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

FISCAL INTERMEDIARY

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FISCAL INTERMEDIARIES
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FISCAL INTERMEDIARY ESTIMATE

May 2013

FY 2012-13	**TOTAL**	**FEDERAL**	**STATE**
MEDICAL FISCAL INTERMEDIARY CONTRACT (a)	$172,792,000	$125,703,000	$47,089,000
DENTAL FISCAL INTERMEDIARY CONTRACT (b)	$69,903,000	$47,735,000	$22,168,000
HEALTH CARE OPTIONS	$78,220,000	$39,110,000	$39,110,000
STATE CONTROLLER/STATE TREASURER	$1,856,000	$1,147,000	$709,000
PROVIDER VERIFICATION FILE	$2,000	$1,000	$1,000
TOTAL MEDI-CAL COSTS	**$322,773,000**	**$213,696,000**	**$109,077,000**

Refugee expenditures of $95,647 are included in the Reimbursement line (4260-610-0995) in the Management Summary.

(a) Includes $429,036 TF ($150,163 GF) for Title XXI activities (4260-113-0001/0890), and $26,555,512 TF ($3,648,302 GF) for HIPAA (4260-117-0001/0890).

(b) Includes $345,000 TF ($120,750 GF) for Title XXI activities (4260-113-0001/0890), and $557,000 TF ($139,250 GF) for HIPAA (4260-117-0001/0890).

FISCAL INTERMEDIARY ESTIMATE

May 2013

FY 2013-14	TOTAL	FEDERAL	STATE
MEDICAL FISCAL INTERMEDIARY CONTRACT (a)	$180,393,000	$130,743,000	$49,650,000
DENTAL FISCAL INTERMEDIARY CONTRACT (b)	$74,158,000	$50,527,000	$23,631,000
HEALTH CARE OPTIONS	$99,280,000	$49,640,000	$49,640,000
STATE CONTROLLER/STATE TREASURER	$1,856,000	$1,148,000	$708,000
PROVIDER VERIFICATION FILE	$2,000	$1,000	$1,000
TOTAL MEDI-CAL COSTS	**$355,689,000**	**$232,059,000**	**$123,630,000**

Refugee expenditures of $100,609 are included in the Reimbursement line (4260-610-0995) in the Management Summary.

(a) Includes $481,175 TF ($168,411 GF) for Title XXI activities (4260-113-0001/0890), and $24,703,542 TF ($4,085,585 GF) for HIPAA (4260-117-0001/0890).

(b) Includes $387,000 TF ($135,450 GF) for Title XXI activities (4260-113-0001/0890), and $1,045,000 TF ($261,250 GF) for HIPAA (4260-117-0001/0890).

FISCAL INTERMEDIARY

Comparison of May 2013 Estimate to Appropriation and November 2012 Estimate

Current Year 2012-13 Comparison

	2012-13 Appropriation		November 2012 Estimate CY		**May 2013 Estimate CY**		Difference between May 2013 & Appropriation		Difference between May 2013 & November 2012	
	Total Funds	**State Funds**	**Total Funds**	**State Funds**	**Total Funds**	**State Funds**	**Total Funds**	**State Funds**	**Total Funds**	**State Funds**
Xerox Medical Fiscal Intermediary	$150,980,000	$37,272,000	$178,080,000	$47,342,000	$172,792,000	$47,089,000	$21,812,000	$9,817,000	($5,288,000)	($253,000)
Total Dental Fiscal Intermediary	$69,102,000	$21,343,000	$73,612,000	$23,031,000	$69,903,000	$22,168,000	$801,000	$825,000	($3,709,000)	($863,000)
Total Health Care Options	$54,547,000	$27,274,000	$84,131,000	$42,066,000	$78,220,000	$39,110,000	$23,673,000	$11,836,000	($5,911,000)	($2,956,000)
Total Miscellaneous Expenditures	$1,893,000	$584,000	$1,858,000	$576,000	$1,858,000	$710,000	($35,000)	$126,000	$0	$134,000
Reconciliation with Budget Act	($21,937,000)	($10,951,000)	$0	$0	$0	$0	$21,937,000	$10,951,000	$0	$0
GRAND TOTAL	**$254,585,000**	**$75,522,000**	**$337,681,000**	**$113,015,000**	**$322,773,000**	**$109,077,000**	**$68,188,000**	**$33,555,000**	**-$14,908,000**	**-$3,938,000**

