

**MEDI-CAL
MAY 2012
LOCAL ASSISTANCE ESTIMATE
for
FISCAL YEARS
2011-12 and 2012-13**

**FISCAL
INTERMEDIARY**

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FISCAL INTERMEDIARY ESTIMATE

May 2012

FY 2011-12	TOTAL	FEDERAL	STATE
HP MEDICAL FISCAL INTERMEDIARY CONTRACT (a)	\$66,241,000	\$44,690,000	\$21,551,000
ACS MEDICAL FISCAL INTERMEDIARY CONTRACT (a)	\$123,136,000	\$88,295,000	\$34,841,000
DENTAL FISCAL INTERMEDIARY CONTRACT (b)	\$66,845,000	\$46,121,000	\$20,724,000
HEALTH CARE OPTIONS	\$60,767,000	\$30,383,000	\$30,384,000
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>\$318,882,000</u>	<u>\$210,798,000</u>	<u>\$108,084,000</u>

Optional Contractual Services expenditures of \$78,824 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 \$99,005 are included in the Reimbursement line (4260-610-0995) in the Management Summary.

(a) Includes \$449,912 TF (\$191,213 GF) for Title XXI activities (4260-113-0001/0890), and \$17,190,239 TF (\$2,752,808 GF) for HIPAA (4260-117-0001/0890).

(b) Includes \$340,000 TF (\$119,000 GF) for Title XXI activities (4260-113-0001/0890), and \$2,447,000 TF (\$611,750 GF) for HIPAA (4260-117-0001/0890).

FISCAL INTERMEDIARY ESTIMATE

May 2012

FY 2012-13	TOTAL	FEDERAL	STATE
ACS MEDICAL FISCAL INTERMEDIARY CONTRACT (a)	\$191,856,000	\$141,437,000	\$50,419,000
DENTAL FISCAL INTERMEDIARY CONTRACT (b)	\$74,406,000	\$50,679,000	\$23,727,000
HEALTH CARE OPTIONS	\$82,417,000	\$41,208,000	\$41,209,000
STATE CONTROLLER/STATE TREASURER	\$1,856,000	\$1,281,000	\$575,000
PROVIDER VERIFICATION FILE	\$3,000	\$2,000	\$1,000
TOTAL MEDI-CAL COSTS	<u>\$350,538,000</u>	<u>\$234,607,000</u>	<u>\$115,931,000</u>

Optional Contractual Services expenditures of \$316,344 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 \$105,275 are included in the Reimbursement line (4260-610-0995) in the Management Summary.

(a) Includes \$680,901 TF (\$289,383 GF) for Title XXI activities (4260-113-0001/0890), and \$43,949,100 TF (\$5,265,226 GF) for HIPAA (4260-117-0001/0890).

(b) Includes \$347,000 TF (\$121,450 GF) for Title XXI activities (4260-113-0001/0890), and \$607,600 TF (\$151,900 GF) for HIPAA (4260-117-0001/0890).

FISCAL INTERMEDIARY

Comparison of May 2012 Estimate to Appropriation and November 2011 Estimate

Current Year 2011-12 Comparison

	<u>2011-12 Appropriation</u>		<u>November 2011 Estimate CY</u>		<u>May 2012 Estimate CY</u>		<u>Difference between May 2012 & Appropriation</u>		<u>Difference between May 2012 & November 2011</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>
HP Medical Fiscal Intermediary	\$74,598,000	\$21,574,000	\$76,111,000	\$22,374,000	\$66,241,000	\$21,551,000	(\$8,357,000)	(\$23,000)	(\$9,870,000)	(\$823,000)
ACS Medical Fiscal Intermediary	\$150,980,000	\$37,272,000	\$185,408,000	\$45,263,000	\$123,136,000	\$34,841,000	(\$27,844,000)	(\$2,431,000)	(\$62,272,000)	(\$10,422,000)
Total Dental Fiscal Intermediary	\$69,102,000	\$21,343,000	\$69,994,000	\$21,509,000	\$66,845,000	\$20,724,000	(\$2,257,000)	(\$619,000)	(\$3,149,000)	(\$785,000)
Total Health Care Options	\$54,547,000	\$27,274,000	\$56,096,000	\$28,048,000	\$60,767,000	\$30,384,000	\$6,220,000	\$3,110,000	\$4,671,000	\$2,336,000
Total Miscellaneous Expenditures	\$1,893,000	\$584,000	\$1,893,000	\$584,000	\$1,893,000	\$584,000	\$0	\$0	\$0	\$0
Reconciliation with Budget Act	<u>(\$21,937,000)</u>	<u>(\$10,951,000)</u>	\$0	\$0	\$0	\$0	<u>\$21,937,000</u>	<u>\$10,951,000</u>	\$0	\$0
GRAND TOTAL	\$329,183,000	\$97,096,000	\$389,502,000	\$117,778,000	\$318,882,000	\$108,084,000	-\$10,301,000	\$10,988,000	-\$70,620,000	-\$9,694,000

