

**MEDI-CAL
NOVEMBER 2012
LOCAL ASSISTANCE ESTIMATE
for
FISCAL YEARS
2012-13 and 2013-14**

**FISCAL
INTERMEDIARY**

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FISCAL INTERMEDIARY ESTIMATE

November 2012

FY 2012-13	TOTAL	FEDERAL	STATE
MEDICAL FISCAL INTERMEDIARY CONTRACT (a)	\$178,080,000	\$130,738,000	\$47,342,000
DENTAL FISCAL INTERMEDIARY CONTRACT (b)	\$73,612,000	\$50,581,000	\$23,031,000
HEALTH CARE OPTIONS	\$84,131,000	\$42,065,000	\$42,066,000
STATE CONTROLLER/STATE TREASURER	\$1,856,000	\$1,281,000	\$575,000
PROVIDER VERIFICATION FILE	\$2,000	\$1,000	\$1,000
TOTAL MEDI-CAL COSTS	<u>\$337,681,000</u>	<u>\$224,666,000</u>	<u>\$113,015,000</u>

Refugee expenditures of \$99,396 are included in the Reimbursement line (4260-610-0995) in the Management Summary.

(a) Includes \$350,000 TF (\$122,500 GF) for Title XXI activities (4260-113-0001/0890), and \$36,941,436 TF (\$4,293,278 GF) for HIPAA (4260-117-0001/0890).

(b) Includes \$340,000 TF (\$119,000 GF) for Title XXI activities (4260-113-0001/0890), and \$936,000 TF (\$234,000 GF) for HIPAA (4260-117-0001/0890).

FISCAL INTERMEDIARY ESTIMATE

November 2012

FY 2013-14	TOTAL	FEDERAL	STATE
MEDICAL FISCAL INTERMEDIARY CONTRACT (a)	\$145,423,000	\$105,439,000	\$39,984,000
DENTAL FISCAL INTERMEDIARY CONTRACT (b)	\$72,807,000	\$49,073,000	\$23,734,000
HEALTH CARE OPTIONS	\$92,586,000	\$46,293,000	\$46,293,000
STATE CONTROLLER/STATE TREASURER	\$1,856,000	\$1,281,000	\$575,000
PROVIDER VERIFICATION FILE	\$2,000	\$1,000	\$1,000
TOTAL MEDI-CAL COSTS	<u>\$312,674,000</u>	<u>\$202,087,000</u>	<u>\$110,587,000</u>

Refugee expenditures of \$86,168 are included in the Reimbursement line (4260-610-0995) in the Management Summary.

(a) Includes \$350,000 TF (\$122,500 GF) for Title XXI activities (4260-113-0001/0890), and \$18,502,425 TF (\$1,974,093 GF) for HIPAA (4260-117-0001/0890).

(b) Includes \$347,000 TF (\$121,450 GF) for Title XXI activities (4260-113-0001/0890), and \$225,000 TF (\$56,250 GF) for HIPAA (4260-117-0001/0890).

Fiscal Year 2012-13 Comparison

	<u>2012-13 Appropriation</u>		<u>Nov 2012 Estimate</u>		<u>Difference btwn. Nov 12 & Appr.</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	\$191,856,000	\$50,419,000	\$178,080,000	\$47,342,000	(\$13,776,000)	(\$3,077,000)
Total Dental Fiscal Intermediary	\$74,406,000	\$23,727,000	\$73,612,000	\$23,031,000	(\$794,000)	(\$696,000)
Total Health Care Options	\$82,417,000	\$41,209,000	\$84,131,000	\$42,066,000	\$1,714,000	\$857,000
Total Miscellaneous Expenditures	\$1,859,000	\$576,000	\$1,858,000	\$576,000	(\$1,000)	\$0
GRAND TOTAL	\$350,538,000	\$115,931,000	\$337,681,000	\$113,015,000	(\$12,857,000)	(\$2,916,000)

Fiscal Year 2013-14 Comparison

	<u>Nov 2012 Estimate</u>		<u>Difference btwn. CY and BY</u>	
	<u>Total Funds</u>	<u>State Funds</u>	<u>Total Funds</u>	<u>State Funds</u>
Total Medical Fiscal Intermediary	\$145,423,000	\$39,984,000	(\$32,657,000)	(\$7,358,000)
Total Dental Fiscal Intermediary	\$72,807,000	\$23,734,000	(\$805,000)	\$703,000
Total Health Care Options	\$92,586,000	\$46,293,000	\$8,455,000	\$4,227,000
Total Miscellaneous Expenditures	\$1,858,000	\$576,000	\$0	\$0
GRAND TOTAL	\$312,674,000	\$110,587,000	(\$25,007,000)	(\$2,428,000)

MEDICAL FISCAL INTERMEDIARY

MEDICAL FISCAL INTERMEDIARY

The Medi-Cal fiscal intermediary (FI) contract requires the FI to process claims submitted by Medi-Cal providers for services rendered to Medi-Cal eligibles.