Budget Year 2013-14 Comparison

	November 2012 Estimate BY		**May 2013 Estimate BY**		Difference between May 2013 & November 2012	
	Total Funds	**State Funds**	**Total Funds**	**State Funds**	**Total Funds**	**State Funds**
Xerox Medical Fiscal Intermediary	$145,423,000	$39,984,000	$180,393,000	$49,650,000	$34,970,000	$9,666,000
Total Dental Fiscal Intermediary	$72,807,000	$23,734,000	$74,158,000	$23,631,000	$1,351,000	($103,000)
Total Health Care Options	$92,586,000	$46,293,000	$99,280,000	$49,640,000	$6,694,000	$3,347,000
Total Miscellaneous Expenditures	$1,858,000	$576,000	$1,858,000	$709,000	$0	$133,000
GRAND TOTAL	**$312,674,000**	**$110,587,000**	**$355,689,000**	**$123,630,000**	**$43,015,000**	**$13,043,000**

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 was awarded to Xerox State Healthcare, LLC (Xerox), on December 8, 2009. The contract effective date was May 3, 2010, which began the Takeover phase. During this phase HP Enterprise Services, LLC (HP) continued operations and work on Turnover activities through to the successful Assumption of Operations (AOO) by Xerox on October 3, 2011. 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
May 2013

FY 2012-13

	Total Funds	State Funds
Operations	$81,903,451	$27,138,907
Hourly Reimbursement	$27,146,200	$5,612,020
Cost Reimbursement	$25,754,760	$6,827,481
Other Estimated Costs	$1,574,000	$393,500
Change Orders	$135,000	$33,750
Healthy Families (XXI)	$429,036	$150,163
Takeover	$11,555,556	$3,075,222
Enhancements	$16,086,291	$1,927,138
Optional Contractual Services	$804,325	$80,433
System Replacements	$1,695,793	$266,748
Family PACT	$275,000	$137,500
HP Close Out Costs	$314,141	$157,071
Sub-Total	$167,673,553	$45,799,931
Sales Tax	$5,118,674	$1,289,264
TOTAL MEDICAL FI COSTS	**$172,792,227**	**$47,089,195**

FY 2013-14	**Total Funds**	**State Funds**
Operations	$74,586,701	$24,880,792
Hourly Reimbursement	$35,703,747	$8,041,039
Cost Reimbursement	$27,617,407	$9,490,877
Other Estimated Costs	$1,770,000	$442,500
Change Orders	$1,512,388	$600,478
Healthy Families (XXI)	$481,175	$168,411
Enhancements	$11,403,964	$1,366,195
Optional Contractual Services	$3,217,301	$321,730
System Replacements	$18,966,322	$2,983,402
Family PACT	$250,000	$125,000
Sub-Total	$175,509,005	$48,420,426
Sales Tax	$4,883,763	$1,229,777
TOTAL MEDICAL FI COSTS	**$180,392,768**	**$49,650,203**

MEDICAL FISCAL INTERMEDIARY ESTIMATE (DETAIL TABLE)
May 2013

FY 2012-13	TOTAL FUNDS
OPERATIONS	**$81,903,451**
General ACLs	$56,058,581
On-Line Pharmacy ACLs	$5,430,343
DUR	$410,000
Retrospective DUR	$73,487
Encounter Claim Lines	$1,614,000
CA-EVS/CMS Processing	$6,300,000
Medicare Drug Discount Program	$17,040
Telephone Services Center	$12,000,000
HOURLY REIMBURSEMENT	**$27,146,200**
Systems Group	$15,820,200
Field Office Automation Group (FOAG)	$11,326,000
COST REIMBURSEMENT	**$25,754,760**
Postage	$1,754,367
Parcel Services & Common Carriers	$142,676
Equipment/Services	$15,197,677
P&D and PUBS	$2,161,738
Other Direct Costs	$1,715,588
Facilities Improve/Modif	$0
Audits & Research	$304,165
Change Orders	$0
Consultant Contracts	$0
Telecommunication	$2,589,229
Other Cost Reimburseable Items	$1,889,320
OTHER ESTIMATED COSTS	**$1,574,000**
Beneficiary ID Cards - BIC	$1,303,000
Health Access Program Cards	$271,000
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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CY Medical FI Estimate (Detail Table), May 2013 Estimate
Continued from Page 8