Budget Year 2012-13 Comparison

	<u>November 2011 Estimate BY</u>		<u>May 2012 Estimate BY</u>		<u>Difference between May 2012 & November 2011</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>
ACS Medical Fiscal Intermediary	\$178,129,000	\$42,821,000	\$191,856,000	\$50,419,000	\$13,727,000	\$7,598,000
Total Dental Fiscal Intermediary	\$70,977,000	\$22,656,000	\$74,406,000	\$23,727,000	\$3,429,000	\$1,071,000
Total Health Care Options	\$52,004,000	\$26,002,000	\$82,417,000	\$41,209,000	\$30,413,000	\$15,207,000
Total Miscellaneous Expenditures	<u>\$1,859,000</u>	<u>\$576,000</u>	<u>\$1,859,000</u>	<u>\$576,000</u>	\$0	\$0
GRAND TOTAL	\$302,969,000	\$92,055,000	\$350,538,000	\$115,931,000	\$47,569,000	\$23,876,000

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 Centers for Medicare & Medicaid Services (CMS). The ACS contract effective date was May 3, 2010, which began the Takeover phase of the new contract. During this phase HP continued operations and work on Turnover activities through to the successful Assumption of Operations (AOO) by the new FI contractor. The May 2012 Medi-Cal Estimate reflects calculations based on an October 3, 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. Under the ACS contract, the scope of work of active HP Change Orders (1-43) prior to the new FI contract bid were incorporated in the ACS contract through the Base Volume Method of Payment (BVMP) rate. Approved ongoing HP Change Orders subsequent to the contract bid were not incorporated in the ACS BVMP rate. These Change Orders will be included as new ACS Change Orders in the FI Estimate.

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.

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, cost reimbursable expenses for HP Change Orders (1-43) that were active at the time of RFP bidding were 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. Under the ACS contract, the expert witness and computer time items have been incorporated into the ACS contract through the Base Volume Method of Payment (BVMP) rate, which results in these costs being included in operations rather than as separate reimbursements.

**Medical Fiscal Intermediary Summary
May 2012 Estimate**

FY 2011-12	<u>HP & ACS</u>	
	Total Funds	State Funds
Operations	\$71,143,548	\$23,382,985
Hourly Reimbursement	\$26,494,760	\$5,572,838
Cost Reimbursement	\$24,070,792	\$7,638,566
Other Estimated Costs	\$3,983,416	\$1,514,684
Change Orders	\$6,318,181	\$1,953,670
Healthy Families (XXI)	\$449,912	\$191,213
Turnover	\$1,644,000	\$411,000
Takeover	\$39,462,780	\$10,693,886
Enhancements	\$4,814,200	\$576,741
System Replacements	\$0	\$0
Family PACT	\$430,000	\$215,000
FI AOO Delay Reimbursement	(\$759,688)	(\$189,922)
FI Close Out Costs	\$7,261,106	\$3,409,100
 Sub-Total	 \$185,313,007	 \$55,369,760
 Sales Tax	 \$4,063,787	 \$1,022,571
 TOTAL MEDICAL FI COSTS	 \$189,376,794	 \$56,392,331

FY 2012-13	<u>ACS</u>	
	Total Funds	State Funds
Operations	\$78,920,985	\$26,462,616
Hourly Reimbursement	\$31,535,200	\$5,431,180
Cost Reimbursement	\$30,490,306	\$9,535,483
Other Estimated Costs	\$5,058,399	\$779,302
Change Orders	\$135,000	\$33,750
Healthy Families (XXI)	\$680,901	\$289,383
Takeover	\$9,865,695	\$2,673,472
Enhancements	\$24,202,874	\$2,899,504
System Replacements	\$5,652,642	\$889,160
Family PACT	\$350,000	\$175,000
 Sub-Total	 \$186,892,002	 \$49,168,850
 Sales Tax	 \$4,963,570	 \$1,249,971
 TOTAL MEDICAL FI COSTS	 \$191,855,572	 \$50,418,821

**Medical Fiscal Intermediary Summary
May 2012 Estimate**

	<u>HP (5 months)</u>	
FY 2011-12	Total Funds	State Funds
Operations	\$25,094,600	\$7,931,913
Hourly Reimbursement	\$10,445,000	\$2,589,302
Cost Reimbursement	\$11,524,585	\$3,588,023
Other Estimated Costs	\$2,679,000	\$1,294,750
Change Orders	\$6,203,181	\$1,924,920
Healthy Families (XXI)	\$50,000	\$21,250
Turnover	\$1,644,000	\$411,000
Takeover	\$0	\$0
Enhancements	\$0	\$0
System Replacements	\$0	\$0
Family PACT	\$180,000	\$90,000
FI AOO Delay Reimbursement	\$0	\$0
FI Close Out Costs	\$7,261,106	\$3,409,100
Sub-Total	\$65,081,472	\$21,260,258
Sales Tax	\$1,159,495	\$291,238
TOTAL MEDICAL FI COSTS	\$66,240,967	\$21,551,496

	<u>ACS (7 months)</u>	
FY 2011-12	Total Funds	State Funds
Operations	\$46,048,948	\$15,451,072
Hourly Reimbursement	\$16,049,760	\$2,983,536
Cost Reimbursement	\$12,546,207	\$4,050,543
Other Estimated Costs	\$1,304,416	\$219,934
Change Orders	\$115,000	\$28,750
Healthy Families (XXI)	\$399,912	\$169,963
Turnover	\$0	\$0
Takeover	\$39,462,780	\$10,693,886
Enhancements	\$4,814,200	\$576,741
System Replacements	\$0	\$0
Family PACT	\$250,000	\$125,000
FI AOO Delay Reimbursement	(\$759,688)	(\$189,922)
FI Close Out Costs	\$0	\$0
Sub-Total	\$120,231,535	\$34,109,502
Sales Tax	\$2,904,292	\$731,333
TOTAL MEDICAL FI COSTS	\$123,135,827	\$34,840,835

