

**MEDI-CAL
MAY 2011
LOCAL ASSISTANCE ESTIMATE
for
FISCAL YEARS
2010-11 and 2011-12**

FISCAL INTERMEDIARY

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FISCAL INTERMEDIARY ESTIMATE

May 2011

FY 2010-11	TOTAL	FEDERAL	STATE
HP MEDICAL FISCAL INTERMEDIARY CONTRACT (a)	\$151,727,000	\$107,518,000	\$44,209,000
DENTAL FISCAL INTERMEDIARY CONTRACT (b)	\$61,368,000	\$42,213,000	\$19,155,000
HEALTH CARE OPTIONS	\$48,713,000	\$24,356,000	\$24,357,000
STATE CONTROLLER/STATE TREASURER	\$1,890,000	\$1,307,000	\$583,000
PROVIDER VERIFICATION FILE	\$3,000	\$2,000	\$1,000
TOTAL MEDI-CAL COSTS	<u>\$263,701,000</u>	<u>\$175,396,000</u>	<u>\$88,305,000</u>

Optional Contractual Services expenditures of \$85,800 are included in the Reimbursement line (4260-610-0995) in the Management Summary. This amount is the 10% non-federal match for the ARRA HITECH Incentive Program reimbursed to the Department by the California Healthcare Foundation (CHCF).

Refugee expenditures of \$84,748 are included in the Reimbursement line (4260-610-0995) in the Management Summary.

(a) Includes \$400,346 (\$166,063 GF) for Title XXI activities (4260-113-0001/0890), and \$20,236,881 (\$3,849,011 GF) for HIPAA (4260-117-0001/0890).

(b) Includes \$310,000 (\$108,500 GF) for Title XXI activities (4260-113-0001/0890), and \$3,410,243 (\$852,561 GF) for HIPAA (4260-117-0001/0890).

FISCAL INTERMEDIARY ESTIMATE

May 2011

FY 2011-12	TOTAL	FEDERAL	STATE
HP MEDICAL FISCAL INTERMEDIARY CONTRACT (a)	\$74,598,000	\$53,024,000	\$21,574,000
ACS MEDICAL FISCAL INTERMEDIARY CONTRACT (a)	\$150,980,000	\$113,708,000	\$37,272,000
DENTAL FISCAL INTERMEDIARY CONTRACT (b)	\$69,102,000	\$47,759,000	\$21,343,000
HEALTH CARE OPTIONS	\$56,567,000	\$28,283,000	\$28,284,000
STATE CONTROLLER/STATE TREASURER	\$1,890,000	\$1,307,000	\$583,000
PROVIDER VERIFICATION FILE	\$3,000	\$2,000	\$1,000
TOTAL MEDI-CAL COSTS	<u>\$353,140,000</u>	<u>\$244,083,000</u>	<u>\$109,057,000</u>

Optional Contractual Services expenditures of \$354,135 are included in the Reimbursement line (4260-610-0995) in the Management Summary. This amount is the 10% non-federal match for the ARRA HITECH Incentive Program reimbursed to the Department by the California Healthcare Foundation (CHCF).

Refugee expenditures of \$121,164 are included in the Reimbursement line (4260-610-0995) in the Management Summary.

(a) Includes \$768,882 (\$326,775 GF) for Title XXI activities (4260-113-0001/0890), and \$40,600,086 (\$5,472,363 GF) for HIPAA (4260-117-0001/0890).

(b) Includes \$310,000 (\$108,500 GF) for Title XXI activities (4260-113-0001/0890), and \$2,079,946 (\$519,987 GF) for HIPAA (4260-117-0001/0890).

FISCAL INTERMEDIARY

Comparison of May 2011 Estimate to Appropriation and November 2010 Estimate

Current Year 2010-11 Comparison

	<u>2010-11 Appropriation</u>		<u>November 2010 Estimate CY</u>		<u>May 2011 Estimate CY</u>		<u>Difference between May 2011 & Appropriation</u>		<u>Difference between May 2011 & November 2010</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 Medical Fiscal Intermediary	\$236,566,000	\$61,576,000	\$167,299,000	\$47,264,000	\$151,727,000	\$44,209,000	(\$84,839,000)	(\$17,367,000)	(\$15,572,000)	(\$3,055,000)
Total Dental Fiscal Intermediary	\$61,804,000	\$18,262,000	\$61,375,000	\$19,165,000	\$61,368,000	\$19,155,000	(\$436,000)	\$893,000	(\$7,000)	(\$10,000)
Total Health Care Options	\$55,731,000	\$27,866,000	\$50,290,000	\$25,145,000	\$48,713,000	\$24,357,000	(\$7,018,000)	(\$3,509,000)	(\$1,577,000)	(\$788,000)
Total Miscellaneous Expenditures	<u>\$12,832,000</u>	<u>\$2,619,000</u>	<u>\$2,798,000</u>	<u>\$989,000</u>	<u>\$1,893,000</u>	<u>\$584,000</u>	<u>(\$10,939,000)</u>	<u>(\$2,035,000)</u>	<u>(\$905,000)</u>	<u>(\$405,000)</u>
GRAND TOTAL	\$366,933,000	\$110,323,000	\$281,762,000	\$92,563,000	\$263,701,000	\$88,305,000	(\$103,232,000)	(\$22,018,000)	(\$18,061,000)	(\$4,258,000)

Budget Year 2011-12 Comparison

	<u>November 2010 Estimate BY</u>		<u>May 2011 Estimate BY</u>		<u>Difference between May 2011 & November 2010</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>
HP Medical Fiscal Intermediary	\$57,348,000	\$17,022,000	\$74,598,000	\$21,574,000	\$17,250,000	\$4,552,000
ACS Medical Fiscal Intermediary	\$144,428,000	\$40,697,000	\$150,980,000	\$37,272,000	\$6,552,000	(\$3,425,000)
Total Dental Fiscal Intermediary	\$64,369,000	\$20,058,000	\$69,102,000	\$21,343,000	\$4,733,000	\$1,285,000
Total Health Care Options	\$53,217,000	\$26,609,000	\$56,567,000	\$28,284,000	\$3,350,000	\$1,675,000
Total Miscellaneous Expenditures	<u>\$2,798,000</u>	<u>\$989,000</u>	<u>\$1,893,000</u>	<u>\$584,000</u>	<u>(\$905,000)</u>	<u>(\$405,000)</u>
GRAND TOTAL	\$322,160,000	\$105,375,000	\$353,140,000	\$109,057,000	\$30,980,000	\$3,682,000