FY 2012-13	TOTAL FUNDS
ENHANCEMENTS	**$16,086,291**
HIPAA 5010	$14,442,600
HIPAA ICD-10	$0
BRE	$1,643,691
OPTIONAL CONTRACTUAL SERVICES	**$804,325**
HITECH	$804,325
SYSTEM REPLACEMENTS	**$1,695,793**
HEALTHY FAMILIES (Title XXI only)	**$429,036**
FAMILY PACT	**$275,000**
SUBTOTAL	**$167,359,412**
HP Close Out Costs	$314,141
SALES TAX 8%	$5,118,674
MEDICAL FI TOTAL FUND	**$172,792,227**

MEDICAL FISCAL INTERMEDIARY ESTIMATE (DETAIL TABLE)
May 2013

FY 2013-14	TOTAL FUNDS
OPERATIONS	**$74,586,701**
General ACLs	$52,606,328
On-Line Pharmacy ACL s	$5,553,526
DUR	$320,000
Retrospective DUR	$75,807
Encounter Claim Lines	$1,614,000
CA-EVS/CMS Processing	$4,800,000
Medicare Drug Discount Program	$17,040
Telephone Services Center	$9,600,000
HOURLY REIMBURSEMENT	**$35,703,747**
Systems Group	$21,969,900
Field Office Automation Group (FOAG)	$13,733,847
COST REIMBURSEMENT	**$27,617,407**
Postage	$1,835,719
Parcel Services & Common Carriers	$130,282
Equipment/Services	$13,191,376
P&D and PUBS	$3,026,135
Other Direct Costs	$1,764,984
Facilities Improve/Modif	$1,900,000
Audits & Research	$225,720
Change Orders	$375,000
Consultant Contracts	$0
Telecommunication	$2,464,404
Other Cost Reimburseable Items	$2,703,787
OTHER ESTIMATED COSTS	**$1,770,000**
Beneficiary ID Cards - BIC	$1,500,000
Health Access Program Cards	$270,000
Cost Containment	$0
CHANGE ORDERS	**$1,512,388**
Negotiated Change Orders	$0
Change Orders in Progress	$1,512,388
Unspecified Change Orders	$0

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CY Medical FI Estimate (Detail Table), May 2013 Estimate
Continued from Page 10

FY 2013-14	TOTAL FUNDS
ENHANCEMENTS	**$11,403,964**
HIPAA 5010	$4,814,200
HIPAA ICD-10	$3,302,383
BRE	$3,287,381
OPTIONAL CONTRACTUAL SERVICES	**$3,217,301**
HITECH	$3,217,301
SYSTEM REPLACEMENTS	**$18,966,322**
HEALTHY FAMILIES (TITLE XXI ONLY)	**$481,175**
FAMILY PACT	**$250,000**
SUBTOTAL	**$175,509,005**
SALES TAX 8%	$4,883,763
MEDICAL FI TOTAL FUND	**$180,392,768**

Assumptions

ACL Projections:

FY 2012-13

	General ACLs	Amount	Online-Drug ACLs	Amount
Total ACLs	123,556,987	$56,452,536	37,584,480	$5,465,424
Less HFP	791,589	$393,955	224,077	$35,081
Total Medi-Cal ACLs	**122,765,398**	**$56,058,581**	**37,360,403**	**$5,430,343**

Based on the estimated FY 2012-13 volumes, general ACLs are projected at $0.46188 and online ACLs are projected at $0.14530. 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

	General ACLs	Amount	Online-Drug ACLs	Amount
Total ACLs	125,987,318	$53,045,618	39,163,096	$5,595,410
Less HFP	956,068	$439,290	270,637	$41,885
Total Medi-Cal ACLs	**125,031,250**	**52,606,328**	**38,892,459**	**$5,553,526**

Based on the estimated FY 2013-14 volumes, general ACLs are projected at $0.42643 and online ACLs are projected at $0.14363. 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:

Change Order No	Title/Description	Effective
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.

