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## FISCAL INTERMEDIARY ESTIMATE

May 2014

<b>FY 2013-14</b>	<b>TOTAL</b>	<b>FEDERAL</b>	<b>STATE</b>
MEDICAL FISCAL INTERMEDIARY CONTRACT (a)	\$220,521,000	\$160,455,000	\$60,066,000
DENTAL FISCAL INTERMEDIARY CONTRACT (b)	\$83,005,000	\$56,523,000	\$26,482,000
HEALTH CARE OPTIONS (c)	\$119,301,000	\$65,079,000	\$54,222,000
STATE CONTROLLER/STATE TREASURER	\$1,856,000	\$1,147,000	\$709,000
PROVIDER VERIFICATION FILE	\$2,000	\$1,000	\$1,000
<b>TOTAL MEDI-CAL COSTS</b>	<b><u>\$424,685,000</u></b>	<b><u>\$283,205,000</u></b>	<b><u>\$141,480,000</u></b>

Refugee expenditures of \$119,342 are included in the Reimbursement line (4260-610-0995) in the Management Summary.

(a) Includes \$361,501 TF (\$126,525 GF) for Title XXI activities (4260-113-0001/0890), and \$20,624,271 TF (\$4,032,652 GF) for HIPAA (4260-117-0001/0890).

(b) Includes \$200,000 TF (\$70,000 GF) for Title XXI activities (4260-113-0001/0890), and \$714,000 TF (\$178,500 GF) for HIPAA (4260-117-0001/0890).

(c) Includes \$23,548,000 TF (\$8,242,000 GF) for Title XXI activities (4260-113-0001/0890).

## FISCAL INTERMEDIARY ESTIMATE

May 2014

<b>FY 2014-15</b>	<b>TOTAL</b>	<b>FEDERAL</b>	<b>STATE</b>
MEDICAL FISCAL INTERMEDIARY CONTRACT (a)	\$255,355,000	\$193,147,000	\$62,208,000
DENTAL FISCAL INTERMEDIARY CONTRACT (b)	\$99,835,000	\$68,107,000	\$31,728,000
HEALTH CARE OPTIONS (c)	\$135,822,000	\$72,738,000	\$63,084,000
STATE CONTROLLER/STATE TREASURER	\$1,856,000	\$1,148,000	\$708,000
PROVIDER VERIFICATION FILE	\$2,000	\$1,000	\$1,000
<b>TOTAL MEDI-CAL COSTS</b>	<b><u>\$492,870,000</u></b>	<b><u>\$335,141,000</u></b>	<b><u>\$157,729,000</u></b>

Refugee expenditures of \$140,531 are included in the Reimbursement line (4260-610-0995) in the Management Summary.

(a) Includes \$213,775 TF (\$74,821 GF) for Title XXI activities (4260-113-0001/0890), and \$21,545,520 TF (\$3,510,843 GF) for HIPAA (4260-117-0001/0890).

(b) Includes \$460,000 TF (\$115,000 GF) for HIPAA (4260-117-0001/0890).

(c) Includes \$14,069,000 TF (\$4,924,000 GF) for Title XXI activities (4260-113-0001/0890).

# FISCAL INTERMEDIARY

## Comparison of May 2014 Estimate to Appropriation and November 2013 Estimate

### Current Year 2013-14 Comparison

	<u>2013-14 Appropriation</u>		<u>November 2013 Estimate CY</u>		<u>May 2014 Estimate CY</u>		<u>Difference between May 2014 &amp; Appropriation</u>		<u>Difference between May 2014 &amp; November 2013</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>
<b>Xerox Medical Fiscal Intermediary</b>	\$180,393,000	\$49,650,000	\$207,931,000	\$56,225,000	\$220,521,000	\$60,066,000	\$40,128,000	\$10,416,000	\$12,590,000	\$3,841,000
<b>Total Dental Fiscal Intermediary</b>	\$74,158,000	\$23,631,000	\$82,337,000	\$26,222,000	\$83,005,000	\$26,482,000	\$8,847,000	\$2,851,000	\$668,000	\$260,000
<b>Total Health Care Options</b>	\$96,787,000	\$48,643,000	\$122,126,000	\$58,369,000	\$119,301,000	\$54,222,000	\$22,514,000	\$5,579,000	(\$2,825,000)	(\$4,147,000)
<b>Total Miscellaneous Expenditures</b>	\$1,858,000	\$709,000	\$1,858,000	\$710,000	\$1,858,000	\$710,000	\$0	\$1,000	\$0	\$0
<b>Reconciliation with Budget Act</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>GRAND TOTAL</b>	<b>\$353,196,000</b>	<b>\$122,633,000</b>	<b>\$414,252,000</b>	<b>\$141,526,000</b>	<b>\$424,685,000</b>	<b>\$141,480,000</b>	<b>\$71,489,000</b>	<b>\$18,847,000</b>	<b>\$10,433,000</b>	<b>-\$46,000</b>

