

FISCAL INTERMEDIARY ESTIMATE

MEDI-CAL MAY 2008 LOCAL ASSISTANCE ESTIMATE for FISCAL YEARS 2007-08 and 2008-09

Fiscal Forecasting and Data Management Branch
State Department of Health Services
1501 Capitol Avenue, Suite 6069
Sacramento, CA 95814
(916) 552-8550

MEDI-CAL MAY 2008 LOCAL ASSISTANCE ESTIMATE for FISCAL YEARS 2007-08 and 2008-09

ARNOLD SCHWARZENEGGER
Governor
State of California

S. Kimberly Belshé
Secretary
California Health and Human Services Agency

Sandra Shewry
Director
Department of Health Care Services

FISCAL INTERMEDIARY TABLE OF CONTENTS

	Page
FY 2007-08 FI Estimate	1
FY 2008-09 FI Estimate	2
Comparison of the May 2008 Estimate to the Appropriation and the November 2007 Estimate to the Appropriation	3
<u>ELECTRONIC DATA SYSTEMS</u>	4
EDS Contract	5
EDS Summary, CY & BY	6
EDS Estimate Detail Table, CY	7
EDS Estimate Detail Table, BY	9
EDS ACL Projections, CY & BY	11
Change Order #1 Implementation of AB 442 Budget Trailer Cost Savings Positions	12
Change Order #2 CHDP Gateway	13
Change Order #3 HIPAA Operations	14
Change Order #4 <i>Conlan, Schwarzmer, Stevens vs. Bontá Lawsuit</i>	15
Change Order #5 Lab Services Limits	16
Change Order #6 Discontinuance of FFS/MCN	17
Change Order #7 Cancelled Enhancements	18
Change Order #8 Cost Reimb Pass-Through Invoice Processing	19
Change Order #9 Expansion of Skeletal History	20
Change Order #18 HIPAA-Host Intrusion Detection on Department Servers	21
Change Order #19 SDN 02038, Electronic Processing of Crossovers	22
Change Order #21 Excess TSC Minutes	23
Change Order #22 Excess CA-EVCMS Card Production	24
Change Order #23 Excess CA-EVCMS Inquiries	25
Change Order #25 Excess DUR claim lines	26
 <u>Change Orders in Development:</u>	
Change Order #20 HIPAA-Business Associate Addendum, Privacy & Security	27
Change Order #24 Additional Pharmacists in Medi-Cal Field Offices	28
Rebate Accounting Information System Infrastructure Operation Support	29
 <u>DELTA DENTAL</u>	30
Delta Dental Contract	31
Administration Estimate, CY	32
Administration Estimate, BY	33
Cost Reimbursement, CY & BY	34
ACSL & TAR Projections, CY & BY	35
Change Order #7 <i>Conlan, Schwarzmer, Stevens vs. Bontá</i>	36
 <u>Change Orders in Development:</u>	
Change Order #6 HIPAA CDT 4	37
Change Order #8 HIPAA NPI	38

Table of Contents Continued on Next Page

Change Order #9 HIPAA Security Risk Assessment	39
CD-MMIS	40
<u>HEALTH CARE OPTIONS</u>	41
Health Care Options Contract	42
CY Summary	43
BY Summary	44
Turnover of Existing HCO Contract	45
HIPAA NPI HCO Assessment and Remediation	46
Expansion	47
Personalized Provider Directories	48
<u>MISCELLANEOUS EXPENDITURES</u>	49
State Controllers Office & State Treasurer's Agreements	50
Insurance ID Contracts	51
Provider Verification File	52
Audit Settlement	53
HIPAA Project Summary	54
Reduction to FI Systems Group	55
Reduction to CA-MISS Modification	56
Transition to Electronic Media Transfer (EMT)	57
Reduction to Dental FI SURS	58
Elimination of Vector Messages on TSC Provider Phone Lines	59

FISCAL INTERMEDIARY ESTIMATE

May 2008

FY 2007-08	TOTAL	FEDERAL	STATE
EDS CONTRACT (a)	\$164,144,000	\$119,167,000	\$44,977,000
DELTA DENTAL ADMINISTRATION (b)	\$75,802,000	\$52,023,000	\$23,779,000
HEALTH CARE OPTIONS (c)	\$50,160,000	\$25,080,000	\$25,080,000
STATE CONTROLLER/STATE TREASURER	\$2,673,000	\$1,730,000	\$943,000
INSURANCE I.D. CONTRACTS	\$4,500,000	\$3,375,000	\$1,125,000
AUDIT SETTLEMENT	\$2,273,000	\$0	\$2,273,000
PROVIDER VERIFICATION FILE	\$3,000	\$2,250	\$750
TOTAL MEDI-CAL COSTS	<u>\$299,555,000</u>	<u>\$201,377,250</u>	<u>\$98,177,750</u>

Refugee expenditures of \$120,028 are included in the Reimbursement line (4260-610-0995) in the Management Summary.

(a) Includes \$194,054 (\$97,027 GF) for Title XXI activities (4260-113-0001/0890), and \$33,369,488 (\$4,748,292 GF) for HIPAA (4260-117-0001/0890).

(b) Includes \$230,000 (\$80,500 GF) for Title XXI activities (4260-113-0001/0890), and \$7,114,200 (\$2,470,616 GF) for HIPAA (4260-117-0001/0890).