	FY 2012-13	FY 2013-14
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

Change Orders in Progress:

Change Order No	Title/Description	Effective
8	**System Group Rate Adjustment For Contract Year 1**	02/22/2013

The current Fiscal Intermediary Contract with Xerox identifies an annual minimum and maximum base range of hours for the Systems Group (SG). It also allows for the negotiation of a new rate if total hours fall above or below the annual base range. For Contract Year 1, (October 3, 2011 through June 30, 2012), the Department has authorized a retroactive adjustment to the SG hourly rate as total hours worked fell below the annual base range per the Contract. Since the total worked hours fell below the minimum range, this Change Order does not constitute an increased cost to the Department.

	FY 2012-13	FY 2013-14
Change Order Administration:		
Total Funds	$0	$0
General Funds	$0	$0
Cost Reimbursement:		
Total Funds	$0	$0
General Funds	$0	$0
TOTAL FUNDS	$0	$0
GENERAL FUNDS	$0	$0

Change Order No	Title/Description	Effective
9	**Telephone Services Center Rate Adjustment For Contract Year 1**	TBD

The current Fiscal Intermediary Contract with Xerox utilizes the Base Volume Method of Payment (BVMP) for the Medi-Cal Telephone Service Center (TSC). If for any reason, the actual yearly volume of calls exceeds the maximum annual volume listed for any Contract Year, the Contract allows for the negotiation of a new rate via the change order process. This change order negotiates payment for the yearly volume of TSC calls that exceeded the high volume maximum listed in Contract Year 1, (October 3, 2011 through June 30, 2012).

	FY 2012-13	**FY 2013-14**
Change Order Administration:		
Total Funds	$0	$742,388
General Funds	$0	$215,478
Cost Reimbursement:		
Total Funds	$0	$0
General Funds	$0	$0
TOTAL FUNDS	$0	$742,388
GENERAL FUNDS	$0	$215,478

Change Order No	Title/Description	Effective
10	**System Group Rate Adjustment For Contract Year 2**	02/22/2013

The current Fiscal Intermediary Contract with Xerox identifies an annual minimum and maximum base range of hours for the Systems Group (SG). It also allows for the negotiation of a new rate if total hours fall above or below the annual base range. For Contract Year 2, (July 1, 2012 through June 30, 2013), the Department has authorized a retroactive adjustment to the SG hourly rate as the projected total hours worked will fall below the annual base range per the Contract. Since the total worked hours will fall below the minimum range, this Change Order does not constitute an increased cost to the Department.

	FY 2012-13	FY 2013-14
Change Order Administration:		
Total Funds	$0	$0
General Funds	$0	$0
Cost Reimbursement:		
Total Funds	$0	$0
General Funds	$0	$0
TOTAL FUNDS	$0	$0
GENERAL FUNDS	$0	$0

Change Order No	Title/Description	Effective
12	**Diagnosis Related Groups**	TBD

Senate Bill (SB) 853 requires the Department to develop and implement a Medi-Cal payment methodology based on Diagnostic Related Groups (DRG). The DRG reflects the costs and staffing levels associated with quality of care for patients unless otherwise specified. The Department has agreed to reimburse Xerox for all documentable expenses that are as a direct result of efforts to implement the DRG requirement. Reimbursable expenses are for required work that is beyond the scope of the current Fiscal Intermediary Contract with Xerox.