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 Xerox State Healthcare, LLC (Xerox), formerly 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 Xerox contract effective date was May 3, 2010, which began the Takeover phase of the new contract. During this phase HP Enterprise Services, LLC (HP) continued operations and work on Turnover activities through to the successful Assumption of Operations (AOO) by the new FI contractor on October 3, 2011. The November 2012 Medi-Cal Estimate reflects calculations based on the October 3, 2011 AOO date. On a cash basis, it is anticipated that outstanding costs associated to HP for work performed during the original term of the contract will be paid in FY 2012-13. It is also anticipated that twelve months of invoices for Xerox will be paid in FY 2012-13 as well as costs associated with Takeover.

The main cost components of the FI contract 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.

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.

Hourly Reimbursement – Certain activities are reimbursed on an hourly basis by the State. The rate paid to the Contractor consists of all direct and indirect costs required to support these activities, plus profit. Hourly reimbursed areas consist of the Systems Group (SG) and FOAG. 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.

**Medical Fiscal Intermediary Summary
November 2012 Estimate**

FY 2012-13

	Total Funds	State Funds
Operations	\$77,780,051	\$25,923,742
Hourly Reimbursement	\$25,978,180	\$4,708,780
Cost Reimbursement	\$26,224,198	\$8,332,306
Other Estimated Costs	\$1,573,000	\$393,250
Change Orders	\$135,000	\$33,750
Healthy Families (XXI)	\$385,456	\$134,910
Takeover	\$11,555,556	\$3,075,222
Enhancements	\$24,202,874	\$2,702,590
Optional Contractual Services	\$3,217,301	\$321,730
System Replacements	\$1,695,793	\$266,748
Family PACT	\$275,000	\$137,500
HP Close Out Costs	\$152,000	\$76,000
 Sub-Total	 \$173,174,409	 \$46,106,528
 Sales Tax	 \$4,905,639	 \$1,235,380
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TOTAL MEDICAL FI COSTS	\$178,080,048	\$47,341,908

FY 2013-14

	Total Funds	State Funds
Operations	\$70,989,878	\$23,831,379
Hourly Reimbursement	\$35,703,747	\$6,454,324
Cost Reimbursement	\$21,367,619	\$6,435,923
Other Estimated Costs	\$1,045,000	\$261,250
Change Orders	\$0	\$0
Healthy Families (XXI)	\$354,514	\$124,080
Enhancements	\$3,287,381	\$393,828
Optional Contractual Services	\$804,325	\$80,433
System Replacements	\$6,930,010	\$1,090,091
Family PACT	\$275,000	\$137,500
 Sub-Total	 \$140,757,474	 \$38,808,808
 Sales Tax	 \$4,665,263	 \$1,174,926
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TOTAL MEDICAL FI COSTS	\$145,422,737	\$39,983,734

MEDICAL FISCAL INTERMEDIARY ESTIMATE (DETAIL TABLE)

November 2012

FY 2012-13	TOTAL FUNDS
OPERATIONS	\$77,780,051
General ACLs	\$56,023,024
On-Line Pharmacy ACLs	\$5,031,500
DUR	\$410,000
Retrospective DUR	\$73,487
Encounter Claim Lines	\$1,475,000
CA-EVS/CMS Processing	\$6,250,000
Medicare Drug Discount Program	\$17,040
Telephone Services Center	\$8,500,000
HOURLY REIMBURSEMENT	\$25,978,180
Systems Group	\$15,820,200
Field Office Automation Group (FOAG)	\$10,157,980
COST REIMBURSEMENT	\$26,224,198
Postage	\$1,754,367
Parcel Services & Common Carriers	\$110,700
Equipment/Services	\$15,197,677
P&D and PUBS	\$1,535,580
Other Direct Costs	\$1,715,588
Facilities Improve/Modif	\$1,340,250
Audits & Research	\$304,165
Change Orders	\$0
Consultant Contracts	\$0
Telecommunication	\$2,376,551
Other Cost Reimbursable Items	\$1,889,320
OTHER ESTIMATED COSTS	\$1,573,000
Beneficiary ID Cards - BIC	\$1,303,000
Health Access Program Cards	\$270,000
Cost Containment	\$0
CHANGE ORDERS	\$135,000
Negotiated Change Orders	\$135,000
Change Orders in Progress	\$0
Unspecified Change Orders	\$0
TAKEOVER	\$11,555,556