### Budget Year 2013-14 Comparison

	<u>November 2013 Estimate BY</u>		<u>May 2014 Estimate BY</u>		<u>Difference between May 2014 &amp; November 2013</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>
<b>Xerox Medical Fiscal Intermediary</b>	\$250,541,000	\$60,828,000	\$255,355,000	\$62,208,000	\$4,814,000	\$1,380,000
<b>Total Dental Fiscal Intermediary</b>	\$88,707,000	\$28,367,000	\$99,835,000	\$31,728,000	\$11,128,000	\$3,361,000
<b>Total Health Care Options</b>	\$78,164,000	\$37,403,000	\$135,822,000	\$63,084,000	\$57,658,000	\$25,681,000
<b>Total Miscellaneous Expenditures</b>	<u>\$1,858,000</u>	<u>\$709,000</u>	<u>\$1,858,000</u>	<u>\$709,000</u>	<u>\$0</u>	<u>\$0</u>
<b>GRAND TOTAL</b>	<b>\$419,270,000</b>	<b>\$127,307,000</b>	<b>\$492,870,000</b>	<b>\$157,729,000</b>	<b>\$73,600,000</b>	<b>\$30,422,000</b>

## **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.

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, Encounter Claim Lines, California Eligibility Verification and Management Systems (CA-EVS/CMS) processing, Medicare Drug Discount Program, Treatment Authorization Requests and the Telephone Services 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 and Consultant 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 a documentable increase of effort identified as having a direct relation to the administration of the Contract that is above the volume of the required work within the scope, and above the normal fixed-price 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 Pharmacists. 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 perform automation related tasks, such as preparing Treatment Authorization Request (TAR) batches and performing TAR data entries and corrections.

**Medical Fiscal Intermediary Summary  
May 2014**

**FY 2013-14**

	<b>Total Funds</b>	<b>State Funds</b>
Operations	\$99,010,424	\$32,307,745
Hourly Reimbursement	\$22,521,348	\$5,400,406
Cost Reimbursement	\$27,982,435	\$8,526,731
Other Estimated Costs	\$18,751,928	\$4,800,377
Change Orders	\$7,872,096	\$2,040,676
Healthy Families (XXI)	\$361,501	\$126,525
Enhancements	\$12,225,809	\$1,464,652
Optional Contractual Services	\$3,217,301	\$321,730
System Replacements	\$22,638,058	\$3,560,966
Family PACT	\$125,000	\$62,500
Sub-Total	\$214,705,900	\$58,612,310
Sales Tax	\$5,814,997	\$1,453,749
<b>TOTAL MEDICAL FI COSTS</b>	<b>\$220,520,897</b>	<b>\$60,066,059</b>

**FY 2014-15**

	<b>Total Funds</b>	<b>State Funds</b>
Operations	\$94,725,730	\$30,885,228
Hourly Reimbursement	\$17,237,448	\$4,142,502
Cost Reimbursement	\$25,195,483	\$7,043,261
Other Estimated Costs	\$33,687,282	\$6,753,464
Change Orders	\$608,702	\$241,851
Healthy Families (XXI)	\$213,775	\$74,821
Enhancements	\$17,318,756	\$2,074,787
System Replacements	\$60,740,842	\$9,554,535
Family PACT	\$125,000	\$62,500
Sub-Total	\$249,853,018	\$60,832,947
Sales Tax	\$5,501,827	\$1,375,457
<b>TOTAL MEDICAL FI COSTS</b>	<b>\$255,354,845</b>	<b>\$62,208,404</b>

**MEDICAL FISCAL INTERMEDIARY ESTIMATE (DETAIL TABLE)**

**May 2014**

<b>FY 2013-14</b>	<b>TOTAL FUNDS</b>
<b>OPERATIONS</b>	<b>\$99,010,424</b>
General ACLs	\$65,905,575
On-Line Pharmacy ACLs	\$4,418,002
DUR	\$380,000
Retrospective DUR	\$75,807
Encounter Claim Lines	\$1,614,000
CA-EVS/CMS Processing	\$5,400,000
Medicare Drug Discount Program	\$17,040
Treatment Authorization Requests	\$9,000,000
Telephone Services Center	\$12,200,000
<b>HOURLY REIMBURSEMENT</b>	<b>\$22,521,348</b>
Systems Group	\$21,969,900
Field Office Automation Group (FOAG)	\$551,448
<b>COST REIMBURSEMENT</b>	<b>\$27,982,435</b>
Postage	\$2,421,335
Parcel Services & Common Carriers	\$144,102
Equipment/Services	\$6,635,536
P&D and PUBS	\$2,494,514
Other Direct Costs	\$1,437,978
Facilities Improve/Modif	\$2,712,400
Audits & Research	\$225,720
Change Orders	\$123,940
Consultant Contracts	\$5,268,074
Telecommunication	\$2,356,640
Other Cost Reimbursable Items	\$4,162,196
<b>OTHER ESTIMATED COSTS</b>	<b>\$18,751,928</b>
Beneficiary ID Cards - BIC	\$1,500,000
Health Access Program Cards	\$320,000
Provision 11 & 57	\$1,493,224
RAIS Medi-Cal	\$1,300,000
RAIS MCO	\$3,000,000
Cost Containment	\$3,100,000
Fixed Price Billable SG	\$8,038,704
<b>CHANGE ORDERS</b>	<b>\$7,872,096</b>
Negotiated Change Orders	\$6,416,171
Change Orders in Progress	\$1,455,925
Unspecified Change Orders	\$0

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CY Medical FI Estimate (Detail Table), November 2013 Estimate  
Continued from Page 8