MEDICAL FISCAL INTERMEDIARY

MEDICAL FISCAL INTERMEDIARY

The medical fiscal intermediary (FI) contract with HP Enterprise Services, LLC (HP), formerly Electronic Data Systems (EDS), became effective in May 2003. HP initiated claims processing functions under this contract on July 1, 2003. The terms of the contract require HP 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 FI contract is required to have a competitive bid process once an existing contract is scheduled to expire. On December 8, 2009 an Intent to Award to Affiliated Computer Services (ACS) was announced. The Intent to Award was protested. The hearing officer assigned to resolve the case rendered his decision on March 3, 2010, denying the protest. Since administrative remedies had been exhausted, the contract was moved forward for approval by the Department of General Services and the CMS. The ACS contract effective date was May 3, 2010, which began the Takeover phase of the new contract. During this phase HP will continue operations and work on Turnover activities through to the successful Assumption of Operations (AOO) by the new FI contractor. The May 2011 Medi-Cal Estimate reflects calculations based on a September 30, 2011 AOO date. On a cash basis, it is anticipated that five months of HP invoices will be paid in FY 2011-12 as well as the costs associated with Turnover. It is also anticipated that seven months of invoices for ACS will be paid in FY 2011-12 as well as costs associated with Takeover.

The main cost components for both the HP and ACS contracts remain the same for the new contract and are as follows:

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). The FI 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.

Under the HP contract, modifications resulting in changes to Contractor responsibilities, called Change Orders, are billed separately from the contract Operations. A Change Order is within the scope of the contract and is not a fundamental change to the nature of the contract. Under the ACS contract, the scope of work for all existing Change Orders has been incorporated in the ACS contract through the Base Volume Method of Payment (BVMP) rate, which results in these costs being included in operations rather than under change orders.

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.

**Medical Fiscal Intermediary Summary
May 2011 Estimate**

FY 2010-11	HP Total Funds	HP State Funds
Operations	\$57,832,863	\$18,349,811
Hourly Reimbursement	\$31,249,481	\$7,062,370
Cost Reimbursement	\$23,331,336	\$7,657,295
Other Estimated Costs	\$3,877,864	\$1,439,102
Change Orders	\$18,722,667	\$5,151,810
Healthy Families (XXI)	\$400,346	\$166,063
Family PACT	\$392,041	\$196,021
Turnover	\$274,000	\$68,500
Takeover	\$12,532,362	\$3,335,175
Sub-Total	\$148,612,960	\$43,426,146
Sales Tax	\$3,114,482	\$782,427
TOTAL MEDICAL FI COSTS	\$151,727,442	\$44,208,573

HP & ACS

FY 2011-12	Total Funds	State Funds
Operations	\$71,564,738	\$23,519,095
Hourly Reimbursement	\$33,138,897	\$7,534,725
Cost Reimbursement	\$25,742,384	\$8,244,996
Other Estimated Costs	\$15,030,628	\$5,873,413
Change Orders	\$10,226,051	\$2,940,767
Healthy Families (XXI)	\$768,882	\$326,775
Family PACT	\$403,803	\$201,902
Turnover	\$1,644,000	\$411,000
Takeover	\$36,796,114	\$9,792,365
Enhancements	\$29,017,073	\$196,914
System Replacements	\$7,584,595	\$1,382,671
FI AOO Delay Reimbursement	(\$10,851,000)	(\$2,712,750)
Sub-Total	\$221,066,165	\$57,711,872
Sales Tax	\$4,511,547	\$1,134,262
TOTAL MEDICAL FI COSTS	\$225,577,712	\$58,846,133

**Medical Fiscal Intermediary Summary
May 2011 Estimate**

FY 2011-12	HP (5 months)	
	Total Funds	State Funds
Operations	\$24,855,390	\$7,888,485
Hourly Reimbursement	\$13,958,083	\$3,177,020
Cost Reimbursement	\$11,521,032	\$1,372,384
Other Estimated Costs	\$10,660,672	\$5,257,923
Change Orders	\$10,226,051	\$2,940,767
Healthy Families (XXI)	\$283,218	\$120,368
Family PACT	\$168,251	\$84,126
Turnover	\$1,644,000	\$411,000
Takeover	\$0	\$0
Enhancements	\$0	\$0
System Replacements	\$0	\$0
Sub-Total	\$73,316,697	\$21,252,072
Sales Tax	\$1,280,948	\$321,756
TOTAL MEDICAL FI COSTS	\$74,597,645	\$21,573,829

FY 2011-12	ACS (7 months)	
	Total Funds	State Funds
Operations	\$46,709,348	\$15,630,611
Hourly Reimbursement	\$19,180,814	\$4,357,704
Cost Reimbursement	\$14,221,352	\$6,872,612
Other Estimated Costs	\$4,369,956	\$615,490
Change Orders	\$0	\$0
Healthy Families (XXI)	\$485,664	\$206,407
Family PACT	\$235,552	\$117,776
Turnover	\$0	\$0
Takeover	\$36,796,114	\$9,792,365
Enhancements	\$29,017,073	\$196,914
System Replacements	\$7,584,595	\$1,382,671
FI AOO Delay Reimbursement	(\$10,851,000)	(\$2,712,750)
Sub-Total	\$147,749,468	\$36,459,800
Sales Tax	\$3,230,599	\$812,505
TOTAL MEDICAL FI COSTS	\$150,980,067	\$37,272,306