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

FISCAL INTERMEDIARY ESTIMATE

May 2008

FY 2008-09	TOTAL	FEDERAL	STATE
EDS CONTRACT (a)	\$171,474,000	\$123,124,000	\$48,350,000
DELTA DENTAL ADMINISTRATION (b)	\$72,601,000	\$50,333,000	\$22,268,000
HEALTH CARE OPTIONS (c)	\$61,286,000	\$30,643,000	\$30,643,000
STATE CONTROLLER/STATE TREASURER	\$2,828,000	\$1,696,000	\$1,132,000
INSURANCE I.D. CONTRACTS	\$5,500,000	\$4,125,000	\$1,375,000
AUDIT SETTLEMENT	\$971,000	\$0	\$971,000
PROVIDER VERIFICATION FILE	\$3,000	\$2,250	\$750
REDUCTION TO FI SYSTEMS GROUP	(\$12,600,000)	(\$10,500,000)	(\$2,100,000)
REDUCTION TO CA-MMIS MODIFICATION	(\$1,700,000)	(\$1,275,000)	(\$425,000)
TRANSITION TO EMT	(\$2,000,000)	(\$1,000,000)	(\$1,000,000)
REDUCTION TO DENTAL FI SURS	(\$2,800,000)	(\$2,100,000)	(\$700,000)
ELIMINATION OF VECTOR MESSAGES ON TSC	(\$600,000)	(\$500,000)	(\$100,000)
TOTAL MEDI-CAL COSTS	<u>\$294,963,000</u>	<u>\$194,548,250</u>	<u>\$100,414,750</u>

Refugee expenditures of \$122,258 are included in the Reimbursement line (4260-610-0995) in the Management Summary.

(a) Includes \$210,630 (\$105,315 GF) for Title XXI activities (4260-113-0001/0890), and \$30,928,823 (\$4,379,526 GF) for HIPAA (4260-117-0001/0890).

(b) Includes \$230,000 (\$80,500 GF) for Title XXI activities (4260-113-0001/0890), and \$1,549,682 (\$414,783 GF) for HIPAA (4260-117-0001/0890).

(c) Includes \$0 for HIPAA (4260-117-0001/0890).

FISCAL INTERMEDIARY

Comparison of May 2008 Estimate to Appropriation and November 2007 Estimate

Current Year 2007-08 Comparison

	<u>2007-08 Appropriation</u>		<u>November 2007 Estimate CY</u>		<u>May 2008 Estimate CY</u>		<u>Difference between May 2008 & Appropriation</u>		<u>Difference between May 2008 & November 2007</u>	
	<u>Total Funds</u>	<u>State Funds</u>	<u>Total Funds</u>	<u>State Funds</u>	<u>Total Funds</u>	<u>State Funds</u>	<u>Total Funds</u>	<u>State Funds</u>	<u>Total Funds</u>	<u>State Funds</u>
Total EDS	\$164,967,000	\$52,042,000	\$167,006,000	\$46,643,000	\$164,144,000	\$44,977,000	-\$823,000	-\$7,065,000	-\$2,862,000	-\$1,666,000
Total Delta Dental	\$80,679,000	\$23,647,000	\$89,817,300	\$25,393,000	\$75,802,000	\$23,779,000	-\$4,877,000	\$132,000	-\$14,015,300	-\$1,614,000
Total Health Care Options	\$49,489,745	\$24,745,000	\$52,605,600	\$26,303,000	\$50,160,000	\$25,080,000	\$670,255	\$335,000	-\$2,445,600	-\$1,223,000
Total Miscellaneous Expenditures	<u>\$7,887,000</u>	<u>\$2,233,500</u>	<u>\$8,136,000</u>	<u>\$2,308,750</u>	<u>\$9,449,000</u>	<u>\$4,341,750</u>	<u>\$1,562,000</u>	<u>\$2,108,250</u>	<u>\$1,313,000</u>	<u>\$2,033,000</u>
GRAND TOTAL	\$303,022,745	\$102,667,500	\$317,564,900	\$100,647,750	\$299,555,000	\$98,177,750	-\$3,467,745	-\$4,489,750	-\$18,009,900	-\$2,470,000

Budget Year 2008-09 Comparison

	<u>November 2007 Estimate BY</u>		<u>May 2008 Estimate BY</u>		<u>Difference between May 2008 & November 2007</u>	
	<u>Total Funds</u>	<u>State Funds</u>	<u>Total Funds</u>	<u>State Funds</u>	<u>Total Funds</u>	<u>State Funds</u>
Total EDS	\$164,188,000	\$45,830,000	\$171,474,000	\$48,350,000	\$7,286,000	\$2,520,000
Total Delta Dental	\$83,971,000	\$23,099,000	\$72,601,000	\$22,268,000	-\$11,370,000	-\$831,000
Total Health Care Options	\$75,147,000	\$37,574,000	\$61,286,000	\$30,643,000	-\$13,861,000	-\$6,931,000
Total Miscellaneous Expenditures	<u>-\$10,928,000</u>	<u>-\$1,829,250</u>	<u>-\$10,398,000</u>	<u>-\$846,250</u>	<u>\$530,000</u>	<u>\$983,000</u>
GRAND TOTAL	\$312,378,000	\$104,673,750	\$294,963,000	\$100,414,750	-\$17,415,000	-\$4,259,000

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 2008 Estimate**

FY 2007-08	Total	State Funds
Operations	\$55,864,091	\$17,080,532
Hourly Reimbursement	\$54,932,589	\$10,410,342
Cost Reimbursement	\$26,245,374	\$7,621,191
Other Estimated Costs	\$6,464,487	\$3,019,372
Change Orders	\$17,354,330	\$5,907,671
Healthy Families(XXI)	\$194,054	\$97,027
Family PACT	\$252,951	\$126,476
Turnover	\$274,000	\$68,500
Sub-Total	\$161,581,876	\$44,331,111
Sales Tax	\$2,562,497	\$646,358
TOTAL EDS COSTS	\$164,144,372	\$44,977,469