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BY Medical FI Estimate (Detail Table), November 2012 Estimate
Continued from Page 8

FY 2012-13	TOTAL FUNDS
ENHANCEMENTS	\$24,202,874
HIPAA 5010	\$19,256,800
HIPAA ICD-10	\$3,302,383
BRE	\$1,643,691
OPTIONAL CONTRACTUAL SERVICES	\$3,217,301
HITECH	\$3,217,301
SYSTEM REPLACEMENTS	\$1,695,793
HEALTHY FAMILIES (Title XXI only)	\$385,456
FAMILY PACT	\$275,000
SUBTOTAL	\$173,022,409
HP Close Out Costs	\$152,000
SALES TAX 7.75%	\$4,905,639
MEDICAL FI TOTAL FUND	\$178,080,048

MEDICAL FISCAL INTERMEDIARY ESTIMATE (DETAIL TABLE)
November 2012

FY 2013-14	TOTAL FUNDS
OPERATIONS	\$70,989,878
General ACLs	\$52,773,652
On-Line Pharmacy ACL s	\$5,127,841
DUR	\$320,000
Retrospective DUR	\$75,807
Encounter Claim Lines	\$1,375,000
CA-EVS/CMS Processing	\$4,800,000
Medicare Drug Discount Program	\$17,578
Telephone Services Center	\$6,500,000
 HOURLY REIMBURSEMENT	 \$35,703,747
Systems Group	\$21,969,900
Field Office Automation Group (FOAG)	\$13,733,847
 COST REIMBURSEMENT	 \$21,367,619
Postage	\$1,800,000
Parcel Services & Common Carriers	\$120,000
Equipment/Services	\$12,466,139
P&D and PUBS	\$1,546,800
Other Direct Costs	\$1,764,984
Facilities Improve/Modif	\$680,500
Audits & Research	\$575,000
Change Orders	\$0
Consultant Contracts	\$0
Telecommunication	\$2,054,196
Other Cost Reimbursable Items	\$360,000
 OTHER ESTIMATED COSTS	 \$1,045,000
Beneficiary ID Cards - BIC	\$775,000
Health Access Program Cards	\$270,000
Cost Containment	\$0
 CHANGE ORDERS	 \$0
Negotiated Change Orders	\$0
Change Orders in Progress	\$0
Unspecified Change Orders	\$0

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CY Medical FI Estimate (Detail Table), November 2012 Estimate
Continued from Page 10

FY 2013-14	TOTAL FUNDS
ENHANCEMENTS	\$3,287,381
HIPAA 5010	\$0
HIPAA ICD-10	\$0
BRE	\$3,287,381
OPTIONAL CONTRACTUAL SERVICES	\$804,325
HITECH	\$804,325
SYSTEM REPLACEMENTS	\$6,930,010
HEALTHY FAMILIES (TITLE XXI ONLY)	\$354,514
FAMILY PACT	\$275,000
SUBTOTAL	\$140,757,474
SALES TAX 7.75%	\$4,665,263
MEDICAL FI TOTAL FUND	\$145,422,737

MEDICAL FISCAL INTERMEDIARY

Assumptions

ACL Projections:

FY 2012-13

	<u>General ACLs</u>	<u>Amount</u>	<u>Online-Drug ACLs</u>	<u>Amount</u>
Total ACLs	138,630,040	\$56,380,081	43,161,707	\$5,059,899
Less HFP	<u>807,385</u>	<u>\$357,057</u>	<u>219,041</u>	<u>\$28,399</u>
Total Medi-Cal ACLs	137,822,655	\$56,023,024	42,942,666	\$5,031,500

Based on the estimated FY 2012-13 volumes, general ACLs are projected at \$0.41043 and online ACLs are projected at \$0.12033. 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 2013-14

	<u>General ACLs</u>	<u>Amount</u>	<u>Online-Drug ACLs</u>	<u>Amount</u>
Total ACLs	144,961,719	\$53,100,311	45,161,867	\$5,155,695
Less HFP	<u>823,009</u>	<u>\$326,659</u>	<u>223,279</u>	<u>\$27,854</u>
Total Medi-Cal ACLs	144,138,710	\$52,773,652	44,938,588	\$5,127,841