MEDICAL FISCAL INTERMEDIARY ESTIMATE (DETAIL TABLE)
May 2011

FY 2010-11	HP TOTAL FUNDS
OPERATIONS	\$57,832,863
Claims Adjudication	
ACL General Operations Bid	\$28,415,275
ACL On-Line Pharmacy	
Operations	\$5,011,665
DUR	\$798,026
Retrospective DUR	\$0
Encounter Claim Lines	\$0
E Prescribe (RX Hub)	\$71,000
CA-EVS/CMS Processing	\$13,496,897
SB 393 Drug Inquiries	\$40,000
Telephone Services Center	\$10,000,000
 HOURLY REIMBURSEMENT	 \$31,249,481
Systems Group	\$16,676,000
Field Office Automation Group (FOAG)	\$13,833,481
Computer Support	\$720,000
Expert Witness	\$20,000
 COST REIMBURSEMENT	 \$23,331,336
Printing	\$2,790,202
Administration	\$348,482
Telecommunications	\$2,638,032
Postage	\$1,716,075
Parcel Post	\$52,448
Equipment/Services	\$12,520,401
Audit	\$99,533
Facilities Improve/Modif	\$1,683
Special Training	\$11,066
Unisys Subcontract	\$2,300,000
Change Orders	\$853,414
 OTHER ESTIMATED COSTS	 \$3,877,864
CA-EVS/CMS Plastic Cards	\$434,722
POS Device Labor Costs	\$72,000
Health Access Program Cards	\$188,440
Savings Proposal Sharing	\$2,324,702
OCS PEAP	\$0
OCS HITECH	\$858,000
 CHANGE ORDERS	 \$18,722,667
Negotiated Change Orders	\$18,722,667
Change Orders in Progress	\$0
Unspecified Change Orders	\$0

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CY Medical FI Estimate (Detail Table), May 2011 Estimate
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FY 2010-11	HP TOTAL FUNDS
HEALTHY FAMILIES	\$400,346
TURNOVER	\$274,000
TAKEOVER	\$12,532,362
ENHANCEMENTS	\$0
SYSTEM REPLACEMENTS	\$0
FAMILY PACT	\$392,041
SUBTOTAL	\$148,612,960
SALES TAX 8.75%	\$3,114,482
TOTAL	\$151,727,442

MEDICAL FISCAL INTERMEDIARY ESTIMATE (DETAIL TABLE)

May 2011

The FY 2011-12 Medi-Cal FI contract budget includes 5 months of costs for HP and 7 months of costs for ACS. HP is expected to invoice 3 months of operation costs from July 1, 2011 through September 30, 2011, plus 2 months of costs in arrears. ACS is expected to invoice 7 months of costs from October 1, 2011 through April 30, 2012, with the May 2012 and June 2012 invoices to be paid in FY 2012-13.

FY 2011-12	TOTAL FUNDS	HP (5 mos.)	ACS (7 mos.)
OPERATIONS	\$71,564,738	\$24,855,390	\$46,709,348
Claims Adjudication			
ACL General Operations Bid (a)	\$44,787,878	\$11,866,867	\$32,921,011
ACL On-Line Pharmacy			
Operations	\$5,185,895	\$2,055,260	\$3,130,635
DUR	\$536,907	\$332,511	\$204,396
Retrospective DUR	\$42,867	\$0	\$42,867
Encounter Claim Lines	\$506,329	\$0	\$506,329
E Prescribe (RX Hub)	\$214,336	\$0	\$214,336
CA-EVS/CMS Processing	\$8,763,919	\$5,792,418	\$2,971,501
SB 393 Drug Inquiries	\$26,607	\$16,667	\$9,940
Telephone Services Center	\$11,500,000	\$4,791,667	\$6,708,333
HOURLY REIMBURSEMENT	\$33,138,897	\$13,958,083	\$19,180,814
Systems Group	\$20,478,867	\$7,916,667	\$12,562,200
Field Office Automation Group (FOAG)	\$12,543,816	\$5,936,869	\$6,606,947
Computer Support	\$96,214	\$96,214	\$0
Expert Witness	\$20,000	\$8,333	\$11,667
COST REIMBURSEMENT	\$25,742,384	\$11,521,032	\$14,221,352
Printing	\$2,873,908	\$1,197,462	\$1,676,446
Administration	\$358,936	\$149,557	\$209,379
Telecommunications	\$2,717,173	\$1,132,155	\$1,585,018
Postage	\$1,767,557	\$736,482	\$1,031,075
Parcel Post	\$54,022	\$22,509	\$31,513
Equipment/Services	\$16,492,214	\$6,871,756	\$9,620,458
Audit	\$102,519	\$42,716	\$59,803
Facilities Improve/Modif	\$1,733	\$722	\$1,011
Special Training	\$11,398	\$4,749	\$6,649
Unisys Subcontract	\$996,667	\$996,667	\$0
Change Orders	\$366,257	\$366,257	\$0
OTHER ESTIMATED COSTS	\$15,030,628	\$10,660,672	\$4,369,956
CA-EVS/CMS Plastic Cards	\$547,058	\$181,134	\$365,924
POS Device Labor Costs	\$30,000	\$30,000	\$0
Health Access Program Cards	\$211,523	\$78,517	\$133,006
Savings Proposal Sharing	\$10,371,021	\$10,371,021	\$0
OCS PEAP	\$257,399	\$0	\$257,399
OCS HITECH	\$3,613,627	\$0	\$3,613,627

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BY Medical FI Estimate (Detail Table), May 2011 Estimate
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FY 2011-12	TOTAL FUNDS	HP (5 mos.)	ACS (7 mos.)
CHANGE ORDERS	\$10,226,051	\$10,226,051	\$0
Negotiated Change Orders	\$10,226,051	\$10,226,051	\$0
Change Orders in Progress	\$0	\$0	\$0
Unspecified Change Orders	\$0	\$0	\$0
HEALTHY FAMILIES	\$768,882	\$283,218	\$485,664
TURNOVER	\$1,644,000	\$1,644,000	\$0
TAKEOVER	\$36,796,114	\$0	\$36,796,114
ENHANCEMENTS	\$29,017,073	\$0	\$29,017,073
SYSTEM REPLACEMENTS	\$7,584,595	\$0	\$7,584,595
FAMILY PACT	\$403,803	\$168,251	\$235,552
FI AOO DELAY REIMBURSEMENT	(\$10,851,000)		(\$10,851,000)
SUBTOTAL	\$231,917,165	\$73,316,697	\$158,600,468
SALES TAX 8.75%	\$4,511,547	\$1,280,948	\$3,230,599
TOTAL	\$225,577,712	\$74,597,645	\$150,980,067

MEDICAL FISCAL INTERMEDIARY

Assumptions

ACL Projections:

FY 2010-11

HP	<u>General ACLs</u>	<u>Amount</u>	<u>Online-Drug ACLs Amount</u>	
Total ACLs	161,077,181	\$28,751,842	64,767,746	\$5,075,444
Less HFP	<u>813,339</u>	<u>\$336,566</u>	<u>210,150</u>	<u>\$63,780</u>
Total Medi-Cal ACLs	160,263,842	\$28,415,275	64,557,596	\$5,011,665