FY 2008-09	Total	State Funds
Operations	\$57,687,436	\$17,709,106
Hourly Reimbursement	\$55,150,091	\$10,881,242
Cost Reimbursement	\$24,204,642	\$7,170,363
Other Estimated Costs	\$10,582,782	\$5,076,636
Change Orders	\$19,852,168	\$6,395,395
Healthy Families(XXI)	\$210,630	\$105,315
Family PACT	\$260,540	\$130,270
Turnover	\$822,000	\$205,500
Sub-Total	\$168,770,289	\$47,673,827
Sales Tax	\$2,703,344	\$675,836
TOTAL EDS COSTS	\$171,473,633	\$48,349,663

EDS ESTIMATE (DETAIL TABLE)

May 2008

FY 2007-08	TOTAL FUNDS
OPERATIONS	\$55,864,091
Claims Adjudication	
ACL General Operations Bid	\$25,357,249
ACL On-Line Pharmacy	
Operations	\$5,076,739
DUR	\$820,698
CA-EVS/CMS Processing	\$12,714,000
SB 393 Drug Inquiries	\$86,710
Telephone Services Center	\$11,808,695
HOURLY REIMBURSEMENT	\$54,932,589
Systems Group	\$42,207,920
Field Office Automation Group (FOAG)	\$12,663,936
Computer Support	\$40,733
Expert Witness	\$20,000
COST REIMBURSEMENT	\$26,245,374
Printing	\$5,484,000
Administration	\$417,000
Telecommunications	\$2,915,103
Postage	\$3,000,000
Parcel Post	\$132,000
Equipment/Services	\$10,978,543
Audit	\$96,634
Facilities Improve/Modif	\$1,540
Special Training	\$27,942
Unisys Subcontract	\$2,300,000
Change Orders	\$892,612
OTHER ESTIMATED COSTS	\$6,464,487
CA-EVS/CMS Plastic Cards	\$590,881
POS Device Labor Costs	\$70,230
Health Access Program Cards	\$177,665
Savings Proposal Sharing	\$5,613,000
Additional Contractual Services	\$12,711
CHANGE ORDERS	\$17,354,330
Negotiated Change Orders	\$16,447,202
Change Orders in Progress	\$907,128
Unspecified Change Orders	\$0

continued on next page

CY EDS Estimate (Detail Table), May 2008 Estimate
Continued from Page 7

FY 2007-08	TOTAL FUNDS
TURNOVER	\$274,000
HEALTHY FAMILIES	\$194,054
FAMILY PACT	\$252,951
SUBTOTAL	\$161,581,876
SALES TAX 7.75% as of January 2004	\$2,562,497
TOTAL	\$164,144,372

EDS ESTIMATE (DETAIL TABLE)
May 2008

FY 2008-09	TOTAL FUNDS
OPERATIONS	\$57,687,436
Claims Adjudication	
ACL General Operations Bid (a)	\$27,148,870
ACL On-Line Pharmacy	
Operations	\$5,024,271
DUR	\$793,202
CA-EVS/CMS Processing	\$12,714,000
SB 393 Drug Inquiries	\$81,298
Telephone Services Center	\$11,925,795
 HOURLY REIMBURSEMENT	 \$55,150,091
Systems Group	\$42,180,814
Field Office Automation Group (FOAG)	\$12,908,007
Computer Support	\$41,270
Expert Witness	\$20,000
 COST REIMBURSEMENT	 \$24,204,642
Printing	\$5,648,520
Administration	\$429,510
Telecommunications	\$3,002,556
Postage	\$3,090,000
Parcel Post	\$135,960
Equipment/Services	\$8,128,045
Audit	\$96,634
Facilities Improve/Modif	\$1,586
Special Training	\$28,780
Unisys Subcontract	\$2,600,000
Change Orders	\$1,043,051
 OTHER ESTIMATED COSTS	 \$10,582,782
CA-EVS/CMS Plastic Cards	\$565,437
POS Device Labor Costs	\$101,619
Health Access Program Cards	\$179,767
Savings Proposal Sharing	\$9,723,762
Additional Contractual Services	\$12,197
 CHANGE ORDERS	 \$19,852,168
Negotiated Change Orders	\$15,120,154
Change Orders in Progress	\$4,732,014
Unspecified Change Orders	\$0

continued on next page

BY EDS Estimate (Detail Table), May 2008 Estimate
Continued from Page 9

FY 2008-09	TOTAL FUNDS
HEALTHY FAMILIES	\$210,630
TURNOVER	\$822,000
FAMILY PACT	\$260,540
SUBTOTAL	\$168,770,289
SALES TAX 7.75% as of January 2004	\$2,703,344
TOTAL	\$171,473,633

ELECTRONIC DATA SYSTEMS CORPORATION (EDS)

Assumptions

ACL Projections:

FY 2007-08	<u>General ACLs</u>	<u>Amount</u>	<u>Online-Drug ACLs</u>	<u>Amount</u>
Total ACLs	146,591,111	\$25,532,464	59,885,381	\$5,095,577
Less HFP	791,253	\$ 175,215	214,151	\$ 18,839
Total Medi-Cal ACLs	145,799,858	\$25,357,249	59,671,230	\$5,076,739

Based on the estimated FY 2007-08 volumes, general ACLs are projected at (.17427) and online ACLs are projected at (.08512). 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.