MEDICAL FISCAL INTERMEDIARY ESTIMATE (DETAIL TABLE)

May 2012

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	\$71,143,548	\$25,094,600	\$46,048,948
Claims Adjudication			
ACL General Operations Bid (a)	\$44,807,534	\$11,800,000	\$33,007,534
ACL On-Line Pharmacy			
Operations	\$4,776,474	\$1,700,000	\$3,076,474
DUR	\$451,000	\$241,000	\$210,000
Retrospective DUR	\$35,000	\$0	\$35,000
Encounter Claim Lines	\$710,000	\$0	\$710,000
CA-EVS/CMS Processing	\$8,700,000	\$5,700,000	\$3,000,000
SB 393 Drug Inquiries	\$13,540	\$3,600	\$9,940
Telephone Services Center	\$11,650,000	\$5,650,000	\$6,000,000
HOURLY REIMBURSEMENT	\$26,494,760	\$10,445,000	\$16,049,760
Systems Group	\$14,949,760	\$4,900,000	\$10,049,760
Field Office Automation Group (FOAG)	\$11,400,000	\$5,400,000	\$6,000,000
Computer Support	\$144,000	\$144,000	\$0
Expert Witness	\$1,000	\$1,000	\$0
COST REIMBURSEMENT	\$24,070,792	\$11,524,585	\$12,546,207
Postage	\$2,128,574	\$772,145	\$1,356,429
Parcel Services & Common Carriers	\$90,155	\$21,120	\$69,035
Equipment/Services	\$11,920,423	\$6,099,280	\$5,821,143
P&D and PUBS	\$3,492,491	\$1,317,227	\$2,175,264
Facilities Improve/Modif	\$1,000,000	\$0	\$1,000,000
Audits & Research	\$0	\$0	\$0
Change Orders	\$462,594	\$462,594	\$0
Consultant Contracts	\$350,000	\$0	\$350,000
Unisys Subcontract	\$763,421	\$763,421	\$0
Telecommunication	\$3,292,200	\$1,537,864	\$1,754,336
Other Cost Reimbursable Items	\$570,934	\$550,934	\$20,000
OTHER ESTIMATED COSTS	\$3,983,416	\$2,679,000	\$1,304,416
Beneficiary ID Cards - BIC	\$485,924	\$120,000	\$365,924
POS Device Labor Costs	\$13,000	\$13,000	\$0
Health Access Program Cards	\$180,167	\$46,000	\$134,167
Cost Containment	\$2,500,000	\$2,500,000	\$0
OCS PEAP	\$0	\$0	\$0
OCS HITECH	\$804,325	\$0	\$804,325

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BY Medical FI Estimate (Detail Table), May 2012 Estimate
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FY 2011-12	TOTAL FUNDS	HP (5 mos.)	ACS (7 mos.)
CHANGE ORDERS	\$6,318,181	\$6,203,181	\$115,000
Negotiated Change Orders	\$6,318,181	\$6,203,181	\$115,000
Change Orders in Progress	\$0	\$0	\$0
Unspecified Change Orders	\$0	\$0	\$0
HEALTHY FAMILIES	\$449,912	\$50,000	\$399,912
TURNOVER	\$1,644,000	\$1,644,000	\$0
TAKEOVER	\$39,462,780	\$0	\$39,462,780
ENHANCEMENTS	\$4,814,200	\$0	\$4,814,200
HIPAA 5010	\$4,814,200	\$0	\$4,814,200
HIPAA ICD-10	\$0	\$0	\$0
BRE	\$0	\$0	\$0
SYSTEM REPLACEMENTS	\$0	\$0	\$0
FAMILY PACT	\$430,000	\$180,000	\$250,000
SUBTOTAL	\$178,811,589	\$57,820,366	\$120,991,223
FI AOO DELAY REIMBURSEMENT	(\$759,688)	\$0	(\$759,688)
FI CLOSE OUT COSTS	\$7,261,106	\$7,261,106	\$0
SALES TAX 7.75%	\$4,063,787	\$1,159,495	\$2,904,292
TOTAL	\$189,376,794	\$66,240,967	\$123,135,827

MEDICAL FISCAL INTERMEDIARY ESTIMATE (DETAIL TABLE)
May 2012

FY 2012-13	ACS TOTAL FUNDS
OPERATIONS	\$78,920,985
Claims Adjudication	
ACL General Operations Bid	\$56,478,920
ACL On-Line Pharmacy	
Operations	\$5,207,144
DUR	\$350,392
Retrospective DUR	\$73,487
Encounter Claim Lines	\$1,200,000
CA-EVS/CMS Processing	\$5,094,002
SB 393 Drug Inquiries	\$17,040
Telephone Services Center	\$10,500,000
 HOURLY REIMBURSEMENT	 \$31,535,200
Systems Group	\$21,535,200
Field Office Automation Group (FOAG)	\$10,000,000
Computer Support	\$0
Expert Witness	\$0
 COST REIMBURSEMENT	 \$30,490,306
Postage	\$2,376,000
Parcel Services & Common Carriers	\$144,000
Equipment/Services	\$17,192,680
P&D and PUBS	\$3,700,000
Facilities Improve/Modif	\$2,300,000
Audits & Research	\$1,001,626
Change Orders	\$0
Consultant Contracts	\$600,000
Unisys Subcontract	\$0
Telecommunication	\$3,156,000
Other Cost Reimbursable Items	\$20,000
 OTHER ESTIMATED COSTS	 \$5,058,399
Beneficiary ID Cards - BIC	\$1,303,000
POS Device Labor Costs	\$0
Health Access Program Cards	\$270,000
Cost Containment	\$0
OCS PEAP	\$257,399
OCS HITECH	\$3,228,000
 CHANGE ORDERS	 \$135,000
Negotiated Change Orders	\$135,000
Change Orders in Progress	\$0
Unspecified Change Orders	\$0