Based on the estimated FY 2010-11 volumes, general ACLs are projected at \$0.18008 and online ACLs are projected at \$0.07864. 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 2011-12

HP (5 months)	<u>General ACLs</u>	<u>Amount</u>	<u>Online-Drug ACLs Amount</u>	
Total ACLs	68,496,605	\$12,153,873	27,198,096	\$2,109,508
Less HFP	<u>338,891</u>	<u>\$193,960</u>	<u>87,563</u>	<u>\$40,398</u>
Total Medi-Cal ACLs	68,157,714	\$11,959,913	27,110,533	\$2,069,110

Based on the estimated FY 2011-12 volumes for HP, general ACLs are projected at \$0.18008 and online ACLs are projected at \$0.07803. 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 2011-12

ACS (7 months)	<u>General ACLs</u>	<u>Amount</u>	<u>Online-Drug ACLs Amount</u>	
Total ACLs	95,895,247	\$38,411,088	38,077,334	\$3,207,472
Less HFP	<u>474,447</u>	<u>\$359,814</u>	<u>122,588</u>	<u>\$57,447</u>
Total Medi-Cal ACLs	95,420,800	\$33,051,274	37,954,746	\$3,150,025

Based on the estimated FY 2011-12 volumes for ACS, general ACLs are projected at \$0.35116 and online ACLs are projected at \$0.08471. 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 ACS bid price for ACLs includes the change order costs for the current contract with HP.

Negotiated Change Orders:

<u>Change Order No.</u>	<u>Title/Description</u>	<u>Effective</u>
1	Drug Rebate Program	7/15/2004

One full-time Pharmaceutical Consultant II position is budgeted in the CY and BY, which will continue under the new Fiscal Intermediary.

	<u>FY 2010-11</u>	<u>FY 2011-12</u>
Change Order Administration:		
Total Funds	\$276,408	\$287,464
General Funds	\$69,102	\$71,866
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS:	\$276,408	\$287,464
GENERAL FUNDS:	\$69,102	\$71,866

<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 request continuing coverage will be sent an application. Current Year and Budget Year costs are for ongoing operations.

	<u>FY 2010-11</u>	<u>FY 2011-12</u>
Change Order Administration:		
Total Funds	\$68,080	\$29,501
General Funds	\$34,040	\$14,751
Cost Reimbursement:		
Total Funds	\$430,566	\$184,784
General Funds	\$215,283	\$92,392
TOTAL FUNDS	\$498,646	\$214,285
GENERAL FUNDS	\$249,323	\$107,143

<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 HP for these increased costs. Every transaction over 88,000 providers will be impacted as a result of HIPAA.

	<u>FY 2010-11</u>	<u>FY 2011-12</u>
Change Order Administration:		
Total Funds	\$8,336,988	\$3,612,695
General Funds	\$2,084,247	\$903,174
Cost Reimbursement:		
Total Funds	\$22,589	\$9,695
General Funds	\$5,647	\$2,424
TOTAL FUNDS	\$8,359,577	\$3,622,389
GENERAL FUNDS	\$2,089,894	\$905,598

<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 FI 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 HP is receiving.

	<u>FY 2010-11</u>	<u>FY 2011-12</u>
Change Order Administration:		
Total Funds	\$2,779,812	\$1,204,585
General Funds	\$1,389,906	\$602,293
Cost Reimbursement:		
Total Funds	\$34,074	\$14,623
General Funds	\$17,037	\$7,312
TOTAL FUNDS	\$2,813,886	\$1,219,208
GENERAL FUNDS	\$1,406,943	\$609,605

<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 HP for systems development, office equipment, and additional staffing.

	<u>FY 2010-11</u>	<u>FY 2011-12</u>
Change Order Administration:		
Total Funds	\$1,325,691	\$574,466
General Funds	\$331,423	\$143,616
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$1,325,691	\$574,466
GENERAL FUNDS	\$331,423	\$143,616

<u>Change Order No.</u>	<u>Title/Description</u>	<u>Effective</u>
6	Discontinuance of the Fee-For-Service Managed Care Network Functions	6/20/2005

The Department has instructed HP 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 was necessary. It is the Department's intention to recoup the costs of previously bid FFS/MCN activities through this change order.

	<u>FY 2010-11</u>	<u>FY 2011-12</u>
Change Order Administration:		
Total Funds	(\$127,529)	(\$53,137)
General Funds	(\$31,882)	(\$13,284)
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	(\$127,529)	(\$53,137)
GENERAL FUNDS	(\$31,882)	(\$13,284)

<u>Change Order No.</u>	<u>Title/Description</u>	<u>Effective</u>
7	Recoupment of Operations Costs Due to the Non-Acceptance of Enhancements	5/18/2006

As instructed by the Request For Proposal (RFP), HP included the price of all RFP-included enhancements in its 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 2010-11</u>	<u>FY 2011-12</u>
Change Order Administration:		
Total Funds	(\$522,918)	(\$217,883)
General Funds	(\$130,730)	(\$54,471)
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	(\$522,918)	(\$217,883)
GENERAL FUNDS	(\$130,730)	(\$54,471)

<u>Change Order No.</u>	<u>Title/Description</u>	<u>Effective</u>
8	Cost Reimbursement Pass-Through Invoice Processing	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, HP 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 2010-11</u>	<u>FY 2011-12</u>
Change Order Administration:		
Total Funds	\$158,000	\$65,833
General Funds	\$79,000	\$32,917
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$158,000	\$65,833
GENERAL FUNDS	\$79,000	\$32,917

<u>Change Order No.</u>	<u>Title/Description</u>	<u>Effective</u>
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9	Expansion of Skeletal History File	5/18/2006
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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 during 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. HP 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 2010-11</u>	<u>FY 2011-12</u>
Change Order Administration:		
Total Funds	\$62,392	\$27,037
General Funds	\$15,598	\$6,759
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$62,392	\$27,037
GENERAL FUNDS	\$15,598	\$6,759

<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 HP to implement Cisco Security Agent (CSA) on all Department servers and manage them with the CSA Management Console, a Network Security position is required to administer and manage the daily operations of CSA.