	FY 2012-13	**FY 2013-14**
Change Order Administration:		
Total Funds	$0	$770,000
General Funds	$0	$385,000
Cost Reimbursement:		
Total Funds	$0	$375,000
General Funds	$0	$187,500
TOTAL FUNDS	$0	$1,145,000
GENERAL FUNDS	$0	$572,500

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 condition 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
May 2013

FY 2012-13

	Total Fund	General Fund
Dental Administration/Operations	$37,559,000	$10,361,589
Telephone Service Center	$11,780,000	$4,977,050
Change Orders	$1,840,000	$851,500
Hourly Reimbursable Groups	$11,600,000	$2,900,000
Cost Reimbursable Expenses	$5,674,000	$2,715,500
Contract Turnover	$650,000	$162,500
Contract Takeover	$800,000	$200,000
DMC Encounter Data Enhancement	$0	$0
Total Dental Administration Costs	**$69,903,000**	**$22,168,139**

Dental Fiscal Intermediary
May 2013

FY 2013-14

	Total Fund	General Fund
Dental Administration Operations	$40,673,000	$11,220,664
Telephone Service Center	$13,100,000	$5,534,750
Change Orders	$2,163,000	$1,011,500
Hourly Reimbursable Groups	$11,901,000	$2,975,250
Cost Reimbursable Expenses	$5,721,000	$2,739,000
Contract Turnover	$600,000	$150,000
Contract Takeover	$0	$0
Contract Runout	$0	$0
Business Rules Enhancement	$0	$0
DMC Encounter Date Enhancement	$0	$0
Total Dental Administration Costs	**$74,158,000**	**$23,631,164**

DENTAL COST REIMBURSABLE EXPENSES

May 2013

	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%)	$126,000	$63,000	$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	**$5,674,000**	**$2,715,500**	**$5,721,000**	**$2,739,000**

DENTAL FISCAL INTERMEDIARY
ACSL & TAR PROJECTIONS

May 2013

FY 2012-13 Assumptions

➢ ACSL Projections:	21,077,054	$31,980,000
➢ TAR Projections:	267,552	$5,750,000
		$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	$7,434,000
		$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:

Change Order No.	Title/ Description	Effective
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.

	FY 2012-13	**FY 2013-14**
Total Funds	$70,000	$70,000
General Funds	$35,000	$35,000

Change Order No.	Title/ Description	Effective
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.

	FY 2012-13	**FY 2013-14**
Total Funds	$274,000	$280,000
General Funds	$68,500	$70,000

Change Orders in Progress:

Change Order No.	Title/ Description	Effective
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 March of FY 2012-13.

	FY 2012-13	**FY 2013-14**
Total Funds	$1,281,000	$1,438,000
General Funds	$640,500	$719,000

Change Order No.	Title/ Description	Effective
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 March of FY 2012-13.

	FY 2012-13	**FY 2013-14**
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 on the contract use a mixture of federal financial participation (50/50 for Administration; 75/25 for CHIPRA; and 65/35 for MCHIP).

HEALTH CARE OPTIONS
May 2013
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	$52,489	
	Initial Health Screen Questionaire (MET/HIF)	$161,087	
	Base Volume Increase Projection	$5,728,833	
	Total Operations		$27,883,184
Hourly Reimbursement:			
Section 8.6	Enrollment Services Representatives		$10,159,898
Cost Reimbursement			
Section 8.7	Various		$25,887,087
Personalized Provider Directories (PPD)			($2,000,000)
Duals Coordinated Care Initiative (CCI)			$2,963,459
ADHC Transition to Community Based Adult Services (CBAS)			$447,310
Local Initiative (LI) Health Plan (Stanislaus County)			$657,994
Shift of Healthy Families Children to Medi-Cal Admin Costs			$8,173,657
Central Valley Health Plan Change			$1,924,688
Expansion of Managed Care			$2,122,251
TOTAL HEALTH CARE OPTIONS FY 2012-13 ESTIMATE			**$78,219,528**

HEALTH CARE OPTIONS
May 2013
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	$57,738	
	Initial Health Screen Questionaire (MET/HIF)	$165,115	
	Base Volume Increase Projection	$8,020,366	
	Total Operations		$30,953,042
Hourly Reimbursement:			
Section 8.6	Enrollment Services Representatives		$10,983,285
Cost Reimbursement:			
Section 8.7.1	Various		$27,735,797
Personalized Provider Directories (PPD)			($2,000,000)
Duals Coordinated Care Initiative (CCI)			$17,137,143
Shift of Healthy Families Children to Medi-Cal Admin Costs			$8,597,923
Annual Open Enrollment			$2,993,113
Expansion of Managed Care			$381,819
Low Income Health Program (LIHP)			$2,498,118
TOTAL HEALTH CARE OPTIONS FY 2013-14 ESTIMATE			**$99,280,240**

