will contract for the services to develop detailed business requirements and provide assistance with the next Request for Proposal (RFP) for CA-MMIS maintenance and operations, using the competitive bid process.

	<b><u>FY 2006-07</u></b>	<b><u>FY 2007-08</u></b>
Total Funds	\$100,000	\$1,300,000
General Funds	\$ 25,000	\$ 325,000

## HIPAA PROJECT SUMMARY

The Department's Medi-Cal fiscal intermediary HIPAA costs are displayed within the Systems Group (SG), Change Order (CO), Cost Reimbursement (CR) for the EDS and Delta Dental contracts and for the Maximus contract as follows:

	<u>FY 2006-07</u>		<u>FY 2007-08</u>	
Total Funds	\$ 38,000,987		\$ 48,408,195	
General Funds	\$ 5,896,819		\$ 8,606,040	
	FY 2006-07		FY 2007-08	
	<u>Total Funds</u>	<u>GF</u>	<u>Total Funds</u>	<u>GF</u>
<b>EDS</b>				
NCPDP Processing (CO)	\$ 926,919	\$ 231,730	\$ 963,995	\$ 240,999
Medical Processing (CO)	\$ 705,040	\$ 352,520	\$ 733,242	\$ 366,621
Technical (CO)	\$ 4,381,000	\$ 1,095,250	\$ 4,556,500	\$ 1,139,125
Cost Reimbursement (CO)	\$ 139,780	\$ 34,945	\$ 53,000	\$ 13,250
UPN (SG)	\$ 7,000,000	\$ 700,000	\$ 6,000,000	\$ 600,000
Code Conversion (SG)	\$ 1,296,000	\$ 129,600	\$ 9,000,000	\$ 900,000
Security (SG)	\$ 3,428,000	\$ 857,000	\$ 1,706,000	\$ 426,500
Transactions (SG)	\$ 1,080,000	\$ 108,000	\$ 450,000	\$ 45,000
NPI (SG)	\$10,067,000	\$ 1,006,700	\$13,845,000	\$ 1,384,500
UPN Data Contractor (CR)	\$ 450,000	\$ 112,500	\$ 1,100,000	\$ 275,000
UPN Project Manager (CR)	\$ 275,000	\$ 27,500	\$ 280,000	\$ 28,000
UPN Hard/Software/Licenses (CR)	\$ 555,000	\$ 138,750	\$ 100,000	\$ 25,000
Code Conversion (CR)	\$ 560,000	\$ 56,000	\$ 560,000	\$ 56,000
Code Conversion Proj Mgr (CR)	\$ 284,256	\$ 28,426	\$ 300,000	\$ 30,000
Hard/Soft for Sec Remediation (CR)	\$ 902,000	\$ 225,500	\$ 910,000	\$ 227,500
Privacy & Sec MEDS Assess (CR)	\$ 250,000	\$ 62,500	\$ 250,000	\$ 62,500
Trans and Code Sets (CR)	\$ 50,000	\$ 5,000	\$ 175,000	\$ 17,500
Remed Encryption DB Equip (CR)	\$ 0	\$ 0	\$ 200,000	\$ 50,000
NPI IV&V Contractor (CR)	\$ 250,000	\$ 25,000	\$ 250,000	\$ 25,000
UPN IV&V Contractor (CR)	\$ 350,000	\$ 35,000	\$ 350,000	\$ 35,000
<b>Total Medical FI (EDS)</b>	<b>\$32,949,995</b>	<b>\$ 5,231,920</b>	<b>\$41,782,737</b>	<b>\$ 5,947,495</b>
<b>Delta</b>				
NPI (CO)	\$ 0	\$ 0	\$ 1,200,000	\$ 600,000
CDT 4 (CO)	\$ 380,000	\$ 190,000	\$ 2,900,000	\$ 1,800,000
Development (SG)	\$ 2,000,000	\$ 200,000	\$ 225,000	\$ 22,500
NPI (SG)	\$ 2,500,000	\$ 250,000	\$ 2,000,000	\$ 200,000
HIPAA IV&V Contractor (CR)	\$ 30,000	\$ 3,000	\$ 15,000	\$ 1,500
NPI IV&V Contractor (CR)	\$ 121,492	\$ 12,149	\$ 270,458	\$ 27,046
<b>Total Dental FI (Delta)</b>	<b>\$ 5,031,492</b>	<b>\$ 655,149</b>	<b>\$ 6,610,458</b>	<b>\$ 2,651,046</b>
<b>Maximus</b>				
NPI (CR)	\$ 19,500	\$ 9,750	\$ 15,000	\$ 7,500
<b>Total HCO FI (Maximus)</b>	<b>\$ 19,500</b>	<b>\$ 9,750</b>	<b>\$ 15,000</b>	<b>\$ 7,500</b>
<b>Total HIPAA</b>	<b><u>\$38,000,987</u></b>	<b><u>\$ 5,896,819</u></b>	<b><u>\$48,408,195</u></b>	<b><u>\$ 8,606,040</u></b>

\*Does not include HIPAA support costs or FFP for other departments' HIPAA costs, which are budgeted in the Other Administration tab of the Estimate.