	<u>FY 2010-11</u>	<u>FY 2011-12</u>
Change Order Administration:		
Total Funds	\$275,538	\$119,400
General Funds	\$27,554	\$11,940
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$275,538	\$119,400
GENERAL FUNDS	\$27,554	\$11,940

<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 2010-11</u>	<u>FY 2011-12</u>
Change Order Administration:		
Total Funds	\$363,459	\$157,499
General Funds	\$90,865	\$39,375
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$363,459	\$157,499
GENERAL FUNDS	\$90,865	\$31,375

<u>Change Order No.</u>	<u>Title/Description</u>	<u>Effective</u>
20	HIPAA-Business Associate Addendum	5/23/2008

As a result of changes to Security and Privacy Laws and Regulations, HP 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. This change order is for NIST controls that were not in Contract No. 02-25999 A01.

	<u>FY 2010-11</u>	<u>FY 2011-12</u>
Change Order Administration:		
Total Funds	\$898,967	\$389,552
General Funds	\$224,742	\$97,388
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$898,967	\$389,552
GENERAL FUNDS	\$224,742	\$97,388

<u>Change Order No.</u>	<u>Title/Description</u>	<u>Effective</u>
27	HIPAA-National Provider Identifier (NPI)	1/29/2008

HP has incurred increased operational costs as a result of additional claims entry work for SDN 06005 (NPI Remediation). HP was instructed to make the necessary system modifications to allow for the replacement of Medi-Cal provider numbers issued by the Provider Enrollment Division, with a NPI. Additionally, HP was instructed to include the implementation of the new CMS 1500 and UB-04 claim forms. These system changes have had an impact on business processes and operational tasks. This change order will allow the Department to reimburse HP for increased costs related to SDN 06005.

	<u>FY 2010-11</u>	<u>FY 2011-12</u>
Change Order Administration:		
Total Funds	\$1,151,264	\$498,881
General Funds	\$287,816	\$124,720
Cost Reimbursement:		
Total Funds	\$366,185	\$157,154
General Funds	\$91,546	\$39,289
TOTAL FUNDS	\$1,517,449	\$656,035
GENERAL FUNDS	\$379,362	\$164,009

<u>Change Order No.</u>	<u>Title/Description</u>	<u>Effective</u>
29	Imperva Oversight	9/1/2009

To continue maintaining compliance with the HIPAA of 1996, Medi-Cal Database Server Compliance, this change order authorized HP to hire additional staff to provide the required maintenance for the daily operation of the Imperva SecureSphere Logging System (Imperva) as implemented within SDN 04074.

	<u>FY 2010-11</u>	<u>FY 2011-12</u>
Change Order Administration:		
Total Funds	\$466,192	\$202,017
General Funds	\$46,619	\$20,202
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$466,192	\$202,017
GENERAL FUNDS	\$46,619	\$20,202

<u>Change Order No.</u>	<u>Title/Description</u>	<u>Effective</u>
30	Rebate Accounting Information System Infrastructure Operation Support	7/3/2009

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 2010-11</u>	<u>FY 2011-12</u>
Change Order Administration:		
Total Funds	\$634,118	\$274,784
General Funds	\$317,059	\$137,392
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$634,118	\$274,784
GENERAL FUNDS	\$317,059	\$137,392

<u>Change Order No.</u>	<u>Title/Description</u>	<u>Effective</u>
32	Turnover Data Library	12/7/2009

The Department authorized HP to continue the performance of the additional work required to complete tasks beyond the scope of the approved Turnover Work plan. The two key areas of the work increase for Turnover are: 1) Establishing the SharePoint Data Library and 2) Redaction of confidential information from SDNs and manuals.

	<u>FY 2010-11</u>	<u>FY 2011-12</u>
Change Order Administration:		
Total Funds	\$62,912	\$27,262
General Funds	\$15,728	\$6,815
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$62,912	\$27,262
GENERAL FUNDS	\$15,728	\$6,815

<u>Change Order No.</u>	<u>Title/Description</u>	<u>Effective</u>
33	System Development Notice (SDN) 0753, Securing Mainframe Tapes	10/27/2009

The Department authorized HP to receive reimbursement for the additional Central Processing Unit (CPU) charges resulting from the implementation of System Development Notice (SDN) 07053, Securing Mainframe Tapes.

One of the purposes of SDN 07053 was to implement encryption for backup tapes that were sent to an offsite storage facility. These tapes were created out of the mainframe environment in the California Medicaid Management Information System (CA-MMIS). These upgrades were necessary to ensure adherence to customer security requirements for Medi-Cal Protected Health Information (PHI) and non-PHI data that was written into tapes from the CA-MMIS mainframe. With the implementation of this SDN, several jobs were updated to encrypt all required offsite backup tapes, resulting in increased mainframe resource utilization.

	<u>FY 2010-11</u>	<u>FY 2011-12</u>
Change Order Administration:		
Total Funds	\$2,184,000	\$946,400
General Funds	\$218,400	\$94,640
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$2,184,000	\$946,400
GENERAL FUNDS	\$218,400	\$94,640

<u>Change Order No.</u>	<u>Title/Description</u>	<u>Effective</u>
34	Key Data Entry (KDE) and Suspense Transactions	6/17/2010

With the implementation of SDN 07048, HP has experienced an increase in the number of keystrokes required to process each claim through the KDE and Suspense processing areas. Additionally, the implementation of SDN 07048 requires ongoing support for the KDE area and the Suspense processing area. Due to the need for ongoing support, HP needs additional staff to maintain current output based upon the projected increase in keystrokes required for the processing of claims in each of these areas. The additional support staff (KDE & Suspense) will maintain current claim processing volume as a result of the additional keystrokes required per claim.

	<u>FY 2010-11</u>	<u>FY 2011-12</u>
Change Order Administration:		
Total Funds	\$329,295	\$142,695
General Funds	\$82,324	\$35,674
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$329,295	\$142,695
GENERAL FUNDS	\$82,324	\$35,674

<u>Change Order No</u>	<u>Title/Description</u>	<u>Effective</u>
37	Extension of Change Orders**	Not Yet Assigned

Change Orders that were negotiated through Extension Year 3 of the Contract 02-25999 will be continued through June 30, 2011. The Department expects a four percent increase in the hourly rates from Extension Year 3 through Extended Operation. This does not apply to Change Order 6, Change Order 7 and Change Order 8. Change Orders 6 and 7 have already been negotiated through the extension years and Change Order 8 will remain constant through all extension years. The four percent increase in hourly rates will be applied to the individual Change Orders.