FY 2008-09	<u>General ACLs</u>	<u>Amount</u>	<u>Online-Drug ACLs</u>	<u>Amount</u>
Total ACLs	150,419,917	\$27,340,864	62,908,427	\$5,042,906
Less HFP	830,815	\$ 191,994	224,859	\$ 18,635
Total Medi-Cal ACLs	149,589,102	\$27,148,870	62,683,568	\$5,024,271

Based on the estimated FY 2008-09 volumes, general ACLs are projected at (.18187) and online ACLs are projected at (.08019). 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.

Negotiated Change Orders:

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
1	Implementation of Assembly Bill (AB) 442 Budget Trailer Cost Savings Positions	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 several Pharmaceutical Consultant II's will remain under this change order.

	<u>FY 2007-08</u>	<u>FY 2008-09</u>
Change Order Administration:		
Total Funds	\$467,847	\$486,561
General Funds	\$116,962	\$121,640
Cost Reimbursement:		
Total Funds	\$ 6,831	\$ 7,104
General Funds	\$ 3,415	\$ 3,552
TOTAL FUNDS:	\$474,678	\$493,665
GENERAL FUNDS:	\$120,377	\$125,192

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
2	CHDP Gateway	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 2007-08</u>	<u>FY 2008-09</u>
Change Order Administration:		
Total Funds	\$ 70,755	\$ 73,585
General Funds	\$ 35,378	\$ 36,793
Cost Reimbursement:		
Total Funds	\$678,163	\$705,290
General Funds	\$339,082	\$352,645
TOTAL FUNDS	\$748,918	\$778,875
GENERAL FUNDS	\$374,460	\$389,438

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
3	HIPAA Operations	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 2007-08</u>	<u>FY 2008-09</u>
Change Order Administration:		
Total Funds	\$6,111,297	\$6,746,127
General Funds	\$1,527,824	\$1,686,532
Cost Reimbursement:		
Total Funds	\$ 73,400	\$ 196,440
General Funds	\$ 18,350	\$ 49,110
TOTAL FUNDS	\$6,184,697	\$6,942,567
GENERAL FUNDS	\$1,546,174	\$1,735,642

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
4	Conlan, Schwarzmer, Stevens vs. Bontá	4/26/07

In the case of *Conlan, Schwarzmer, Stevens vs. 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 has developed and implemented 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 2007-08</u>	<u>FY 2008-09</u>
Change Order Administration:		
Total Funds	\$ 5,106,500	\$4,621,500
General Funds	\$ 2,553,250	\$2,310,750
Cost Reimbursement:		
Total Funds	\$ 103,336	\$ 103,336
General Funds	\$ 51,668	\$ 51,668
TOTAL FUNDS	\$5,209,836	\$4,724,836
GENERAL FUNDS	\$3,187,418	\$2,702,418

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
5	Lab Services Limits	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 2007-08</u>	<u>FY 2008-09</u>
Change Order Administration:		
Total Funds	\$1,107,290	\$1,151,582
General Funds	\$ 553,645	\$ 575,791
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$1,107,290	\$1,151,582
GENERAL FUNDS	\$ 553,645	\$ 575,791

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
6	Discontinuance of the Fee-For-Service Managed Care Network Functions	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 2007-08</u>	<u>FY 2008-09</u>
Change Order Administration:		
Total Funds	\$(127,529)	\$(127,529)
General Funds	\$ (31,882)	\$ (31,882)
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$(127,529)	\$(127,529)
GENERAL FUNDS	\$ (31,882)	\$ (31,882)

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
7	Recoupment of Operations Costs Due to N/A the Non-Acceptance of Enhancements	

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 2007-08</u>	<u>FY 2008-09</u>
Change Order Administration:		
Total Funds	\$(498,867)	\$(498,867)
General Funds	\$(124,717)	\$(124,717)
Cost Reimbursement:		
Total Funds	\$(127,118)	\$(127,118)
General Funds	\$ (31,780)	\$ (31,780)
TOTAL FUNDS	\$(625,985)	\$(625,985)
GENERAL FUNDS	\$(156,497)	\$(156,497)

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
8	Cost Reimbursement Pass-Through Invoices	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 2007-08</u>	<u>FY 2008-09</u>
Change Order Administration:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
Cost Reimbursement:		
Total Funds	\$158,000	\$158,000
General Funds	\$ 79,000	\$ 79,000
TOTAL FUNDS	\$158,000	\$158,000
GENERAL FUNDS	\$ 79,000	\$ 79,000

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
9	Expansion of Skeletal History File	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 2007-08</u>	<u>FY 2008-09</u>
Change Order Administration:		
Total Funds	\$57,685	\$57,685
General Funds	\$14,421	\$14,421
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$57,685	\$57,685
GENERAL FUNDS	\$14,421	\$14,421

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
18	HIPAA-Host Intrusion Detection On Department Servers	1/11/2007

As a result of the implementation of Systems Development Notice 04075 instructing EDS to implement Cisco Security Agent (CSA) on all DHCS 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 2007-08</u>	<u>FY 2008-09</u>
Change Order Administration:		
Total Funds	\$208,325	\$188,712
General Funds	\$ 52,081	\$ 47,178
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$208,325	\$188,712
GENERAL FUNDS	\$ 52,081	\$ 47,178

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
19	SDN 02038: Electronic Processing of Crossover	1/4/2008

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 2007-08</u>	<u>FY 2008-09</u>
Change Order Administration:		
Total Funds	\$3,051,287	\$1,377,747
General Funds	\$ 762,822	\$ 344,437
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$3,051,287	\$1,377,747
GENERAL FUNDS	\$ 762,822	\$ 344,437

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
21	Telephone Service Center Minutes in Excess of the Contract Maximum	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 2005-2006 and 2006-07 fiscal years. 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 and 2006-07 fiscal years. Therefore, there are no additional funds required under this change order.