<b>FY 2013-14</b>	<b>TOTAL FUNDS</b>
<b>ENHANCEMENTS</b>	<b>\$12,225,809</b>
HIPAA 5010	\$4,814,200
HIPAA ICD-10	\$3,302,383
BRE	\$4,109,226
<b>OPTIONAL CONTRACTUAL SERVICES</b>	<b>\$3,217,301</b>
HITECH	\$3,217,301
<b>SYSTEM REPLACEMENTS</b>	<b>\$22,638,058</b>
<b>HEALTHY FAMILIES (Title XXI only)</b>	<b>\$361,501</b>
<b>FAMILY PACT</b>	<b>\$125,000</b>
<b>SUBTOTAL</b>	<b>\$214,705,900</b>
<b>SALES TAX 8%</b>	<b>\$5,814,997</b>
<b>MEDICAL FI TOTAL FUND</b>	<b>\$220,520,897</b>

**MEDICAL FISCAL INTERMEDIARY ESTIMATE (DETAIL TABLE  
May 2014**

<b>FY 2014-15</b>	<b>TOTAL FUNDS</b>
<b>OPERATIONS</b>	<b>\$94,725,730</b>
General ACLs	\$62,264,685
On-Line Pharmacy ACL s	\$4,344,198
DUR	\$310,000
Retrospective DUR	\$75,807
Encounter Claim Lines	\$1,614,000
CA-EVS/CMS Processing	\$4,400,000
Medicare Drug Discount Program	\$17,040
Treatment Authorization Requests	\$9,000,000
Telephone Services Center	\$12,700,000
<b>HOURLY REIMBURSEMENT</b>	<b>\$17,237,448</b>
Systems Group	\$16,686,000
Field Office Automation Group (FOAG)	\$551,448
<b>COST REIMBURSEMENT</b>	<b>\$25,195,483</b>
Postage	\$2,410,628
Parcel Services & Common Carriers	\$135,371
Equipment/Services	\$6,358,147
P&D and PUBS	\$2,487,059
Other Direct Costs	\$1,230,670
Facilities Improve/Modif	\$0
Audits & Research	\$0
Change Orders	\$276,614
Consultant Contracts	\$6,940,777
Telecommunication	\$2,276,255
Other Cost Reimbursable Items	\$3,079,962
<b>OTHER ESTIMATED COSTS</b>	<b>\$33,687,282</b>
Beneficiary ID Cards - BIC	\$1,500,000
Health Access Program Cards	\$270,000
Provision 11 & 57	\$1,924,283
RAIS Medi-Cal	\$1,700,000
RAIS MCO	\$3,000,000
Cost Containment	\$3,100,000
Fixed Price Billable SG	\$22,192,999
<b>CHANGE ORDERS</b>	<b>\$608,702</b>
Negotiated Change Orders	\$358,702
Change Orders in Progress	\$250,000
Unspecified Change Orders	\$0

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

<b>FY 2014-15</b>	<b>TOTAL FUNDS</b>
<b>ENHANCEMENTS</b>	<b>\$17,318,756</b>
HIPAA 5010	\$0
HIPAA ICD-10	\$13,209,530
BRE	\$4,109,226
<b>SYSTEM REPLACEMENTS</b>	<b>\$60,740,842</b>
<b>HEALTHY FAMILIES (TITLE XXI ONLY)</b>	<b>\$213,775</b>
<b>FAMILY PACT</b>	<b>\$125,000</b>
<b>SUBTOTAL</b>	<b>\$249,853,018</b>
<b>SALES TAX 8%</b>	<b>\$5,501,827</b>
<b>MEDICAL FI TOTAL FUND</b>	<b>\$255,354,845</b>

**MEDICAL FISCAL INTERMEDIARY**

Assumptions

ACL Projections:

**FY 2013-14**

	<u>General ACLs</u>	<u>Amount</u>	<u>Online-Drug ACLs</u>	<u>Amount</u>
Total ACLs	161,118,487	\$66,243,467	33,801,589	\$4,441,611
Less HFP	784,649	\$337,892	174,459	\$23,609
Total Medi-Cal ACLs	<b>160,333,838</b>	<b>\$65,905,575</b>	<b>33,627,129</b>	<b>\$4,418,002</b>

Based on the estimated FY 2013-14 volumes, general ACLs are projected at \$0.41432 and online ACLs are projected at \$0.13161. 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 2014-15**

	<u>General ACLs</u>	<u>Amount</u>	<u>Online-Drug ACLs</u>	<u>Amount</u>
Total ACLs	198,000,681	\$62,460,394	32,869,132	\$4,362,264
Less HFP	745,171	\$195,709	175,198	\$18,066
Total Medi-Cal ACLs	<b>197,255,510</b>	<b>\$62,264,685</b>	<b>32,693,934</b>	<b>\$4,344,198</b>

Based on the estimated FY 2014-15 volumes, general ACLs are projected at \$0.31997 and online ACLs are projected at \$0.13428. 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>
9	<b>Telephone Services Center Rate Adjustment for Contract Year 1</b>	06/27/2013

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).

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
<b>Change Order Administration:</b>		
Total Funds	\$742,388	\$0
General Funds	\$215,478	\$0
<b>Cost Reimbursement:</b>		
Total Funds	\$0	\$0
General Funds	\$0	\$0
Total Funds	\$742,388	\$0
General Funds	\$215,478	\$0

**Negotiated Change Orders**

<u>Change Order No.</u>	<u>Title/Description</u>	<u>Effective</u>
11	<b>Encounter Claim Line BVMP for Contract Year 1</b>	6/27/2013

The current Fiscal Intermediary Contract with Xerox utilizes the Base Volume Method of Payment for the Encounter Claim Lines (ECL) volume. If for any reason, the actual yearly volume of ECL 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 ECL that exceeded the high volume maximum listed in Contract Year 1 (October 3, 2011 through June 30, 2012).