	<u>FY 2010-11</u>	<u>FY 2011-12</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

** This Change Order does not show budgeted amounts because these costs have been distributed among the individual Change Orders.

Change Orders in Development:

<u>Change Order No</u>	<u>Title/Description</u>	<u>Effective</u>
38	Cost Containment End of Contract Proration of Active Projects**	Not Yet Assigned

Cost Containment Projects that will not have the full 24 month invoice process completed by the end of the HP contract will have the administrative fees accelerated via a methodology developed by HP and approved by the Department in order to capture the full 24 months of administrative fee invoicing. This proposal includes two cost containment projects, Pulse Oximetry and Controls on 36000, that will not be fully invoiced and paid through September 30, 2011, which is the date the HP contract ends.

	<u>FY 2010-11</u>	<u>FY 2011-12</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

** (This is not additional funding. This is payment acceleration (proration) for the remaining Cost Containment projects-part of the savings Proposal Sharing line item).

<u>Change Order No</u>	<u>Title/Description</u>	<u>Effective</u>
41	Additional Resources to Support CSU Operations	Not Yet Assigned

Additional funding is required to support operations of the Correspondence Specialist Unit (CSU) due to the implementation of SDN 09041 Optional Benefits Exclusions (OBE) Phase Three. A post payment audit of OBE claims generated by the implementation of SDN 09041 will be performed on a sample basis.

	<u>FY 2010-11</u>	<u>FY 2011-12</u>
Change Order Administration:		
Total Funds	\$0	\$14,000
General Funds	\$0	\$3,500
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$0	\$14,000
GENERAL FUNDS	\$0	\$3,500

<u>Change Order No</u>	<u>Title/Description</u>	<u>Effective</u>
42	Family PACT Retroactive Eligibility Claim Process	Not Yet Assigned

Effective April 1, 2011, the Department implemented a manual retroactive eligibility process for newly-enrolled qualified Family PACT beneficiaries. The manual process will include procedures to allow qualifying Family PACT clients to be reimbursed for qualifying out of pocket expenses for the prior three months before eligibility determination, requiring HP to update all affected systems necessary to ensure proper payment of these Family PACT claims.

	<u>FY 2010-11</u>	<u>FY 2011-12</u>
Change Order Administration:		
Total Funds	\$0	\$723,000
General Funds	\$0	\$361,500
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$0	\$723,000
GENERAL FUNDS	\$0	\$361,500

<u>Change Order No</u>	<u>Title/Description</u>	<u>Effective</u>
43	Extension of Change Orders**	Not Yet Assigned

Change Orders that were negotiated through Extended Operations period of the Contract 02-25999 will be continued July 1, 2011 through September 30, 2011. The Department expects a four percent increase in the hourly rates that were used in the Extended Operations period. This does not apply to Change Order 6, Change Order 7 and Change Order 8. Change Orders 6 and 7 have already been negotiated through the extension years and Change Order 8 will remain constant through all extension years. The four percent increase in hourly rates will be applied to the individual Change Orders.

	<u>FY 2010-11</u>	<u>FY 2011-12</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

** (This will be a non-add cost). This amount has been distributed in the individual Change Orders.

<u>Change Order No</u>	<u>Title/Description</u>	<u>Effective</u>
44	Additional Costs Associated with Delay in AOO	Not Yet Assigned

Due to the delay in AOO by ACS, there will be additional anticipated costs associated with HP for the following: incremental turnover support beyond the contract required 12 months, increases in short term lease payment for buildings, increases in short term hardware and software maintenance agreements, and potential increases in leases to replace failing equipment.

	<u>FY 2010-11</u>	<u>FY 2011-12</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

DENTAL FISCAL INTERMEDIARY

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 this contract include:

Operations - Operations constitute all contractual responsibilities required for the Contractor to administer and operate the California Dental Medicaid Management Information System (CDMMIS). These cost categories consist of General Adjudicated Claim Service Lines (ACSLs), 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) miscellaneous. 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), Surveillance and Utilization Review (SURS) unit, 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. The SURS staff consists of dental consultants, manager/supervisors, liaisons, and analysts that monitor the provider and beneficiary claims to prevent potential fraud and abuse.

**Dental Fiscal Intermediary
May 2011 Estimate**

FY 2010-11

	<u>Total Fund</u>	<u>General Fund</u>
Dental Administration/Operations	\$34,646,400	\$9,558,076
Telephone Service Center	\$9,335,584	\$3,944,285
Change Orders	\$888,093	\$247,023
Hourly Reimbursable Groups	\$10,758,908	\$2,689,728
Cost Reimbursable Expenses	\$5,608,979	\$2,682,990
Additional Contractual Services Turnover	<u>\$130,000</u>	<u>\$32,500</u>
Total Dental Administration Costs	<u>\$61,367,964</u>	<u>\$19,154,602</u>

**Dental Fiscal Intermediary
May 2011 Estimate**

FY 2011-12

	<u>Total Fund</u>	<u>General Fund</u>
Dental Administration Operations	\$36,543,036	\$10,081,310
Telephone Service Center	\$9,909,007	\$4,186,555
Change Orders	\$216,846	\$74,212
Hourly Reimbursable Groups	\$11,037,723	\$2,759,431
Cost Reimbursable Expenses	\$6,055,174	\$2,906,087
Contract Turnover	\$1,040,000	\$260,000
Contract Takeover	\$4,300,000	\$1,075,000
Total Dental Administration Costs	<u><u>\$69,101,786</u></u>	<u><u>\$21,342,595</u></u>

DENTAL COST REIMBURSABLE EXPENSES

May 2011 Estimate

	FY 2010-11		FY 2011-12	
	TF	GF	TF	GF
Printing (50%)	\$800,000	\$400,000	\$800,000	\$400,000
Data Center Access/CPU Usage (25%)	\$1,000	\$250	\$1,000	\$250
Postage / Parcel Service (50%)	\$1,400,000	\$700,000	\$1,400,000	\$700,000
Special Training,Convention, Travel (50%)	\$130,000	\$65,000	\$130,000	\$65,000
Audits / Research (50%)	\$152,000	\$76,000	\$108,000	\$54,000
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%)	\$2,450,979	\$1,225,490	\$2,941,174	\$1,470,587
Misc. (50%)	\$190,000	\$95,000	\$190,000	\$95,000
Total	\$5,608,979	\$2,682,990	\$6,055,174	\$2,906,087

**DENTAL FISCAL INTERMEDIARY
ACSL & TAR PROJECTIONS**

May 2011

FY 2010-11 Assumptions

- | | | |
|---------------------|------------|---------------------|
| ➤ ACSL Projections: | 20,080,492 | \$29,536,199 |
| ➤ TAR Projections: | 224,182 | <u>\$5,110,201</u> |
| | | \$34,646,400 |
- Full, ongoing costs will be incurred for all contract pricing components.
 - FFP for postage, printing, Knox-Keene and Dental Outreach are funded at 50%.
 - Expenditures for all remaining administrative cost categories will be funded at 75% FFP.