Based on the estimated FY 2013-14 volumes, general ACLs are projected at \$0.36836 and online ACLs are projected at \$0.11578. 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:

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 of Health Care Services (DHCS) authorized Xerox to begin the work 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 2012-13</u>	<u>FY 2013-14</u>
Change Order Administration:		
Total Funds	\$135,000	\$0
General Funds	\$33,750	\$0
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
TOTAL FUNDS	\$135,000	\$0
GENERAL FUNDS	\$33,750	\$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 was scheduled to end June 30, 2012. The Department is exercising the one time Extended Operations phase for a period of 12 months beginning July 1, 2012 and ending June 30, 2013. A new contract has been awarded to DDC. The new Dental contract does not meet the regulatory criteria and conditions as a Medicaid Management Information System (MMIS). During the Extended Operations period the Department and CMS will work together to develop a planning document to make the system certifiable as an MMIS and compliant with the Federal Register Vol. 76, No. 75. However, all activities related to the new contract have been delayed due to the Extended Operations. 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, and
- 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
November 2012 Estimate**

FY 2012-13

	<u>Total Fund</u>	<u>General Fund</u>
Dental Administration/Operations	\$37,730,000	\$10,408,764
Telephone Service Center	\$11,218,000	\$4,739,605
Change Orders	\$1,806,000	\$843,000
Hourly Reimbursable Groups	\$11,600,000	\$2,900,000
Cost Reimbursable Expenses	\$5,787,000	\$2,772,000
Contract Turnover	\$2,100,000	\$525,000
Contract Takeover	\$3,371,000	\$842,750
DMC Encounter Data Enhancement	<u>\$0</u>	<u>\$0</u>
Total Dental Administration Costs	<u><u>\$73,612,000</u></u>	<u><u>\$23,031,119</u></u>

**Dental Fiscal Intermediary
November 2012 Estimate**

FY 2013-14

	<u>Total Fund</u>	<u>General Fund</u>
Dental Administration Operations	\$24,314,000	\$6,707,625
Telephone Service Center	\$18,038,000	\$7,621,056
Change Orders	\$1,813,000	\$906,500
Hourly Reimbursable Groups	\$13,700,000	\$3,425,000
Cost Reimbursable Expenses	\$5,839,000	\$2,798,000
Contract Turnover	\$0	\$0
Contract Takeover	\$6,731,000	\$1,682,750
Contract Runout	\$2,131,000	\$532,750
Business Rules Enhancement	\$0	\$0
DMC Encounter Date Enhancement	<u>\$241,000</u>	<u>\$60,250</u>
Total Dental Administration Costs	<u><u>\$72,807,000</u></u>	<u><u>\$23,733,931</u></u>

DENTAL COST REIMBURSABLE EXPENSES

November 2012 Estimate

	FY 2012-13		FY 2013-14	
	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%)	\$163,000	\$81,500	\$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%)	\$2,618,000	\$1,309,000	\$2,670,000	\$1,335,000
Misc. (50%)	\$190,000	\$95,000	\$190,000	\$95,000
Total	\$5,787,000	\$2,772,000	\$5,839,000	\$2,798,000

**DENTAL FISCAL INTERMEDIARY
ACSL & TAR PROJECTIONS**

November 2012

FY 2012 13 Assumptions

- | | | |
|---------------------|------------|---------------------|
| ➤ ACSL Projections: | 21,077,054 | \$31,980,000 |
| ➤ TAR Projections: | 267,552 | <u>\$5,750,000</u> |
| | | \$37,730,000 |
- 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 2013-14 Assumptions

- | | | |
|--------------------|------------|---------------------|
| ➤ ACSL Projections | 21,498,595 | \$16,880,000 |
| ➤ TAR Projections | 272,903 | <u>\$7,434,000</u> |
| | | \$24,314,000 |
- 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 will be included in the new contract.

	<u>FY 2012-13</u>	<u>FY 2013-14</u>
Total Funds	\$70,000	\$0
General Funds	\$35,000	\$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 will be included in the new contract.

	<u>FY 2012-13</u>	<u>FY 2013-14</u>
Total Funds	\$240,000	\$0
General Funds	\$60,000	\$0

Change Orders in Progress:

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
23	Federal Rule – Revalidation of Provider Enrollment	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 October of FY 2012-13.