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
<b>Change Order Administration:</b>		
Total Funds	\$212,704	\$0
General Funds	\$53,176	\$0
<b>Cost Reimbursement:</b>		
Total Funds	\$0	\$0
General Funds	\$0	\$0
Total Funds	\$212,704	\$0
General Funds	\$53,176	\$0

**Negotiated Change Orders**

<u>Change Order No.</u>	<u>Title/Description</u>	<u>Effective</u>
12	<b>Diagnosis Related Groups</b>	10/31/2013

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.

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
<b>Change Order Administration:</b>		
Total Funds	\$466,841	\$358,702
General Funds	\$233,421	\$179,351
<b>Cost Reimbursement:</b>		
Total Funds	\$123,940	\$276,614
General Funds	\$61,970	\$138,307
Total Funds	\$590,781	\$635,316
General Funds	\$295,391	\$317,658

**Negotiated Change Orders**

<u>Change Order No.</u>	<u>Title/Description</u>	<u>Effective</u>
14	<b>MITA 2.0 to 3.0 Gap Analysis</b>	7/3/2013

The current Fiscal Intermediary Contract with Xerox allows compensation to Xerox for required increase in work effort that is above the volume of the work required within the scope, and above the normal fixed price of the Contract through the Change Order process. As a result of Federal legislation and Centers for Medicare and Medicaid Services policy initiatives, Xerox provided technical staff to perform a Gap Analysis of the transition from MITA 2.0 to 3.0.

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
<b>Change Order Administration:</b>		
Total Funds	\$55,075	\$0
General Funds	\$13,769	\$0
<b>Cost Reimbursement:</b>		
Total Funds	\$0	\$0
General Funds	\$0	\$0
Total Funds	\$55,075	\$0
General Funds	\$13,769	\$0

**Negotiated Change Orders**

<u>Change Order No.</u>	<u>Title/Description</u>	<u>Effective</u>
15	<b>Encounter Claim Lines BVMP for Contract Year 2 (Phase I)</b>	5/30/2013

The current Fiscal Intermediary Contract with Xerox utilizes the Base Volume Method of Payment for the Encounter Claim Lines (ECL) volume. If for any reason, the actual yearly volume of ECL 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 ECL that exceeded the high volume maximum listed for the first 6 months of Contract Year 2 (July 1, 2012 through December 31, 2012).

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
<b>Change Order Administration:</b>		
Total Funds	\$179,481	\$0
General Funds	\$44,870	\$0
<b>Cost Reimbursement:</b>		
Total Funds	\$0	\$0
General Funds	\$0	\$0
Total Funds	\$179,481	\$0
General Funds	\$44,870	\$0

**Negotiated Change Orders**

<u>Change Order No.</u>	<u>Title/Description</u>	<u>Effective</u>
17	<b>Rebate Accounting and Information System for MCO for Contract Year 1</b>	6/25/2013

RAIS calculates federally-negotiated Medicaid rebates due to the states from drug manufacturers. The current Fiscal Intermediary Contract with Xerox allows compensation to Xerox for required increase in work effort that is above the volume of the work required within the scope, and above the normal fixed price of the Contract through the Change Order process. This change order negotiates payment for the yearly RAIS Managed Care Organization transactions that were processed in Contract Year 1 (October 3, 2011 through July 6, 2012). Rebate transactions processed by Xerox bring in revenue to the Department.

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
<b>Change Order Administration:</b>		
Total Funds	\$1,404,313	\$0
General Funds	\$351,078	\$0
<b>Cost Reimbursement:</b>		
Total Funds	\$0	\$0
General Funds	\$0	\$0
Total Funds	\$1,404,313	\$0
General Funds	\$351,078	\$0

**Negotiated Change Orders**

<u>Change Order No.</u>	<u>Title/Description</u>	<u>Effective</u>
18	<b>Rebate Accounting and Information System for MCO for Contract Year 2 (Phase I)</b>	6/25/2013

RAIS calculates federally-negotiated Medicaid rebates due to the states from drug manufacturers. The current Fiscal Intermediary Contract with Xerox allows compensation to Xerox for required increase in work effort that is above the volume of the work required within the scope, and above the normal fixed price of the Contract through the Change Order process. This change order negotiates payment for the yearly RAIS Managed Care Organization transactions that were processed in during the first 9 months of Contract Year 2 (July 7, 2012 through March 31, 2013). Rebate transactions processed by Xerox bring in revenue to the Department.

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
<b>Change Order Administration:</b>		
Total Funds	\$2,672,087	\$0
General Funds	\$668,022	\$0
<b>Cost Reimbursement:</b>		
Total Funds	\$0	\$0
General Funds	\$0	\$0
Total Funds	\$2,672,087	\$0
General Funds	\$668,022	\$0

**Negotiated Change Orders**

<u>Change Order No.</u>	<u>Title/Description</u>	<u>Effective</u>
19	<b>Encounter Claim Lines BVMP for Contract Year 2 (Phase II)</b>	10/2/2013

The current Fiscal Intermediary Contract with Xerox utilizes the Base Volume Method of Payment for the Encounter Claim Lines (ECL) volume. If for any reason, the actual yearly volume of ECL 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 ECL that exceeded the high volume maximum listed for the last 6 months of Contract Year 2 (January 1, 2013 through June 29, 2013).