FY 2011-12 Assumptions

- | | | |
|--------------------|------------|---------------------|
| ➤ ACSL Projections | 20,482,101 | \$31,171,899 |
| ➤ TAR Projections | 228,665 | <u>\$5,371,137</u> |
| | | \$36,543,036 |
- Full, ongoing costs will be incurred for all contract pricing components.
 - FFP for postage, printing, Knox-Keene and Dental Outreach are funded at 50%.
 - Expenditures for all remaining administrative cost categories will be funded at 75% FFP.

<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 2010-11</u>	<u>FY 2011-12</u>
Total Funds	\$100,000	\$80,000
General Funds	\$50,000	\$40,000

<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). Special Publication 800-53 adds to the framework of OMB Circular No. A-130. 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. The results of this change order will be the implementation of a security risk assessment process for all current and future projects.

	<u>FY 2010-11</u>	<u>FY 2011-12</u>
Total Funds	\$788,093	\$136,846
General Fund	\$197,023	\$34,212

HEALTH CARE OPTIONS

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 Marin County, 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 two of the 13 counties.

MAXIMUS, Inc. has been the contractor for HCO since October 1, 1996. Operations for the current HCO contract with MAXIMUS began on January 1, 2009, for three years and nine months plus three optional extension years. Funds paid to MAXIMUS are 50 percent General Fund and 50 percent Federal matching.

**HEALTH CARE OPTIONS
May 2011 Estimate
FY 2010-11**

CONTRACT NO. 07-65829:

Operations:

Section 8.3.2	Transactions	\$9,491,973	
Section 8.3.3	Mailings	\$6,171,188	
Section 8.3.47	Beneficiary Direct Assistance	\$4,419,662	
	Medi-Cal Publications Management Services	\$363,238	\$20,446,061
	<i>Total Operations</i>		

Hourly Reimbursement:

Section 8.6	Enrollment Services Representatives	\$8,992,948	\$8,992,948
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Cost Reimbursement

Section 8.7	Various		\$17,439,362
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Personalized Provider Directories (PPD) (\$2,000,000)

Medi-Cal Redesign - Expansion \$3,063,914

Additional Contractual Services (ACSs) \$146,268

SPD Mandatory Enrollment into Managed Care \$624,606

TOTAL HEALTH CARE OPTIONS FY 2010-11 ESTIMATE \$48,713,159

HEALTH CARE OPTIONS

May 2011 Estimate

FY 2011-12

CONTRACT NO. 07-65829:

Operations:

Section 8.3.2	Transactions	\$9,647,332	
Section 8.3.3	Mailings	\$6,491,134	
Section 8.3.47	Beneficiary Direct Assistance	\$4,389,416	
	Medi-Cal Publications Management Services	\$368,490	
	<i>Total Operations</i>		\$20,896,372

Hourly Reimbursement:

Section 8.6	Enrollment Services Representatives	\$9,934,752	\$9,934,752
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Cost Reimbursement:

Section 8.7.1	Various		\$18,447,948
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Personalized Provider Directories (PPD) (\$2,000,000)

Additional Contractual Services (ACSs) \$253,312

SPD Mandatory Enrollment into Managed Care \$5,927,834

Shift of Healthy Families Children to Medi-Cal Admin. Costs \$1,086,602

Managed Care Lock-In \$2,020,000

TOTAL HEALTH CARE OPTIONS FY 2011-12 ESTIMATE \$56,566,820

Personalized Provider Directories (PPDs)

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 implemented a pilot project that produces and mails a personalized directory, listing providers located near the beneficiaries' home or workplace. Beneficiaries have the option of requesting the current county-wide directory if the personalized directory does not meet their needs. This pilot project was implemented in Los Angeles and Sacramento counties and provides savings due to reductions in paper, printing, packet assembly, and postage costs. Operations began on February 27, 2009.

At the end of the pilot project period on March 31, 2011, the Department, in consultation with health plans and stakeholders, performed an assessment to determine if PPDs provide more accurate, up-to-date provider information to Medi-Cal managed care beneficiaries, in a smaller, standardized, and user-friendly format that results in a reduction of default assignments. It will then be determined whether they should be implemented statewide in all managed care counties.

	<u>FY 2010-11</u>	<u>FY 2011-12</u>
Fixed-Price Costs	\$389,225	\$402,459
Cost Reimbursement	\$8,225	\$47,904
Savings (Printing and Postage)	(\$2,397,450)	(\$2,447,142)
Total Funds	(\$2,000,000)	(\$1,996,779)
General Fund	(\$1,000,000)	(\$998,390)

Managed Care Expansion

The Budget Act of 2005 included geographic expansion of managed care into 13 additional counties. A regional Two-Plan Model, including Fresno (an existing managed care county), Kings and Madera Counties, implemented in March 2011. The Department continues to work with the expansion counties.

HCO needs to develop informing materials specific to these new counties, establish new presentation sites and hire additional Enrollment Services Representatives to staff the sites. This results in increased packet mailings, higher volumes of call center minutes and enrollment/disenrollment transactions. HCO's initial expansion costs will occur in FY 2010-11. Ongoing costs in BY 2011-12 will be rolled-up into ongoing operations.

	<u>FY 2010-11</u>	<u>FY 2011-12</u>
Total Funds	\$3,063,915	\$0
General Funds	\$1,531,958	\$0

Additional Contractual Services (ACS)

The Department elected to incorporate an *Initial Health Screen Questionnaire* ACS to the HCO contract, which will be implemented in FY 2010-11.