	<u>FY 2007-08</u>	<u>FY 2008-09</u>
Change Order Administration:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$0	\$0
GENERAL FUNDS	\$0	\$0

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
22	Production of CA-EVCMS Cards in Excess of the Contract Maximum	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 2007-08</u>	<u>FY 2008-09</u>
Change Order Administration:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$0	\$0
GENERAL FUNDS	\$0	\$0

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
23	CA-EVCMS Inquiries in Excess of the Contract Maximum	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 and 2006-07 fiscal years. 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 and 2006-07 fiscal years. Therefore, there are no additional funds required under this change order.

	<u>FY 2007-08</u>	<u>FY 2008-09</u>
Change Order Administration:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$0	\$0
GENERAL FUNDS	\$0	\$0

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
25	DUR in Excess of the Contract Maximum	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 2007-08</u>	<u>FY 2008-09</u>
Change Order Administration:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$0	\$0
GENERAL FUNDS	\$0	\$0

Change Orders in Development:

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
20	HIPAA-Business Associate Addendum	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 2007-08</u>	<u>FY 2008-09</u>
Change Order Administration:		
Total Funds	\$907,128	\$934,344
General Funds	\$226,782	\$233,586
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$907,128	\$934,344
GENERAL FUNDS	\$226,782	\$233,586

Change Orders in Development:

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
24	Additional Pharmacist in Medi-Cal Field Offices	Not Yet Assigned

Due to an increase in Treatment Authorization Requests (TARs) the current staffing levels are insufficient to keep pace with the increasing volume. Welfare and Institutions Code Section 14133.37 requires processing of TARs within 24 hours, however the current pharmacy TAR backlog has been as long as 10 days. This change order will provide for additional pharmacy consultants to help correct this problem.

	<u>FY 2007-08</u>	<u>FY 2008-09</u>
Change Order Administration:		
Total Funds	\$0	\$2,597,670
General Funds	\$0	\$ 649,418
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$0	\$2,597,670
GENERAL FUNDS	\$0	\$ 649,418

Change Orders in Development:

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
Not Yet Assigned	Rebate Accounting Information System Infrastructure Operation Support	Not Yet Assigned

Additional resources are needed to implement System Development Notice 03057 (Rebate Accounting and Information System Development and Testing Environment) and System Development Notice 050547 (Rebate Accounting and Information System Infrastructure Refresh).

	<u>FY 2007-08</u>	<u>FY 2008-09</u>
Change Order Administration:		
Total Funds	\$0	\$1,200,000
General Funds	\$0	\$ 300,000
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$0	\$1,200,000
GENERAL FUNDS	\$0	\$ 300,000

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 2008 Estimate**

FY 2007-08

	<u>Total Fund</u>	<u>General Fund</u>
Dental Administration/Operations	\$34,163,432	\$8,540,858
Telephone Service Center	\$12,780,647	\$5,399,823
Change Orders	\$6,031,000	\$3,015,500
Hourly Reimbursable Groups	\$15,085,864	\$3,471,729
Cost Reimbursable Expenses	\$7,740,564	\$3,351,256
Additional Contractual Services:		
Replacement System (10%) GF	\$0	\$0
Takeover (25%GF)	<u>\$0</u>	<u>\$0</u>
Total Dental Administration Costs	<u><u>\$75,801,507</u></u>	<u><u>\$23,779,166</u></u>

**Delta Dental Administration
May 2008 Estimate**

FY 2008-09

	<u>Total Fund</u>	<u>General Fund</u>
Dental Administration Operations	\$35,857,818	\$8,964,455
Telephone Service Center	\$13,650,905	\$5,767,507
Change Orders	\$1,121,000	\$560,500
Hourly Reimbursable Groups	\$14,914,260	\$3,668,565
Cost Reimbursable Expenses	\$7,057,000	\$3,307,000
Additional Contractual Services:		
Replacement System (10%) GF	\$0	\$0
Takeover Costs (25%GF)	<u>\$0</u>	<u>\$0</u>
Total Dental Administration Costs	<u><u>\$72,600,983</u></u>	<u><u>\$22,268,027</u></u>