Personalized Provider Directories (PPDs)

HCO currently prints and mails health plan Provider Directories that provide information for every Medi-Cal managed care provider in the beneficiary's county of residence. AB 203 (Chapter 188, Statutes of 2007) authorized the implementation of a Personalized Provider Directory (PPD) as a pilot project in one Two-Plan Model county (Los Angeles) and one GMC county (Sacramento). The content and format of the Personalized Provider Directories were determined in consultation with health plans and stakeholders. The pilot project began on February 27, 2009 and will continue. At the end of the pilot project period, the Department, in consultation with health plans and stakeholders, performed an assessment to determine if Personalized Provider Directories provide more accurate, up-to-date provider information to Medi-Cal managed care beneficiaries, in a smaller, standardized, and user-friendly format that results in a reduction of default assignments, and if they should be implemented statewide in all managed care counties.

	FY 2012-13	FY 2013-14
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 and Medi-Cal only beneficiaries who receive Medi-Cal Long Term Care (LTC) institutional services, In-Home Supportive Services (IHSS), Community-Based Adult Services (CBAS), Multi-Purpose Senior Services Program (MSSP), 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.

	FY 2012-13	FY 2013-14
Total Funds	$2,963,459	$17,137,143
General Funds	$1,481,729	$8,568,571

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. Effective April 1, 2012, an optional Medi-Cal benefit called Community-Based Adult Services (CBAS) became available to eligible individuals under the Medi-Cal Fee-For-Service (FFS) program.

On July 1, 2012, CBAS transitioned into five County Organized Health Systems (COHS) managed care counties. Effective October 1, 2012, CBAS will also transition into Two-Plan managed care and Geographic Managed Care plans, as well as the remaining COHS plan. 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 if a CBAS Center is available in their geographic area, or unbundled CBAS if there are no CBAS Centers in their geographic areas.

Beneficiaries not eligible for CBAS services who received ADHC services between July 1, 2011 and February 29, 2012 are eligible for Enhanced Case Management (ECM) services through Medi-Cal FFS or a Medi-Cal Managed Care Health Plan.

The Department developed and mailed beneficiary notices informing beneficiaries of their eligibility for CBAS services, how to receive CBAS services, and for beneficiaries that are not eligible for CBAS, and how to receive other services such as ECM.

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

	FY 2012-13	FY 2013-14
Total Funds	$447,310	$0
General Funds	$223,655	$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 were mailed to all beneficiaries to coincide with the January 1, 2013 start date for HPSJ. The first notice was mailed in September 2012.

	FY 2012-13	FY 2013-14
Total Funds	$657,994	$0
General Funds	$328,997	$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.

	FY 2012-13	FY 2013-14
Total Funds	$8,173,657	$8,597,923
General Funds	$2,860,780	$3,009,273

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. A contract was awarded and 60-day notices and packets were mailed in November 2012 and 30-day notices were mailed in December 2012 to all applicable beneficiaries to coincide with the January 1, 2013 contract implementation date.

	FY 2012-13	FY 2013-14
Total Funds	$1,924,688	$0
General Funds	$962,344	$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 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.

	FY 2012-13	FY 2013-14
Total Funds	$0	$2,498,118
General Funds	$0	$1,249,059

Enrollment Stabilization Program

The Department is proposing legislation to stabilize managed care enrollment. Managed care enrollees in Two-Plan and Geographic Managed Care counties would be able to switch plans once a year rather than every month. New beneficiaries will have a 90-day period from their initial enrollment date to select or change their managed care plan. On an annual basis, existing members will be provided a 60-day period to change plans.

Notices and packets will be mailed to beneficiaries to inform them of changes in the enrollment policy beginning in August 2013 for an open enrollment period beginning October 1, 2013.

	FY 2012-13	FY 2013-14
Total Funds	$0	$2,993,113
General Funds	$0	$1,496,556

Managed Care Expansion to Rural Counties

Managed care is currently in 30 counties. AB 1467 (Chapter 23, Statutes of 2012) expands managed care into the remaining 28 counties across the State. Expanding managed care into rural counties ensures that beneficiaries throughout the state receive health care through an organized delivery system that coordinates their care and leads to better health outcomes and lower costs.