This questionnaire will help ensure that applicants and beneficiaries with existing disabilities or with chronic conditions identify themselves to receive immediate access to care. The questionnaire will be mailed in the HCO informing packet and will be available at the Enrollment Presentation Sites.

	<u>FY 2010-11</u>	<u>FY 2011-12</u>
Total Funds	\$146,268	\$253,312
General Funds	\$73,134	\$126,656

SPD Mandatory Enrollment into Managed Care

Beginning June 1, 2011, it will be mandatory for all Medi-Cal Only Seniors and Persons with Disabilities (SPDs) residing in managed care counties to enroll in a managed care plan. Currently, only SPDs in County Organized Health System counties are required to enroll in managed care. As a result, MAXIMUS, the HCO enrollment broker, will be required to develop and send informing materials to each SPD beneficiary upon transitioning to a mandatory status for enrollment.

To meet the Department's outreach and education goals, MAXIMUS will hire additional staff to aid the beneficiaries in this transition and to handle ongoing outreach and education.

	<u>FY 2010-11</u>	<u>FY 2011-12</u>
Total Funds	\$624,606	\$5,927,834
General Funds	\$312,303	\$2,963,917

**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 CSCO 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 CSTO costs related to warrant redemption services.

	<u>Total</u>	<u>GF</u>	<u>FFP</u>
<u>FY 2010-11 Estimate</u>			
CSCO			
Warrants & RADs	\$1,331,250	\$332,812	\$998,438
Postage	\$443,750	\$221,875	\$221,875
SCO Total	<u>\$1,775,000</u>	<u>\$554,687</u>	<u>\$1,220,313</u>
CSTO			
Warrant Redemption	\$114,600	\$28,650	\$85,950
TOTAL	<u>\$1,889,600</u>	<u>\$583,337</u>	<u>\$1,306,263</u>
 <u>FY 2011-12 Estimate</u>			
CSCO			
Warrants & RADs	\$1,331,250	\$332,812	\$998,438
Postage	\$443,750	\$221,875	\$221,875
SCO Total	<u>\$1,775,000</u>	<u>\$554,687</u>	<u>\$1,220,313</u>
CSTO			
Warrant Redemption	\$114,600	\$28,650	\$85,950
TOTAL	<u>\$1,889,600</u>	<u>\$583,337</u>	<u>\$1,306,263</u>

PROVIDER VERIFICATION FILE

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

	<u>FY 2010-11</u>	<u>FY 2011-12</u>
Total Funds	\$3,305	\$3,305
General Funds	\$827	\$827

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 HP and Delta Dental contracts and for the Maximus contract as follows:

	<u>FY 2010-11</u>		<u>FY 2011-12</u>	
Total Funds	\$23,647,124		\$42,680,032	
General Funds	\$4,701,572		\$5,992,350	
	<u>FY 2010-11</u>		<u>FY 2011-12</u>	
	Total Funds	GF	Total Funds	GF
Medi-Cal Fiscal Intermediary				
Technical/Provider Relations (CO 3)	\$8,336,988	\$2,084,247	\$3,612,695	\$903,174
CSA Network Security (CO 18)	\$275,538	\$27,554	\$119,400	\$11,940
Cost Reimbursement (CO 3)	\$22,589	\$5,647	\$9,695	\$2,424
NPI (CO 27)	\$1,151,264	\$287,816	\$498,881	\$124,720
NPI (CR 27)	\$366,185	\$91,546	\$157,154	\$39,289
Security (CO 20)	\$898,967	\$224,742	\$389,552	\$97,388
Imperva Oversight (CO 29)	\$466,192	\$46,619	\$202,017	\$20,202
Encryption (CO 33)	\$2,184,000	\$218,400	\$946,400	\$94,640
Code Conv/Secur/Trans (SG)	\$5,000,000	\$500,000	\$5,000,000	\$500,000
Transaction (CR)	\$134,820	\$33,705	\$140,212	\$35,053
UPN Project Manager HIPAA-1 (CR)	\$150,000	\$37,500	\$150,000	\$37,500
HIPAA Medical Coders HIPAA-1 Contract (CR)	\$150,000	\$15,000	\$150,000	\$15,000
ICD-10 HIPAA Medical Coders HIPAA-2 (CR)	\$150,000	\$17,700	\$150,000	\$17,700
Code Conversion Proj Mgr HIPAA-1 (CR)	\$150,000	\$15,000	\$150,000	\$15,000
ICD-10 Vision Contract	\$50,000	\$5,900	\$250,000	\$29,500
ICD-10 Gap Analysis	\$83,000	\$8,300	\$416,667	\$41,667
Hard/Soft for Sec Remediation (CR)	\$408,536	\$102,134	\$424,877	\$106,219
5010 Legacy Enhancements	\$0	\$0	\$24,071,000	\$2,840,378
ICD-10 Enhancements	\$0	\$0	\$3,302,383	\$389,681
IV&V Contractor for HIPAA 5010 & ICD-10	\$0	\$0	\$200,000	\$23,600
HIPAA & State Privacy Breach Notification	\$250,000	\$125,000	\$250,000	\$125,000
HIPAA Link Electronic Attachment	\$8,802	\$2,201	\$9,154	\$2,289
Total Medical FI (HP)	\$20,236,881	\$3,849,011	\$40,600,086	\$5,472,363
Dental				
NPI Operations(CO)	\$0	\$0	\$0	\$0
CDT 4 (CO)	\$0	\$0	\$0	\$0
HIPAA Security (CO)	\$788,093	\$197,023	\$136,846	\$34,212
Development – CDT 4 (SG) 10%	\$0	\$0	\$0	\$0
Development – CDT (SG) 25%	\$875,000	\$218,750	\$935,000	\$233,750
HIPAA 2 (SG)	\$1,747,150	\$436,788	\$1,008,100	\$252,025
NPI (SG)	\$0	\$0	\$0	\$0
HIPAA IV&V Contractor (CR)	\$0	\$0	\$0	\$0
NPI IV&V Contractor (CR)	\$0	\$0	\$0	\$0
Total Dental FI Delta	\$3,410,243	\$852,561	\$2,079,946	\$519,987
HCO				
NPI (CR)	\$0	\$0	\$0	\$0
Total HCO FI (Maximus)	\$0	\$0	\$0	\$0
Total HIPAA	\$23,647,124	\$4,701,572	\$42,680,032	\$5,992,350

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