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CY Medical FI Estimate (Detail Table), May 2012 Estimate
Continued from Page 11

FY 2012-13	HP TOTAL FUNDS
HEALTHY FAMILIES	\$680,901
TAKEOVER	\$9,865,695
ENHANCEMENTS	\$24,202,874
HIPAA 5010	\$19,256,800
HIPAA ICD-10	\$3,302,383
BRE	\$1,643,691
SYSTEM REPLACEMENTS	\$5,652,642
FAMILY PACT	\$350,000
SUBTOTAL	\$186,892,002
SALES TAX 7.75%	\$4,963,570
TOTAL	\$191,855,572

MEDICAL FISCAL INTERMEDIARY

Assumptions

ACL Projections:

FY 2011-12

HP (5 months)	<u>General ACLs</u>	<u>Amount</u>	<u>Online-Drug ACLs</u>	<u>Amount</u>
Total Medi-Cal ACLs	69,358,317	\$11,800,000	25,264,789	\$1,700,000

Based on actual FY 2011-12 volumes for HP, general ACLs and online ACLs were paid at the rate of \$0.17361 and \$0.06282, respectively. 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</u>	<u>Amount</u>
Total ACLs	85,069,565	\$33,353,468	31,121,594	\$3,130,453
Less HFP	461,281	\$345,934	125,036	\$53,979
Total Medi-Cal ACLs	84,608,284	\$33,007,534	30,996,557	\$3,076,474

Based on the estimated FY 2011-12 volumes for ACS, general ACLs are projected at \$0.39665 and online ACLs are projected at \$0.10130. 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.

FY 2012-13

ACS	<u>General ACLs</u>	<u>Amount</u>	<u>Online-Drug ACLs</u>	<u>Amount</u>
Total ACLs	141,592,427	\$57,068,970	49,316,358	\$5,297,995
Less HFP	790,767	\$590,050	214,348	\$90,851
Total Medi-Cal ACLs	140,801,660	\$56,478,920	49,102,010	\$5,207,144

Based on the estimated FY 2012-13 volumes, general ACLs are projected at \$0.40731 and online ACLs are projected at \$0.10817. 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	Drug Rebate Program	7/15/2004

The change order authorized one full-time Pharmaceutical Consultant II position to support the Drug Rebate Program.

	<u>FY 2011-12</u>	<u>FY 2012-13</u>
Change Order Administration:		
Total Funds	\$16,000	\$0
General Funds	\$4,000	\$0
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS:	\$16,000	\$0
GENERAL FUNDS:	\$4,000	\$0

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

Under the Child Health and Disability Prevention (CHDP) Gateway Program, children receiving a 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 costs are for ongoing operations. Budget Year costs for ongoing operations have been incorporated in the ACS contract.

	<u>FY 2011-12</u>	<u>FY 2012-13</u>
Change Order Administration:		
Total Funds	\$27,000	\$0
General Funds	\$6,750	\$0
Cost Reimbursement:		
Total Funds	\$215,972	\$0
General Funds	\$107,986	\$0
TOTAL FUNDS	\$242,972	\$0
GENERAL FUNDS	\$114,736	\$0

<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 (HIPAA) Transactions and Code Sets, additional operational workload driven by program policy and regulatory and system modifications will be required. This change order will compensate Hewlett Packard (HP) for these increased costs. Every transaction over 88,000 providers will be impacted as a result of HIPAA.

	<u>FY 2011-12</u>	<u>FY 2012-13</u>
Change Order Administration:		
Total Funds	\$1,200,000	\$0
General Funds	\$420,000	\$0
Cost Reimbursement:		
Total Funds	\$5,002	\$0
General Funds	\$2,501	\$0
TOTAL FUNDS	\$1,205,002	\$0
GENERAL FUNDS	\$422,501	\$0

<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 2011-12</u>	<u>FY 2012-13</u>
Change Order Administration:		
Total Funds	\$819,000	\$0
General Funds	\$409,500	\$0
Cost Reimbursement:		
Total Funds	\$80,795	\$0
General Funds	\$40,397	\$0
TOTAL FUNDS	\$899,795	\$0
GENERAL FUNDS	\$449,897	\$0

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

AB 1762 (Chapter 230, Statutes 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 2011-12</u>	<u>FY 2012-13</u>
Change Order Administration:		
Total Funds	\$611,000	\$0
General Funds	\$152,750	\$0
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$611,000	\$0
GENERAL FUNDS	\$152,750	\$0

<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 2011-12</u>	<u>FY 2012-13</u>
Change Order Administration:		
Total Funds	(\$31,882)	\$0
General Funds	(\$7,971)	\$0
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	(\$31,882)	\$0
GENERAL FUNDS	(\$7,971)	\$0