	<u>FY 2012-13</u>	<u>FY 2013-14</u>
Total Funds	\$1,281,000	\$1,438,000
General Funds	\$640,500	\$719,000

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
24	Federal Rule – Database Checks	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 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 October of FY 2012-13.

	<u>FY 2012-13</u>	<u>FY 2013-14</u>
Total Funds	\$215,000	\$375,000
General Funds	\$107,500	\$187,500

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
November 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	
	Base Volume Increase Projection	\$5,728,833	
	<i>Total Operations</i>		\$27,884,011

Hourly Reimbursement:

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

Section 8.7	Various	\$24,707,087
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Personalized Provider Directories (PPD) (\$2,000,000)

Duals Coordinated Care Initiative (CCI) \$11,167,174

ADHC Transition to Community Based Adult Services (CBAS) \$431,972

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

Transition of Healthy Families Children to Medi-Cal Admin Costs \$6,936,860

Central Valley Health Plan Change \$1,854,688

Expansion of Managed Care \$1,971,501

TOTAL HEALTH CARE OPTIONS FY 201-13 ESTIMATE **\$84,130,694**

**HEALTH CARE OPTIONS
November 2012 Estimate
FY 2013-14**

CONTRACT NO. 07-65829:

Operations:

Section 8.3.2	Transactions	\$10,243,376	
Section 8.3.3	Mailings	\$7,185,153	
Section 8.3.47	Beneficiary Direct Assistance	\$4,473,347	
	Medi-Cal Publications Management Services	\$378,848	
	Personalized Provider Directory	\$429,099	
	SPD County Inserts - Incremental Costs	\$58,648	
	Initial Health Screen Questionnaire (MET/HIF)	\$165,115	
	Base Volume Increase Projection	\$8,020,366	
	<i>Total Operations</i>		\$30,953,952

Hourly Reimbursement:

Section 8.6	Enrollment Services Representatives	\$10,983,285
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Cost Reimbursement:

Section 8.7.1	Various	\$26,855,797
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Personalized Provider Directories (PPD) (\$2,000,000)

Duals Coordinated Care Initiative (CCI) \$18,212,743

Transition of Healthy Families Children to Medi-Cal Admin Costs \$5,082,215

Low Income Health Program (LIHP) \$2,498,118

TOTAL HEALTH CARE OPTIONS FY 2013-14 ESTIMATE \$92,586,110

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.

	<u>FY 2012-13</u>	<u>FY 2013-14</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)

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 2012-13</u>	<u>FY 2013-14</u>
Total Funds	\$11,167,174	\$18,212,743
General Funds	\$5,583,587	\$9,106,372

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 2012-13</u>	<u>FY 2013-14</u>
Total Funds	\$431,972	\$0
General Funds	\$215,986	\$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 2012-13</u>	<u>FY 2013-14</u>
Total Funds	\$634,622	\$0
General Funds	\$317,311	\$0

Transition of Healthy Families Children to Medi-Cal Admin Costs

AB 1494 (Chapter 28, Statutes of 2012) requires, effective January 1, 2013, that children subscribed in the HFP will be transitioned into Medi-Cal through a phase-in methodology. Coverage of this population under Medicaid programs is permissible pursuant to the federal Social Security Act to provide full scope Medi-Cal benefits to such eligible children who are optional targeted low-income children with family incomes up to and including 250% of the federal poverty level (FPL).

In pursuing this option to cover these targeted low income children, the benefits and administrative costs provided to these children are eligible for enhanced federal funding of 65% under Title XXI. To the extent possible, the children will be mandatorily enrolled into Medi-Cal managed care delivery systems; and to the extent such delivery models are not available, benefits will be provided under Medi-Cal fee-for-service. Implementation is contingent upon receiving necessary federal approvals.

The Department and MRMIB will provide written notices to beneficiaries enrolled in Healthy Families of their transition to the Medi-Cal program and changes they should anticipate prior to their movement into Medi-Cal.

	<u>FY 2012-13</u>	<u>FY 2013-14</u>
Total Funds	\$6,936,860	\$5,082,215
General Funds	\$3,468,430	\$2,541,108

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 2012-13</u>	<u>FY 2013-14</u>
Total Funds	\$1,854,688	\$0
General Funds	\$927,344	\$0

Low Income Health Program (LIHP) Implementation

California's Bridge to Reform Demonstration expands coverage to eligible low income adults through the Low Income Health Program (LIHP). The LIHP consists of the Medicaid Coverage Expansion, effective July 1, 2011, through December 31, 2013, at which time the majority of enrollees will become Medi-Cal eligible under the Affordable Care Act. These individuals will transition into Medi-Cal managed care beginning January 1, 2014. The Department is planning for the transition of the LIHP population.