The expansion will be implemented on June 1, 2013 and will result in special notices and special packets being mailed to beneficiaries to inform them that Medi-Cal managed care will be available in their county. Mailings will begin in March 2013.

	FY 2012-13	FY 2013-14
Total Funds	$2,122,251	$381,819
General Funds	$1,061,125	$190,909

Change Order No.	Title/Description	Effective
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.

	FY 2012-13	**FY 2013-14**
Change Order Administration:		
Total Funds	$52,489	$57,738
General Funds	$26,244	$28,869
Cost Reimbursement:		
Total Funds	$0	$0
General Funds	$0	$0
Total Funds	$52,489	$57,738
General Funds	$26,244	$28,869

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.

FY 2012-13 Estimate	Total	GF	FFP
CSCO			
Warrants & RADs	$793,617	$198,404	$595,212
Postage	$981,383	$490,692	$490,692
SCO Total	**$1,775,000**	**$689,096**	**$1,085,904**
CSTO			
Warrant Redemption	$80,652	$20,163	$60,489
TOTAL	**$1,855,652**	**$709,259**	**$1,146,393**

FY 2013-14 Estimate	Total	GF	FFP
CSCO			
Warrants & RADs	$798,750	$199,688	$599,063
Postage	$976,250	$488,125	$488,125
SCO Total	**$1,775,000**	**$687,813**	**$1,087,188**
CSTO			
Warrant Redemption	$80,652	$20,163	$60,489
TOTAL	**$1,855,652**	**$707,976**	**$1,147,677**

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.

	FY 2012-13	FY 2013-14
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:

	FY 2012-13	FY 2013-14
Total Funds	$27,112,512	$25,748,542
General Funds	$3,787,552	$4,346,835

	FY 2012-13		FY 2013-14	
	Total Funds	GF	Total Funds	GF
Medi-Cal Fiscal Intermediary				
Code Conv/Secur/Trans (SG)	$10,786,500	$1,617,975	$13,832,900	$2,634,354
UPN Project Manager HIPAA-1 (CR)	$116,580	$29,145	$0	$0
ICD-10 HIPAA Medical Coders HIPAA-2 (CR)	$249,920	$29,491	$300,000	$35,400
Code Conversion Proj Mgr HIPAA-1 (CR)	$116,580	$29,145	$0	$0
ICD-10 Gap Analysis	$275,000	$27,500	$1,225,000	$122,500
5010 Legacy Enhancements	$14,442,600	$1,730,223	$4,814,200	$576,741
ICD-10 Enhancements	$0	$0	$3,302,383	$395,625
IV&V Contractor for HIPAA 5010 & ICD-10	$55,000	$6,490	$275,000	$32,450
HIPAA & State Privacy Breach Notification	$200,000	$100,000	$200,000	$100,000
PM for HIPPA 5010	$55,313	$13,828	$0	$0
PM for HIPPA ICD-10	$258,019	$64,505	$44,059	$11,015
HIPAA ICD-10 PM	$0	$0	$250,000	$62,500
Code Management Tool	$0	$0	$460,000	$115,000
Total Medical FI	**$26,555,512**	**$3,648,302**	**$24,703,542**	**$4,085,585**
Dental				
HIPAA Security (CO)	$274,000	$68,500	$280,000	$70,000
Development – CDT (SG) 25%	$100,000	$25,000	$765,000	$191,250
HIPAA 2 (SG)	$73,000	$18,250	$0	$0
HIPAA Operating Rules (SG) 25%	$60,000	$15,000	$0	$0
HIPAA EFT and Remittance Advice 25%	$50,000	$12,500	$0	$0
Total Dental FI (Delta)	**$557,000**	**$139,250**	**$1,045,000**	**$261,250**
HCO				
NPI (CR)	$0	$0	$0	$0
Total HCO FI (Maximus)	$0	$0	$0	$0
Total HIPAA	**$27,112,512**	**$3,787,552**	**$25,748,542**	**$4,346,835**

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