<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 2011-12</u>	<u>FY 2012-13</u>
Change Order Administration:		
Total Funds	(\$154,137)	\$0
General Funds	(\$38,537)	\$0
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	(\$154,137)	\$0
GENERAL FUNDS	(\$38,537)	\$0

<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 2011-12</u>	<u>FY 2012-13</u>
Change Order Administration:		
Total Funds	\$197,500	\$0
General Funds	\$98,750	\$0
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$197,500	\$0
GENERAL FUNDS	\$98,750	\$0

<u>Change Order No.</u>	<u>Title/Description</u>	<u>Effective</u>
9	Expansion of Skeletal History File	5/18/2006

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 2011-12</u>	<u>FY 2012-13</u>
Change Order Administration:		
Total Funds	\$26,700	\$0
General Funds	\$6,675	\$0
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$26,700	\$0
GENERAL FUNDS	\$6,675	\$0

<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 2011-12</u>	<u>FY 2012-13</u>
Change Order Administration:		
Total Funds	\$82,000	\$0
General Funds	\$20,500	\$0
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$82,000	\$0
GENERAL FUNDS	\$20,500	\$0

<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 2011-12</u>	<u>FY 2012-13</u>
Change Order Administration:		
Total Funds	\$121,000	\$0
General Funds	\$30,250	\$0
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$121,000	\$0
GENERAL FUNDS	\$30,250	\$0

<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 2011-12</u>	<u>FY 2012-13</u>
Change Order Administration:		
Total Funds	\$186,000	\$0
General Funds	\$46,500	\$0
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$186,000	\$0
GENERAL FUNDS	\$46,500	\$0

<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 2011-12</u>	<u>FY 2012-13</u>
Change Order Administration:		
Total Funds	\$410,000	\$0
General Funds	\$102,500	\$0
Cost Reimbursement:		
Total Funds	\$160,826	\$0
General Funds	\$40,206	\$0
TOTAL FUNDS	\$570,826	\$0
GENERAL FUNDS	\$142,706	\$0

<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 2011-12</u>	<u>FY 2012-13</u>
Change Order Administration:		
Total Funds	\$177,000	\$0
General Funds	\$44,250	\$0
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$177,000	\$0
GENERAL FUNDS	\$44,250	\$0

<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 2011-12</u>	<u>FY 2012-13</u>
Change Order Administration:		
Total Funds	\$114,000	\$0
General Funds	\$28,500	\$0
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$114,000	\$0
GENERAL FUNDS	\$28,500	\$0

<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 2011-12</u>	<u>FY 2012-13</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>
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 2011-12</u>	<u>FY 2012-13</u>
Change Order Administration:		
Total Funds	\$845,000	\$0
General Funds	\$211,250	\$0
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$845,000	\$0
GENERAL FUNDS	\$211,250	\$0

<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 2011-12</u>	<u>FY 2012-13</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>
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 2011-12</u>	<u>FY 2012-13</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.

<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 HP operations ended.

	<u>FY 2011-12</u>	<u>FY 2012-13</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>
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. This function will continue under ACS upon successful Assumption of Operations.

	<u>FY 2011-12</u>	<u>FY 2012-13</u>
Change Order Administration:		
Total Funds	\$57,000	\$0
General Funds	\$14,250	\$0
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$57,000	\$0
GENERAL FUNDS	\$14,250	\$0

<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 2011-12</u>	<u>FY 2012-13</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 2011-12</u>	<u>FY 2012-13</u>
Change Order Administration:		
Total Funds	\$1,500,000	\$0
General Funds	\$375,000	\$0
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$1,500,000	\$0
GENERAL FUNDS	\$375,000	\$0

ACS Change Orders:

<u>Change Order No</u>	<u>Title/Description</u>	<u>Effective</u>
7	Early Implementation of Cutover Items	10/08/2011

The Department authorized ACS to begin the necessary work in order to initiate the early implementation of the Medi-Cal Print and Distribution Center, the Telephone Services Center and a few other cost reimbursed items in September 2011 to aid in a smooth transition from HP at the time of AOO. Costs to implement these items were authorized via the change order process.

	<u>FY 2011-12</u>	<u>FY 2012-13</u>
Change Order Administration:		
Total Funds	\$115,000	\$0
General Funds	\$52,325	\$0
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$115,000	\$0
GENERAL FUNDS	\$52,325	\$0

DENTAL FISCAL INTERMEDIARY

DENTAL FISCAL INTERMEDIARY

In 1997, the State awarded Delta Dental Plan of California (DDC) 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 and will end June 30, 2012. A new contract has been awarded to DDC. Takeover activities have been delayed due to contracting issues with Department of General Services (DGS) and will result in a phased-in approach to Assumption of Operations (AOO) commencing July 1, 2012. 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 (CD-MMIS). 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 CD-MMIS. 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 2012 Estimate**

FY 2011-12

	<u>Total Fund</u>	<u>General Fund</u>
Dental Administration/Operations	\$36,638,000	\$10,107,508
Telephone Service Center	\$10,158,000	\$4,291,755
Change Orders	\$297,000	\$94,250
Hourly Reimbursable Groups	\$11,038,000	\$2,759,500
Cost Reimbursable Expenses	\$5,656,000	\$2,706,500
Contract Turnover	\$512,000	\$128,000
Contract Takeover	\$2,526,000	\$631,500
DMC Encounter Data Enhancement	<u>\$20,000</u>	<u>\$5,000</u>
Total Dental Administration Costs	<u><u>\$66,845,000</u></u>	<u><u>\$20,724,013</u></u>