DENTAL COST REIMBURSABLE EXPENSES

May 2008 Estimate

	FY 2007-08		FY 2008-09	
	TF	GF	TF	GF
Printing (50%)	\$ 2,000,000	\$ 1,000,000	\$ 2,000,000	\$ 1,000,000
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%)	\$ 200,000	\$ 100,000	\$ 200,000	\$ 100,000
Audits / Research (50%)	\$ 173,000	\$ 86,500	\$ 181,000	\$ 90,500
Facilities Improvement (25%)	\$ 110,000	\$ 27,500	\$ 110,000	\$ 27,500
Toll Free Phone Charges (25%)	\$ 375,000	\$ 93,750	\$ 375,000	\$ 93,750
Knox-Keene Annual Assessment (50%)	\$ 1,850,000	\$ 925,000	\$ 1,850,000	\$ 925,000
Misc. (50%)	\$ 146,000	\$ 73,000	\$ 190,000	\$ 95,000
CD-MMIS Replacement (various GF%)	\$ 190,000	\$ 15,700	\$ -	\$ -
HIPAA IV&V CDT Contractor 90/10	\$ 155,000	\$ 15,500	\$ -	\$ -
HIPAA IV&V NPI. Contractor 90/10	\$ 240,564	\$ 24,056	\$ -	\$ -
Sys. Rep. IV&V Contractor 90/10	\$ 73,000	\$ 7,300	\$ -	\$ -
Sys. Rep. Tech. Asst. 90/10	\$ -	\$ -	\$ 250,000	\$ 25,000
Sys. Rep. Project Mgmt 90/10	\$ 224,000	\$ 22,400	\$ -	\$ -
CDT 4 - Other	\$ 40,000	\$ 4,000	\$ -	\$ -
NPI - Other	\$ 63,000	\$ 6,300	\$ -	\$ -
Total	\$ 7,740,564	\$ 3,351,256	\$ 7,057,000	\$ 3,307,000

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
7	Conlan, Schwarzmer, Stevens vs. Bontá	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 has developed and implemented new processes through the Dental fiscal intermediary (FI) 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 2007-08</u>	<u>FY 2008-09</u>
Total Funds	\$1,890,000	\$168,000
General Funds	\$ 945,000	\$ 84,000

Change Orders in Development:

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
6	Health Insurance Portability and Accountability Act (HIPAA) Current Dental Terminology 4 (CDT 4)	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 2007-08</u>	<u>FY 2008-09</u>
Total Funds	\$2,800,000	\$43,000
General Fund	\$1,400,000	\$21,500

Change Orders in Development:

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
8	Health Insurance Portability and Accountability Act (HIPAA) National Provider Identification	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 2007-08</u>	<u>FY 2008-09</u>
Total Funds	\$990,000	\$110,000
General Fund	\$495,000	\$ 55,000

Change Orders in Development:

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
9	Health Insurance Portability and Accountability Act (HIPAA) Addendum - Security Risk Assessment	8/1/2007

This change order establishes the Department's implementation plan designed to comply with the controls required by the National Institute of Standards and Technology (NIST). Compliance with the NIST controls will result in increased requirements to the Security and Privacy Laws and regulations required by Contract 04-35745, Exhibit H, the HIPAA Business Associate Addendum.

	<u>FY 2007-08</u>	<u>FY 2008-09</u>
Total Funds	\$351,000	\$800,000
General Fund	\$175,500	\$400,000

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 replacing the antiquated CD-MMIS legacy system architecture with a system architecture that is based on 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 conform to Medicaid Information Technology Architecture (MITA) guidelines and will be eligible for federal certification.

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 contractual 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 revised 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 accepted and produced and published a Request for Proposal (RFP) for a replacement system in July 2007. Delta received three responses to the RFP. Delta evaluated the responses, and in November, 2007, recommended EDS' InterChange MMIS to the Department. In January of 2008, due to California's budget shortfall and other considerations, the Department again cancelled the dental replacement project.

The Department is currently looking at alternative ways to meet the Denti-Cal Program's claims processing automation needs. One alternative under consideration is to move automated support for the dental program to the upcoming medical MMIS replacement system.

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 procured 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. DHCS will update the Business Case Justification (BCJ) and IAPD upon completion of the procurement.

Cost Reimbursement	<u>FY 2007-08 TF</u>	<u>FY 2007-08 GF</u>
Sys Replacement - Delta RFP (90/10)	\$ 190,000	\$ 15,700
Sys Replacement - IV & V (90/10)	\$ 73,000	\$ 7,300
Sys Replacement - Project Management (90/10)	<u>\$ 224,000</u>	<u>\$ 22,400</u>
Total	\$ 487,000	\$ 45,400
Cost Reimbursement:	<u>FY 2008-09 TF</u>	<u>FY 2008-09 GF</u>
IV&V - Costs (90/10)	<u>\$ 250,000</u>	<u>\$ 25,000</u>
Total	\$ 250,000	\$ 25,000

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. Health Care Options will be expanding into three of the 13 counties.

MAXIMUS, Inc. has been the 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 the Period of Extended Operations, is expected to end December 31, 2008. An exact contract end date is dependent on the completion of the current evaluation of the proposals for the new contract.

HEALTH CARE OPTIONS
May 2008 Estimate
FY 2007-08

CONTRACT NO. 01-15932:

Operations:

Section 8.3.2	Transactions	\$4,908,213	
Section 8.3.3	Mailings	\$10,154,115	
Section 8.3.47	Beneficiary Direct Assistance	\$8,199,270	
	Incremental Rate	\$1,596,824	
	<i>Total Operations</i>		\$24,858,422

Hourly Reimbursement:

Section 8.6	Enrollment Services Representatives	\$12,830,540	
Section 8.6	Systems Group	\$0	
	<i>Total Hourly Reimbursement</i>		\$12,830,540

Cost Reimbursement

Section 8.7	Various		\$11,997,397
-------------	---------	--	--------------

Turnover

Section 8.8			\$115,460
-------------	--	--	-----------

Change Order #1	Medi-Cal Redesign - Expansion		\$24,450
------------------------	-------------------------------	--	----------

Takeover			\$333,333
-----------------	--	--	-----------

TOTAL HEALTH CARE OPTIONS FY 2007-08 ESTIMATE	\$50,159,602
--	---------------------

HEALTH CARE OPTIONS
May 2008 Estimate
FY 2008-09

CONTRACT NO. 01-15932:

Operations:

Section 8.3.2	Transactions	\$6,487,765	
Section 8.3.3	Mailings	\$7,775,550	
Section 8.3.47	Beneficiary Direct Assistance	\$6,803,087	
	Medi-Cal Publications Management Services	\$147,584	
	Incremental Rate	\$930,885	
	<i>Total Operations</i>		\$22,144,871

Hourly Reimbursement:

Section 8.6	Enrollment Services Representatives	\$11,372,401	
	Systems Group	\$0	
	<i>Total Hourly Reimbursement</i>		\$11,372,401

Cost Reimbursement:

Section 8.7.1	Various	\$19,624,170
---------------	---------	--------------

Turnover

Section 8.8		\$1,847,355
-------------	--	-------------

Change Order #1

Medi-Cal Redesign - Expansion	\$630,581
-------------------------------	-----------

Takeover

\$5,666,667

TOTAL HEALTH CARE OPTIONS FY 2008-09 ESTIMATE

\$61,286,045

Turnover of Existing Health Care Options 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 began January 1, 2007, fifteen months prior to the end of the contract. Due to a delay with the evaluation of the proposals for the new contract, Turnover was suspended June 29, 2007 and resumed in April 2008.

	<u>FY 2007-08</u>	<u>FY 2008-09</u>
Total Funds	\$115,460	\$1,847,355
General Funds	\$ 57,730	\$ 923,678

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 2007-08</u>	<u>FY 2008-09</u>
Total Funds	\$15,000	\$0
General Funds	\$ 7,500	\$0

Medi-Cal Redesign - Expansion

The Budget Act of 2005 included geographic expansion of managed care in 13 additional counties. 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 costs associated with the expansion will begin in FY 2007-08.

	<u>FY 2007-08</u>	<u>FY 2008-09</u>
Total Funds	\$24,450	\$630,581
General Funds	\$12,225	\$315,290

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 contain 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. Operations are expected to begin in December 2008.

	<u>FY 2007-08</u>	<u>FY 2008-09</u>
Total Funds	\$0	\$(88,101)
General Funds	\$0	\$(44,051)

**MISCELLANEOUS
EXPENDITURES**

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

Pursuant to an interagency agreement with the Department of Health Care 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.

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>
<u>FY 2007-08 Estimate</u>			
CSCO			
Warrants & RADs	\$1,458,145	\$ 364,536	\$1,093,609
Postage	<u>\$1,100,005</u>	<u>\$ 550,003</u>	<u>\$ 550,002</u>
SCO Total	\$2,558,150	\$ 914,539	\$1,643,611
CSTO			
Warrant Redemption	<u>\$ 114,600</u>	<u>\$ 28,650</u>	<u>\$ 85,950</u>
<u>TOTAL</u>	<u>\$2,672,750</u>	<u>\$ 943,189</u>	<u>\$1,729,561</u>
<u>FY 2008-09 Estimate</u>			
CSCO			
Warrants & RADs	\$1,013,150	\$ 253,288	\$ 759,863
Postage	<u>\$1,700,000</u>	<u>\$ 849,999</u>	<u>\$ 849,999</u>
SCO Total	\$2,713,150	\$1,103,287	\$1,609,862
CSTO			
Warrant Redemption	<u>\$ 114,600</u>	<u>\$ 28,650</u>	<u>\$ 85,950</u>
<u>TOTAL</u>	<u>\$2,827,750</u>	<u>\$1,131,937</u>	<u>\$1,695,812</u>

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 2007-08</u>	<u>FY 2008-09</u>
Total Funds	\$4,500,000	\$5,500,000
General Funds	\$1,125,000	\$1,375,000

PROVIDER VERIFICATION FILE

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

	<u>FY 2007-08</u>	<u>FY 2008-09</u>
Total Funds	\$3,000	\$3,000
General Funds	\$ 750	\$ 750

AUDIT SETTLEMENT

Federal audit A-09-0-00032 determined that FFP was incorrectly claimed for Medicaid Management Information System costs at the enhanced rate of 75% FFP during the period of July 1, 2003 through June 30, 2005. The Department will repay \$2,273,000 in FY 2007-08. For the period of July 1, 2005 through June 30, 2007, the Department will repay \$971,000 in FY 2008-09. The Department has remediated its claiming allocation methodology to ensure these audit deficiencies are corrected.

	<u>FY 2007-08</u>	<u>FY 2008-09</u>
Total Funds	\$2,273,000	\$971,000
General Funds	\$2,273,000	\$971,000

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 2007-08</u>		<u>FY 2008-09</u>	
Total Funds	\$ 40,498,688		\$ 32,478,505	
General Funds	\$ 7,226,408		\$ 4,794,309	