	<u>FY 2012-13</u>	<u>FY 2013-14</u>
Total Funds	\$0	\$2,498,118
General Funds	\$0	\$1,249,059

<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 2012-13</u>	<u>FY 2013-14</u>
Change Order Administration:		
Total Funds	\$53,316	\$58,648
General Funds	\$26,658	\$29,324
Cost Reimbursement:		
Total Funds	\$0	\$0
General Funds	\$0	\$0
Total Funds	\$53,316	\$58,648
General Funds	\$26,658	\$29,324

**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

- 75% 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%.
- 50% FFP is claimed for postage costs.
- 100% FFP is claimed for auditing services.

CSTO Assumptions

- 75% FFP is claimed for all CSTO costs related to warrant redemption services.

<u>FY 2012-13 Estimate</u>	<u>Total</u>	<u>GF</u>	<u>FFP</u>
CSCO			
Warrants & RADs	\$1,331,250	\$332,812	\$998,438
Postage	\$443,750	\$221,875	\$221,875
SCO Total	\$1,775,000	\$554,687	\$1,220,313
CSTO			
Warrant Redemption	\$80,652	\$20,163	\$60,489
TOTAL	\$1,855,652	\$574,850	\$1,280,802
<u>FY 2013-14 Estimate</u>	<u>Total</u>	<u>GF</u>	<u>FFP</u>
CSCO			
Warrants & RADs	\$1,331,250	\$332,812	\$998,438
Postage	\$443,750	\$221,875	\$221,875
SCO Total	\$1,775,000	\$554,687	\$1,220,313
CSTO			
Warrant Redemption	\$80,652	\$20,163	\$60,489
TOTAL	\$1,855,652	\$574,850	\$1,280,802

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 2012-13</u>	<u>FY 2013-14</u>
Total Funds	\$2,466	\$2,466
General Funds	\$617	\$617

HIPAA PROJECT SUMMARY

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

	<u>FY 2012-13</u>	<u>FY 2013-14</u>
Total Funds	\$37,877,436	\$18,727,425
General Funds	\$4,527,278	\$2,030,343

	<u>FY 2012-13</u>		<u>FY 2013-14</u>	
	<u>Total Funds</u>	<u>GF</u>	<u>Total Funds</u>	<u>GF</u>
Medi-Cal Fiscal Intermediary				
Code Conv/Secur/Trans (SG)	\$11,905,100	\$1,190,510	\$16,477,425	\$1,647,743
UPN Project Manager HIPAA-1 (CR)	\$75,000	\$18,750	\$75,000	\$18,750
HIPAA Medical Coders HIPAA-1 Contract (CR)	\$150,000	\$37,500	\$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	\$37,500	\$0	\$0
ICD-10 Vision Contract	\$425,000	\$50,150	\$425,000	\$50,150
ICD-10 Gap Analysis	\$850,000	\$85,000	\$850,000	\$85,000
5010 Legacy Enhancements	\$19,256,800	\$2,306,965	\$0	\$0
ICD-10 Enhancements	\$3,302,383	\$395,625	\$0	\$0
IV&V Contractor for HIPAA 5010 & ICD-10	\$125,000	\$14,750	\$125,000	\$14,750
HIPAA & State Privacy Breach Notification	\$250,000	\$125,000	\$250,000	\$125,000
PM for HIPAA 5010	\$55,313	\$13,828	\$0	\$0
PM for HIPAA ICD-10	\$246,840	\$30,240	\$0	\$0
Total Medical FI	\$36,941,436	\$4,293,278	\$18,502,425	\$1,974,093
Dental				
HIPAA Security (CO)	\$240,000	\$60,000	\$0	\$0
Development – CDT (SG) 25%	\$194,000	\$48,500	\$225,000	\$56,250
HIPAA 2 (SG)	\$272,000	\$68,000	\$0	\$0
HIPAA Operating Rules (SG) 25%	\$120,000	\$30,000	\$0	\$0
HIPAA EFT and Remittance Advice 25%	\$110,000	\$27,500	\$0	\$0
Total Dental FI (Delta)	\$936,000	\$234,000	\$225,000	\$56,250
HCO				
NPI (CR)	\$0	\$0	\$0	\$0
Total HCO FI (Maximus)	\$0	\$0	\$0	\$0
Total HIPAA	\$37,877,436	\$4,527,278	\$18,727,425	\$2,030,343

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