**Dental Fiscal Intermediary
May 2012 Estimate**

FY 2012-13

	<u>Total Fund</u>	<u>General Fund</u>
Dental Administration Operations	\$23,315,000	\$6,432,026
Telephone Service Center	\$17,389,000	\$7,346,853
Change Orders	\$856,000	\$428,000
Hourly Reimbursable Groups	\$14,064,000	\$3,516,000
Cost Reimbursable Expenses	\$5,721,000	\$2,739,000
Contract Turnover	\$1,664,000	\$416,000
Contract Takeover	\$7,576,000	\$1,894,000
Contract Runout	\$2,131,000	\$532,750
Business Rules Enhancement	\$1,469,000	\$367,250
DMC Encounter Date Enhancement	<u>\$221,000</u>	<u>\$55,250</u>
Total Dental Administration Costs	<u><u>\$74,406,000</u></u>	<u><u>\$23,727,129</u></u>

DENTAL COST REIMBURSABLE EXPENSES

May 2012 Estimate

	FY 2011-12		FY 2012-13	
	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%)	\$108,000	\$54,000	\$163,000	\$81,500
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%)	\$2,542,000	\$1,271,000	\$2,552,000	\$1,276,000
Misc. (50%)	\$190,000	\$95,000	\$190,000	\$95,000
Total	\$5,656,000	\$2,706,500	\$5,721,000	\$2,739,000

**DENTAL FISCAL INTERMEDIARY
ACSL & TAR PROJECTIONS**

May 2012

FY 2011-12 Assumptions

➤ ACSL Projections:	20,482,101	\$31,172,000
➤ TAR Projections:	244,560	<u>\$5,466,000</u>
		\$36,638,000

- 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 2012-13 Assumptions

➤ ACSL Projections	20,891,744	\$16,218,000
➤ TAR Projections	249,451	<u>\$7,097,000</u>
		\$23,315,000

- 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.

Negotiated Change Orders:

<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.

The Change Order 7 process has been included in the new contract effective July 1, 2012.

	<u>FY 2011-12</u>	<u>FY 2012-13</u>
Total Funds	\$80,000	\$0
General Funds	\$40,000	\$0

<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.

The Change Order 9 process has been included in the new contract effective July 1, 2012.

	<u>FY 2011-12</u>	<u>FY 2012-13</u>
Total Funds	\$217,000	\$0
General Fund	\$54,250	\$0

Change Orders in Progress:

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
1	Implementation of New Federal Rules (Federal Register Vol. 76, No. 22)	Not Yet Assigned

Effective March 2011, CMS mandated new federal rules that apply to the Medi-Cal Dental Program. The new rules establish requirements for the enrollment and screening of Medicare, Medicaid, and Children's Health Insurance Program providers at the federal and state levels.

To stay in compliance, the Department plans to hire additional FI staff to complete the increased workload. The Department plans to incur costs once all control agencies negotiate and approve a change order in the first quarter of FY 2012-13.

	<u>FY 2011-12</u>	<u>FY 2012-13</u>
Total Funds	\$0	\$856,000
General Fund	\$0	\$428,000

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 14 Two-Plan model counties and two Geographic Managed Care counties. 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.

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 2012 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	
	Personalized Provider Directory	\$401,344	
	SPD County Inserts - Incremental Costs	\$38,324	
	Initial Health Screen Questionnaire (MET/HIF)	\$0	
	<i>Total Operations</i>		\$21,336,040

Hourly Reimbursement:

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

Section 8.7	Various	\$23,244,806
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Personalized Provider Directories (PPD) (\$2,000,000)

Additional Contractual Services \$253,312

SPD Mandatory Enrollment into Managed Care \$5,655,549

ADHC Transition to Community Based Adult Services (CBAS) \$2,342,388

TOTAL HEALTH CARE OPTIONS FY 2011-12 ESTIMATE \$60,766,847

HEALTH CARE OPTIONS

May 2012 Estimate

FY 2012-13

CONTRACT NO. 07-65829:

Operations:

Section 8.3.2	Transactions	\$9,947,201	
Section 8.3.3	Mailings	\$6,827,641	
Section 8.3.47	Beneficiary Direct Assistance	\$4,377,771	
	Medi-Cal Publications Management Services	\$373,173	
	Personalized Provider Directory	\$414,989	
	SPD County Inserts - Incremental Costs	\$53,316	
	Initial Health Screen Questionnaire (MET/HIF)	\$161,087	
	<i>Total Operations</i>		\$22,155,178

Hourly Reimbursement:

Section 8.6	Enrollment Services Representatives		\$10,542,779
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Cost Reimbursement:

Section 8.7.1	Various		\$25,567,087
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Personalized Provider Directories (PPD) (\$2,000,000)

Duals Coordinated Care Initiative (CCI) \$16,750,187

Local Initiative (LI) Health Plan (Stanislaus County) \$634,622

Central Valley Health Plan Change \$7,298,752

Expansion of Managed Care \$1,468,354

TOTAL HEALTH CARE OPTIONS FY 2012-13 ESTIMATE \$82,416,959

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. The pilot project was implemented in Los Angeles and Sacramento counties and has provided savings due to reductions in paper, printing, packet assembly, and postage costs.