	<u>FY 2007-08</u>		<u>FY 2008-09</u>	
	<u>Total Funds</u>	<u>GF</u>	<u>Total Funds</u>	<u>GF</u>
EDS				
NCPDP E-TAR Processing (CO)	\$ 963,995	\$ 240,999	\$ 1,002,555	\$ 250,639
Medical E-TAR Processing (CO)	\$ 733,242	\$ 183,311	\$ 762,572	\$ 190,643
Technical/Provider Relations (CO)	\$ 4,414,060	\$ 1,103,515	\$ 4,981,000	\$ 1,245,250
CSA Network Security	\$ 208,325	\$ 52,081	\$ 188,712	\$ 47,178
NIST Controls	\$ 907,128	\$ 226,782	\$ 934,344	\$ 233,586
Cost Reimbursement (CO)	\$ 73,400	\$ 18,350	\$ 196,440	\$ 49,110
UPN (SG)	\$ 0	\$ 0	\$ 0	\$ 0
Code Conv/Secur/Trans (SG)	\$12,800,000	\$ 1,280,000	\$19,375,200	\$ 1,937,520
Transaction (CR)	\$ 250,000	\$ 25,000	\$ 1,250,000	\$ 125,000
NPI (SG)	\$ 9,327,036	\$ 932,704	\$ 0	\$ 0
UPN Data Contractor (CR)	\$ 0	\$ 0	\$ 0	\$ 0
UPN Project Manager (CR)	\$ 280,000	\$ 28,000	\$ 280,000	\$ 28,000
UPN Hard/Software/Licenses (CR)	\$ 0	\$ 0	\$ 0	\$ 0
Code Conversion Contract (CR)	\$ 560,000	\$ 56,000	\$ 560,000	\$ 56,000
Code Conversion Proj Mgr (CR)	\$ 306,000	\$ 30,600	\$ 306,000	\$ 30,600
Hard/Soft for Sec Remediation (CR)	\$ 2,100,000	\$ 525,000	\$ 500,000	\$ 125,000
Privacy & Sec MEDS Assess (CR)	\$ 0	\$ 0	\$ 0	\$ 0
Trans and Code Sets IV&V (CR)	\$ 137,500	\$ 13,750	\$ 275,000	\$ 27,500
Remed Encryption DB Equip (CR)	\$ 0	\$ 0	\$ 305,000	\$ 30,500
NPI IV&V Contractor (CR)	\$ 300,000	\$ 30,000	\$ 0	\$ 0
UPN IV&V Contractor (CR)	\$ 0	\$ 0	\$ 0	\$ 0
HIPAA Link Electronic Attachment	\$ 8,802	\$ 2,201	\$ 12,000	\$ 3,000
Total Medical FI (EDS)	\$33,369,488	\$ 4,748,292	\$30,928,823	\$ 4,379,526
Delta				
NPI Operations(CO)	\$ 1,046,521	\$ 523,261	\$ 333,090	\$ 166,545
CDT 4 (CO)	\$ 3,219,829	\$ 1,609,915	\$ 16,359	\$ 8,180
HIPAA Security (CO)	\$ 351,036	\$ 87,759	\$ 800,233	\$ 200,058
Development – CDT 4 (SG)	\$ 225,000	\$ 22,500	\$ 0	\$ 0
NPI (SG)	\$ 1,773,250	\$ 177,325	\$ 400,000	\$ 40,000
HIPAA IV&V Contractor (CR)	\$ 155,000	\$ 15,500	\$ 0	\$ 0
NPI IV&V Contractor (CR)	\$ 240,564	\$ 24,056	\$ 0	\$ 0
CDT 4 (CR)	\$ 40,000	\$ 4,000	\$ 0	\$ 0
NPI (CR)	\$ 63,000	\$ 6,300	\$ 0	\$ 0
Total Dental FI (Delta)	\$ 7,114,200	\$ 2,470,616	\$ 1,549,682	\$ 414,783
Maximus				
NPI (CR)	\$ 15,000	\$ 7,500	\$ 0	\$ 0
Total HCO FI (Maximus)	\$ 15,000	\$ 7,500	\$ 0	\$ 0
Total HIPAA	<u>\$40,498,688</u>	<u>\$ 7,226,408</u>	<u>\$32,478,505</u>	<u>\$ 4,794,309</u>

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

REDUCTION TO FI SYSTEMS GROUP

Effective July 1, 2008, the Department will reduce the FI Systems Group by 70 systems analysts and programmers from a current level of 190 positions to 120 positions. For more information, see Appendix A, Issue # 28.

	<u>FY 2007-08</u>	<u>FY 2008-09</u>
Total Funds	\$0	\$(12,600,000)
General Funds	\$0	\$ (2,100,000)

REDUCTION TO CA-MMIS MODIFICATION

Effective July 1, 2008, the Department will reduce the CA-MMIS Modification expenditures by \$1,700,000 TF. For more information, see Appendix A, Issue # 29.

	<u>FY 2007-08</u>	<u>FY 2008-09</u>
Total Funds	\$0	\$(1,700,000)
General Funds	\$0	\$ (425,000)

TRANSITION TO ELECTRONIC MEDIA TRANSFER (EMT)

Effective July 1, 2008, the Department will reduce cost reimbursement for Print, Postage and Parcel due to the transition of hardcopy provider bulletins, manuals, and notification of information to an EMT format, allowing access via the Internet. For more information, see Appendix A, Issue # 30.

	<u>FY 2007-08</u>	<u>FY 2008-09</u>
Total Funds	\$0	\$(2,000,000)
General Funds	\$0	\$(1,000,000)

REDUCTION TO DENTAL FI SURS

Effective July 1, 2008, the Department will reduce the number of Dental SURS contract positions from a current level of 44 to 24. For more information, see Appendix A, Issue # 31.

	<u>FY 2007-08</u>	<u>FY 2008-09</u>
Total Funds	\$0	\$(2,800,000)
General Funds	\$0	\$ (700,000)

**DISCONTINUE VECTOR MESSAGES ON TELEPHONE SERVICE CENTER (TSC)
PROVIDER PHONE LINES**

Effective July 1, 2008, the Department will eliminate recorded vector messages from provider call lines. For more information, see Appendix A, Issue # 32.

	<u>FY 2007-08</u>	<u>FY 2008-09</u>
Total Funds	\$0	\$(600,000)
General Funds	\$0	\$(100,000)