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
<b>Change Order Administration:</b>		
Total Funds	\$203,282	\$0
General Funds	\$50,821	\$0
<b>Cost Reimbursement:</b>		
Total Funds	\$0	\$0
General Funds	\$0	\$0
Total Funds	\$203,282	\$0
General Funds	\$50,821	\$0

**Negotiated Change Orders**

<u>Change Order No.</u>	<u>Title/Description</u>	<u>Effective</u>
22	<b>Payment for the Processing of External Medicaid Related Applications</b>	12/20/2013

The current Fiscal Intermediary Contract allows compensation to Xerox for required increase in work effort that is above the volume of the work required within the scope, and above the normal fixed price of the Contract through the Change Order (CO) process. As a result of changes promulgated by the enactment of the Patient Protection and Affordable Care Act (ACA), Xerox processed Medicaid related applications received from Covered California. This work is not required in the Contract. This CO compensates Xerox for the processing of Medicaid related applications. Compensation includes reimbursement to Xerox for hourly wages for Key Data Entry (KDE) staff and manager or supervisors overseeing the processing of applications. The work was completed in February of 2014.

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
<b>Change Order Administration:</b>		
Total Funds	\$240,000	\$0
General Funds	\$0	\$0
<b>Cost Reimbursement:</b>		
Total Funds	\$0	\$0
General Funds	\$0	\$0
<b>Interagency Agreement:</b>		
Total Funds	\$240,000	\$0
General Funds	\$0	\$0
Total Funds	\$240,000	\$0
General Funds	\$0	\$0
Interagency Agreement	\$240,000	\$0

**Negotiated Change Orders**

<u>Change Order No.</u>	<u>Title/Description</u>	<u>Effective</u>
23	<b>Payment for the Processing of External Medicaid Related Surplus Applications</b>	3/17/2014

The current Fiscal Intermediary Contract allows compensation to Xerox for required increase in work effort that is above the volume of the work required within the scope, and above the normal fixed price of the Contract through the Change Order (CO) process. As a result of changes promulgated by the enactment of the Patient Protection and Affordable Care Act (ACA), Xerox processed Medicaid related applications received from Covered California. This work is not required in the Contract. This CO compensates Xerox for the processing of surplus Medicaid related applications. Compensation includes reimbursement to Xerox for hourly wages for Key Data Entry (KDE) staff and manager or supervisors overseeing the processing of applications, which is expected to be completed by the end of April of 2014.

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
<b>Change Order Administration:</b>		
Total Funds	\$240,000	\$0
General Funds	\$0	\$0
<b>Cost Reimbursement:</b>		
Total Funds	\$0	\$0
General Funds	\$0	\$0
<b>Interagency Agreement:</b>		
Total Funds	\$240,000	\$0
General Funds	\$0	\$0
Total Funds	\$240,000	\$0
General Funds	\$0	\$0
Interagency Agreement	\$240,000	\$0

**Change Orders in Progress**

<u>Change Order No.</u>	<u>Title/Description</u>	<u>Effective</u>
16	<b>Telephone Services Center Rate Adjustment for Contract Year 2</b>	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 2 (July 1, 2012 through June 30, 2013).

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
<b>Change Order Administration:</b>		
Total Funds	\$1,144,367	\$0
General Funds	\$332,153	\$0
<b>Cost Reimbursement:</b>		
Total Funds	\$0	\$0
General Funds	\$0	\$0
Total Funds	\$1,144,367	\$0
General Funds	\$332,153	\$0

**Change Orders in Progress**

<u>Change Order No.</u>	<u>Title/Description</u>	<u>Effective</u>
20	<b>Rebate Accounting and Information System for MCO for Contract Year 2 (Phase II)</b>	TBD

RAIS calculates federally-negotiated Medicaid rebates due to the states from drug manufacturers. The current Fiscal Intermediary Contract with Xerox allows compensation to Xerox for required increase in work effort that is above the volume of the work required within the scope, and above the normal fixed price of the Contract through the Change Order process. This change order negotiates payment for the yearly RAIS Managed Care Organization transactions that were processed in during the last 3 months of Contract Year 2 (April 1, 2013 through July 5, 2013). Rebate transactions processed by Xerox bring in revenue to the Department.

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
<b>Change Order Administration:</b>		
Total Funds	\$311,558	\$0
General Funds	\$77,890	\$0
<b>Cost Reimbursement:</b>		
Total Funds	\$0	\$0
General Funds	\$0	\$0
Total Funds	\$311,558	\$0
General Funds	\$77,890	\$0

**Change Orders in Progress**

<u>Change Order No.</u>	<u>Title/Description</u>	<u>Effective</u>
21	<b>AB97 Erroneous Payment Corrections</b>	TBD

Assembly Bill (AB) 97 authorized the Department to make reductions to payments made to Medi-Cal providers. This change order reimburses Xerox for all documentable expenses that are as a direct result of efforts to implement the AB97. Reimbursable expenses are for required work that is beyond the scope of the current Fiscal Intermediary Contract with Xerox.

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
<b>Change Order Administration:</b>		
Total Funds	\$0	\$250,000
General Funds	\$0	\$62,500
<b>Cost Reimbursement:</b>		
Total Funds	\$0	\$0
General Funds	\$0	\$0
Total Funds	\$0	\$250,000
General Funds	\$0	\$62,500

## 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 issued a Request for Proposal and published the Notice of Intent to Award in August 2011. However, CMS determined the new Medi-Cal Dental FI contract failed to meet the regulatory criteria and conditions as a Medicaid Management Information System (MMIS). Subsequently, the Department exercised the one-time extended operations option of the current Dental FI Contract for the period of June 1, 2012 through June 30, 2013. The Department has received approval for a two-year Non Competitive Bid Sole Source extension of the 2004 contract. The extension began July 1, 2013 and will go through June 30, 2015. During the extension, the Department plans to develop a Planning Advanced Planning Document (PAPD) and procure a new dental MMIS contract that meets CMS's requirements. All activities related to the new contract have been delayed.