The two year pilot project began on February 27, 2009 and ended on March 1, 2011. The project will continue in operation beyond the initial two year period in the two pilot counties. The PPD is currently being considered for statewide implementation in all managed care counties. This determination will be based on the outcomes set forth in the evaluation provided to the Legislature. The pilot project will continue beyond the initial two year period until this determination is made.

	<u>FY 2011-12</u>	<u>FY 2012-13</u>
Fixed-Price Costs	\$402,459	\$402,459
Cost Reimbursement	\$47,904	\$47,904
Savings (Printing and Postage)	(\$2,450,363)	(\$2,450,363)
Total Funds	(\$2,000,000)	(\$2,000,000)
General Fund	(\$1,000,000)	(\$1,000,000)

Additional Contractual Services

The Department elected to incorporate an *Initial Health Screen Questionnaire* Additional Contractual Services to the HCO contract, which was implemented in March 2011.

This questionnaire helps ensure that applicants and beneficiaries with existing disabilities or chronic conditions identify themselves so as to receive immediate access to care. The questionnaire is currently being mailed within the HCO informing packet. This additional contractual services is consistent with the Department's continued commitment to serve this population.

	<u>FY 2011-12</u>	<u>FY 2012-13</u>
Total Funds	\$253,312	\$0
General Funds	\$126,656	\$0

Dual Coordinated Care Initiative

The Department will achieve savings from transitioning dually eligible beneficiaries who receive Medi-Cal Long Term Care (LTC) institutional services, In-Home Supportive Services (IHSS) and other Home and Community-Based Services (HCBS) from fee-for service into managed care health plans. Notices and packets will be mailed to beneficiaries.

	<u>FY 2011-12</u>	<u>FY 2012-13</u>
Total Funds	\$0	\$16,750,187
General Funds	\$0	\$8,375,093

ADHC Transition to CBAS

AB 97 (Chapter 3, Statutes of 2011) eliminated Adult Day Health Care (ADHC) services from the Medi-Cal program in FY 2011-12. As a result of the settlement of the lawsuit *Darling et al. v. Douglas et al.* which challenged the elimination of ADHC services, the ADHC benefit was extended until March 31, 2012. On April 1, 2012, the ADHC program ended as an optional Medi-Cal benefit and a new program called Community-Based Adult Services (CBAS) became available to eligible individuals under the Medi-Cal Fee-For-Service (FFS) program.

Beginning July 1, 2012, CBAS services will transition into managed care and the costs will be built into the capitation rate at the actuarial equivalent.

For those CBAS eligible beneficiaries residing in geographic areas where managed care is not available, Medi-Cal FFS will provide CBAS coverage. CBAS eligible beneficiaries in managed care counties who do not qualify for managed care enrollment or have an approved medical exemption will be eligible to receive CBAS services if a CBAS center is available in their geographic area or Enhanced Case Management (ECM) services if there are no CBAS centers in their geographic areas.

Beneficiaries not eligible for CBAS services may be eligible for ECM services through Medi-Cal FFS or a Medi-Cal Managed Care Health Plan.

As stipulated in the settlement, the Department will develop and send out beneficiary notices informing beneficiaries of their eligibility for CBAS services, how to receive CBAS services, and how to receive other services such as ECM for beneficiaries that are not eligible for CBAS.

There will be associated costs to the State due to the special mailings/letters, updates to informing material packets, and provider directories.

	<u>FY 2011-12</u>	<u>FY 2012-13</u>
Total Funds	\$2,342,388	\$0
General Funds	\$1,171,194	\$0

Local Initiative (LI) Health Plan (Stanislaus County)

Stanislaus County currently designates Anthem Blue Cross as the Local Initiative (LI) health plan. Through a request for proposal, the County selected Health Plan San Joaquin (HPSJ) as the new designated LI. Notices and packets will be mailed to all beneficiaries to coincide with a January 1, 2013 start date for HPSJ. The first notice will be mailed in September 2012.

	<u>FY 2011-12</u>	<u>FY 2012-13</u>
Total Funds	\$0	\$634,622
General Funds	\$0	\$317,311

Central Valley Health Plan Change

In June 2011, the Department released a Central Valley Request for Proposal to procure a commercial plan contract for the following Two-Plan Model Counties: Kern, San Joaquin, Stanislaus, and Tulare. If a contract is awarded to a new commercial plan in either Kern, San Joaquin, and/or Tulare, notices and packets will be mailed to all beneficiaries to coincide with a January 1, 2013 contract implementation date.

	<u>FY 2011-12</u>	<u>FY 2012-13</u>
Total Funds	\$0	\$7,298,752
General Funds	\$0	\$3,649,376

Negotiated Change Orders:

<u>Change Order No.</u>	<u>Title/Description</u>	<u>Effective</u>
1	SPD Mandatory Enrollment into Managed Care HCO Costs	6/1/2011

Effective June 1, 2011, it is mandatory for all Medi-Cal Only Seniors and Persons with Disabilities (SPDs) residing in managed care counties to enroll in a managed care plan. As a result, MAXIMUS, the HCO enrollment broker, is sending informing materials to each SPD beneficiary upon transitioning to a mandatory status for enrollment.