Assembly Bill 82 (Chapter 23, Statutes of 2013) restores select adult dental benefits to beneficiaries 21 years of age and older starting May 1, 2014.

The following covered medical benefits will be restored:

- Examinations, radiographs/photographic images, prophylaxis, fluoride treatments
- Amalgam and composite restorations
- Stainless steel, resin, and resin window crowns
- Anterior root canal therapy
- Complete dentures, including immediate dentures
- Complete denture adjustments, repairs, and relines

The Department will seek approval for federal financial participation and coverage of the above services.

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 2014**

**FY 2013-14**

	<u><b>Total Fund</b></u>	<u><b>General Fund</b></u>
Dental Administration/Operations	\$45,393,000	\$12,522,794
Telephone Service Center	\$15,930,000	\$6,730,425
Change Orders	\$1,951,000	\$900,500
Hourly Reimbursable Groups	\$11,855,200	\$2,963,800
Cost Reimbursable Expenses	\$6,069,000	\$2,913,000
Contract Turnover	\$900,000	\$225,000
Contract Takeover	<u>\$907,000</u>	<u>\$226,750</u>
<b>Total Dental Administration Costs</b>	<u><u><b>\$83,005,200</b></u></u>	<u><u><b>\$26,482,269</b></u></u>

**Dental Fiscal Intermediary  
May 2014**

**FY 2014-15**

	<u><b>Total Fund</b></u>	<u><b>General Fund</b></u>
Dental Administration Operations	\$60,862,446	\$17,041,635
Telephone Service Center	\$17,790,000	\$7,516,275
Change Orders	\$2,223,000	\$1,034,000
Hourly Reimbursable Groups	\$12,115,700	\$3,028,925
Cost Reimbursable Expenses	\$6,069,000	\$2,913,000
Contract Turnover	<u>\$775,000</u>	<u>\$193,750</u>
<b>Total Dental Administration Costs</b>	<u><b>\$99,835,146</b></u>	<u><b>\$31,727,585</b></u>

**DENTAL COST REIMBURSABLE EXPENSES**

**May 2014**

	FY 2013-14		FY 2014-15	
	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%)	\$165,000	\$82,500	\$165,000	\$82,500
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%)	\$2,898,000	\$1,449,000	\$2,898,000	\$1,449,000
Misc. (50%)	\$190,000	\$95,000	\$190,000	\$95,000
<b>Total</b>	<b>\$6,069,000</b>	<b>\$2,913,000</b>	<b>\$6,069,000</b>	<b>\$2,913,000</b>

**DENTAL FISCAL INTERMEDIARY  
ACSL & TAR PROJECTIONS**

**May 2014**

**FY 2013-14 Assumptions**

- |                     |            |                                    |
|---------------------|------------|------------------------------------|
| ➤ ACSL Projections: | 30,063,647 | \$39,136,000                       |
| ➤ TAR Projections:  | 328,042    | <u>\$6,257,000</u><br>\$45,393,000 |
- 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 2014-15 Assumptions**

- |                    |            |                                    |
|--------------------|------------|------------------------------------|
| ➤ ACSL Projections | 33,547,426 | \$43,353,000                       |
| ➤ TAR Projections  | 367,277    | <u>\$6,647,000</u><br>\$50,000,000 |
- 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	<b>Conlan, Schwarzmer, Stevens vs. Bontá</b>	7/1/2007

In the case of *Conlan, Schwarzmer, Stevens v. Bontá*, the Court of Appeals found that the Department failed to provide a procedure whereby Medi-Cal beneficiaries can be reimbursed for their out-of-pocket expenses for health care received during their period of retroactive eligibility and during the period between their application for Medi-Cal and their determination of eligibility. The Court held that the Department's system of relying upon the beneficiaries to obtain reimbursement from the providers for these expenses is insufficient, because it violates the comparability provisions of the Medicaid law.

The Department has developed and implemented new processes through the Dental fiscal intermediary (FI) to ensure prompt reimbursement to beneficiaries. The Dental FI is required to hire, train, and oversee appropriate staff to address this new workload. Costs have been updated based on the current workload volume the Dental FI is receiving.

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
Total Funds	\$100,000	\$100,000
General Funds	\$50,000	\$50,000

**Negotiated Change Orders**

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

This change order establishes the Department's implementation plan designed to comply with the controls required by the National Institute of Standards and Technology (NIST). Special Publication 800-53 adds to the framework of OMB Circular No. A-130. Compliance with the NIST controls will result in increased requirements to the Security and Privacy Laws and regulations required by Contract 04-35745, Exhibit H, the HIPAA Business Associate Addendum. The results of this change order will be the implementation of a security risk assessment process for all current and future projects.

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
Total Funds	\$300,000	\$310,000
General Funds	\$75,000	\$77,500

**Negotiated Change Orders**

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
23	<b>Federal Rule – Revalidation of Provider Enrollment</b>	6/1/2013

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 work towards compliance, the Department has hired additional FI staff to complete the increased workload. The change order was approved in May 2013 and became effective June 2013. The FI recruited additional staff and started incurring costs beginning October 2013.

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
Total Funds	\$1,281,000	\$1,438,000
General Funds	\$640,500	\$719,000

**Negotiated Change Orders**

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
24	<b>Federal Rule – Database Checks</b>	6/1/2013

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 work towards compliance, the Department has hired additional FI staff to complete the increased workload. The change order was approved in May 2013 and became effective June 2013. The FI recruited additional staff and started incurring costs beginning October 2013.

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
Total Funds	\$270,000	\$375,000
General Funds	\$135,000	\$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 3 Two-Plan and Regional Expansion 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 with three one-year optional extension years, plus an Extended Operations Period. 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 2014**  
**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
	Personalized Provider Directory	\$429,099
	SPD County Inserts - Incremental Costs	\$57,738
	Medi-Cal Publications Management Services	\$378,848
	Initial Health Screen Questionnaire (MET/HIF)	\$165,115
	CCI Booklets - Incremental Costs	\$634,759
	Base Volume Increase Projection	\$5,728,833
	Prior year unpaid invoices (April & May)	\$8,309,967

	<u>Total Fund</u>	<u>General Fund</u>
<i>Total Operations</i>	\$37,606,235	\$18,803,118

**Hourly Reimbursement:**

Section 8.6	Enrollment Services Representatives	\$12,407,722	\$6,203,861
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**Cost Reimbursement**

Section 8.7	Various	\$31,078,788	\$15,539,394
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**Personalized Provider Directories (PPD)**

(\$2,000,000)	(\$1,000,000)
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**Transition of Duals Eligible - Long-Term Care Savings**

\$10,206,527	\$5,103,264
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**Transition of Healthy Families Children to Medi-Cal Admin. Costs**

\$11,618,067	\$4,066,323
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**Low Income Health Program (LIHP) Implementation**

\$10,724,472	\$5,362,236
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**Managed Care Expansion to Rural Counties**

\$7,224,489	\$3,612,245
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**Beneficiary Dental Exception (BDE)**

\$90,876	\$45,438
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**ACA Express Lane Enrollment**

\$3,606,800	\$1,803,400
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**Change Order #3**

(\$3,262,835)	(\$1,141,992)
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**Operations Allocation at FFP 65/35**

\$0	(\$4,175,540)
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**TOTAL HEALTH CARE OPTIONS FY 2013-14 ESTIMATE**

<u>\$119,301,141</u>	<u>\$54,221,746</u>
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**HEALTH CARE OPTIONS  
May 2014  
FY 2014-15**

**CONTRACT NO. 07-65829:**

**Operations:**

Section 8.3.2	Transactions	\$10,434,755
Section 8.3.3	Mailings	\$7,562,211
Section 8.3.47	Beneficiary Direct Assistance	\$4,661,774
	Personalized Provider Directory	\$443,688
	SPD County Inserts - Incremental Costs	\$63,512
	Medi-Cal Publications Management Services	\$384,954
	Initial Health Screen Questionnaire (MET/HIF)	\$169,242
	CCI Booklets - Incremental Costs	\$930,980
	Base Volume Increase Projection	\$13,749,199
	Prior year unpaid invoices (April & May)	\$0

	<b>Total Fund</b>	<b>General Fund</b>
<i>Total Operations</i>	\$38,400,315	\$19,200,158

**Hourly Reimbursement:**

Section 8.6	Enrollment Services Representatives	\$13,373,388	\$6,686,694
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**Cost Reimbursement:**

Section 8.7.1	Various	\$32,677,168	\$16,338,584
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**Personalized Provider Directories (PPD)** (\$2,000,000) (\$1,000,000)

**Transition of Duals Eligible - Long-Term Care Savings** \$37,506,554 \$18,753,277

**Transition of Healthy Families Children to Medi-Cal Admin Costs** \$486,451 \$170,258

**Low Income Health Program (LIHP) Implementation** \$1,425,702 \$712,851

**Managed Care Expansion to Rural Counties** \$3,772,533 \$1,886,267

**Beneficiary Dental Exception (BDE)** \$290,969 \$145,485

**ACA Express Lane Enrollment** \$9,888,885 \$4,944,443

**Change Order #3** \$0 \$0

**Operations Allocation at FFP 65/35** (\$4,753,769)

**TOTAL HEALTH CARE OPTIONS FY 2014-15 ESTIMATE** **\$135,821,965** **\$63,084,246**

## 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. At the end of the pilot project period, the Department, in consultation with health plans and stakeholders, performed an assessment to determine if PPDs provide more accurate, up-to-date provider information to Medi-Cal managed care beneficiaries, in a smaller, standardized, and user-friendly format that results in a reduction of default assignments, and if they should be implemented statewide in all managed care counties. Based upon the assessment, the Department will continue implementing the pilot statewide during FY 2014-15.

	<u>FY 2013-14</u>	<u>FY 2014-15</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)

**Transition of Dual Eligibles - Long-Term Care Savings**

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. Additional administrative costs will be required to enroll over one million beneficiaries into the CCI's Cal MediConnect Pilot and Long Term Services and Supports managed care health plans in six pilot counties phased in over twelve months. In January 2014, the Department's Health Care Options enrollment broker (broker) began mailing special informing notices, and providing information and enrollment assistance to beneficiaries through a temporary specialized call center. The broker will assist these beneficiaries in making an informed managed care health plan choice and will address questions or problems concerning their managed care health plan enrollment.