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

	<u>FY 2011-12</u>	<u>FY 2012-13</u>
Change Order Administration:		
Total Funds	\$3,067,230	\$0
General Funds	\$1,533,616	\$0
Cost Reimbursement:		
Total Funds	\$288,818	\$0
General Funds	\$144,409	\$0
TOTAL FUNDS	\$3,356,048	\$0
GENERAL FUNDS	\$1,678,025	\$0

<u>Change Order No.</u>	<u>Title/Description</u>	<u>Effective</u>
2	SPD Mandatory Enrollment into Managed Care HCO Costs – Special Packet Inserts	6/1/2011

Effective June 1, 2011, it is mandatory for all newly eligible Medi-Cal Only Seniors and Persons with Disabilities (SPDs) residing in managed care counties to enroll in a managed care plan. As a result, MAXIMUS, the Health Care Options (HCO) enrollment broker, is sending a special SPD informing materials packet county-specific insert to each SPD beneficiary upon transitioning to a mandatory status for enrollment. This special insert resulted in an additional incremental cost to each SPD informing materials packet for newly eligible SPDs.

	<u>FY 2011-12</u>	<u>FY 2012-13</u>
Change Order Administration:		
Total Funds	\$46,590	\$53,316
General Funds	\$23,295	\$26,658
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$45,590	\$53,316
GENERAL FUNDS	\$23,295	\$26,658

**MISCELLANEOUS
EXPENDITURES**

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

Pursuant to an interagency agreement with the Department, 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 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>
 <u>FY 2012-13 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	\$80,652	\$20,163	\$60,489
TOTAL	<u>\$1,855,652</u>	<u>\$574,850</u>	<u>\$1,280,802</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 2011-12</u>	<u>FY 2012-13</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 2011-12</u>		<u>FY 2012-13</u>	
Total Funds	\$19,637,239		\$44,556,700	
General Funds	\$3,364,558		\$5,417,126	
	<u>FY 2011-12</u>		<u>FY 2012-13</u>	
	<u>Total Funds</u>	<u>GF</u>	<u>Total Funds</u>	<u>GF</u>
Medi-Cal Fiscal Intermediary				
Technical/Provider Relations (CO 3)	\$1,200,000	\$420,000	\$0	\$0
CSA Network Security (CO 18)	\$82,000	\$20,500	\$0	\$0
Cost Reimbursement (CO 3)	\$5,002	\$2,501	\$0	\$0
NPI (CO 27)	\$410,000	\$102,500	\$0	\$0
NPI (CR 27)	\$160,826	\$40,206	\$0	\$0
Security (CO 20)	\$186,000	\$46,500	\$0	\$0
Imperva Oversight (CO 29)	\$177,000	\$44,250	\$0	\$0
Encryption (CO 33)	\$845,000	\$211,250	\$0	\$0
Code Conv/Secur/Trans (SG)	\$8,295,040	\$1,044,856	\$17,547,200	\$1,994,000
Transaction (CR)	\$0	\$0	-\$129,767	-\$32,442
UPN Project Manager HIPAA-1 (CR)	\$87,500	\$21,875	\$150,000	\$37,500
HIPAA Medical Coders HIPAA-1 Contract (CR)	\$87,500	\$21,875	\$150,000	\$15,000
ICD-10 HIPAA Medical Coders HIPAA-2 (CR)	\$87,500	\$10,325	\$150,000	\$17,700
Code Conversion Proj Mgr HIPAA-1 (CR)	\$87,500	\$21,875	\$150,000	\$15,000
ICD-10 Vision Contract	\$0	\$0	\$850,000	\$100,300
ICD-10 Gap Analysis	\$0	\$0	\$1,700,000	\$170,000
Hard/Soft for Sec Remediation (CR)	\$0	\$0	\$0	\$0
5010 Legacy Enhancements	\$4,814,200	\$576,741	\$19,256,800	\$2,306,965
ICD-10 Enhancements	\$0	\$0	\$3,302,383	\$395,625
IV&V Contractor for HIPAA 5010 & ICD-10	\$266,961	\$31,501	\$335,340	\$39,570
HIPAA & State Privacy Breach Notification	\$146,000	\$73,000	\$250,000	\$125,000
PM for HIPAA 5010	\$131,250	\$32,813	\$117,750	\$41,500
PM for HIPAA ICD-10	\$120,960	\$30,240	\$126,000	\$41,160
HIPAA Link Electronic Attachment	\$0	\$0	-\$6,606	-\$1,652
Total Medical FI (HP)	\$17,190,239	\$2,752,808	\$43,949,100	\$5,265,226
Dental				
HIPAA Security (CO)	\$217,000	\$54,250	\$0	\$0
Development – CDT (SG) 25%	\$614,000	\$153,500	\$232,000	\$58,000
HIPAA 2 (SG)	\$1,577,000	\$394,250	\$272,000	\$68,000
HIPAA Operating Rules (SG) 25%	\$39,000	\$9,750	\$5,600	\$1,400
HIPAA EFT and Remittance Advice 25%	\$0	\$0	\$98,000	\$24,500
Total Dental FI (Delta)	\$2,447,000	\$611,750	\$607,600	\$151,900
HCO				
NPI (CR)	\$0	\$0	\$0	\$0
Total HCO FI (Maximus)	\$0	\$0	\$0	\$0
Total HIPAA	<u>\$19,637,239</u>	<u>\$3,364,558</u>	<u>\$44,556,700</u>	<u>\$5,417,126</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.