	<b><u>FY 2013-14</u></b>	<b><u>FY 2014-15</u></b>
Total Funds	\$10,206,527	\$37,506,554
General Funds	\$5,103,264	\$18,753,277

## Transition of Healthy Families Children to Medi-Cal Admin Costs

Pursuant to AB 1494 (Chapter 28, Statutes of 2012) effective January 1, 2013, children subscribed in the HFP began transitioning into Medi-Cal through a phase-in methodology. The final group transitioned effective November 1, 2013. 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).

Assets will be exempt for these children and an income disregard will be available creating an effective income level not to exceed 250% of the FPL. Individuals with incomes above 150% and up to 250% of the FPL will be subject to premiums at the same level of the Community Provider Plan (CPP) option as used under the HFP. Children with incomes at and below 150% of the FPL will not pay premiums.

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.

In December 2012, the Department began mailing written notices to beneficiaries enrolled in HFP explaining their transition to the Medi-Cal Managed Care program. The mailings continued through January 2014. They include information notices, frequently asked questions, reminder notices, confirmation letters and choice packets.

Under the HFP, the mental health services provided to the Seriously Emotionally Disturbed (SED) beneficiaries are carved out and provided by county mental health departments. Specialty mental health services for HFP SED beneficiaries transferred into the Medi-Cal program who meet medical necessity criteria for Medi-Cal specialty mental health services will continue to be provided through county mental health departments. County mental health departments are eligible to claim FFP through the CPE process.

	<u><b>FY 2013-14</b></u>	<u><b>FY 2014-15</b></u>
Operation Allocation	\$11,930,114	\$13,582,197
Healthy Family Transition	\$11,618,067	\$486,451
Less: Change Order #3	<u>(\$3,262,835)</u>	<u>(\$0)</u>
 Total Funds	 \$20,285,346	 \$14,068,648
 General Funds	 \$7,099,871	 \$4,924,027

## 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 transitioned into Medi-Cal managed care beginning January 1, 2014.

The Department developed notices informing beneficiaries of the transition process. Beginning November 1, 2013, approximately 600,000 notices were mailed to beneficiaries. Due to the expanded scope of the project, there will be associated costs to the State beginning in FY 2013-14 for the Health Care Options enrollment broker to mail the special notices and to provide telephone call center customer service to LIHP beneficiaries enrolling into Medi-Cal managed care.

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
Total Funds	\$10,724,472	\$1,425,702
General Funds	\$5,362,236	\$712,851

## Managed Care Expansion to Rural Counties

AB 1467 (Chapter 23, Statutes of 2012) expanded managed care from 30 counties 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 transition to managed care in the 28 counties began on September 1, 2013. Beneficiaries were transitioned into four different managed care models – County Organized Health Systems, Regional Model, San Benito Model, and Imperial Model.

Current fee-for-service Seniors and Persons with Disabilities (SPDs) in rural expansion counties have the option to enroll in managed care during the transition. During FY 2014-15 SPDs are expected to transition to managed care which will require the Department's Health Care Options enrollment broker (broker) to mail special informing notices, and provide information and enrollment assistance to beneficiaries. The broker will assist these beneficiaries in making an informed managed care health plan choice and will address questions or problems concerning their managed care health plan enrollment.

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
Total Funds	\$7,224,489	\$3,772,533
General Funds	\$3,612,245	\$1,886,267

## Beneficiary Dental Exception

AB 1467 (Chapter 23, Statutes of 2012) was enacted July 1, 2012 to improve access to oral health and dental care services provided to Medi-Cal beneficiaries enrolled in dental managed care plans in Sacramento County. The intent of the Legislature is to improve access to dental care by implementation of the Beneficiary Dental Exception (BDE) process. The BDE is available to beneficiaries in Sacramento County who are unable to secure services through their dental plan, in accordance with applicable contractual timeframes and the Knox-Keene Health Service Plan Act of 1975 (Chapter 2.2 (commencing with Section 1340) of Division 2 of the Health and Safety Code). The BDE allows a beneficiary to opt-out of Medi-Cal Dental Managed Care and move into fee-for-service (Denti-Cal).

The BDE notifications will be mailed to beneficiaries in Sacramento County. New enrollees will receive a BDE notification after they have been enrolled in a dental plan for 90 days based on the initial effective date of the enrollment transaction. The effective date for the first mailing for the 90 day BDE notification is August 1, 2013. Thereafter, currently enrolled beneficiaries will receive a BDE notification on an annual basis. The first mailing for the annual notification is March 11, 2014. The Department will incur additional costs for these mailings.

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
Total Funds	\$90,876	\$290,969
General Funds	\$45,438	\$145,485

## ACA Express Lane Enrollment

The Centers for Medicare and Medicaid Services (CMS) has provided several options to facilitate enrollment into the Medicaid programs. These options are designed to alleviate the influx of applications under the ACA by providing Medicaid eligibility to certain groups without conducting a separate Medicaid eligibility determination. In December 2013, CMS approved the Department's waiver to provide Express Lane Enrollment into Medi-Cal for the following groups:

- CalFresh adult and children eligibles; and
- Parents/caretaker relatives of Medi-Cal income eligible children.

On February 2, 2014, the Department's Health Care Options enrollment broker (broker) began mailing special informing notices to over 600,000 CalFresh eligible adults and children in County Organized Health Care System (COHS) and non-COHS managed care counties. The broker will assist these beneficiaries in making an informed managed care health plan choice and will address questions or problems concerning their managed care health plan enrollment. Information and assistance will be provided to this new expansion population by phone and in person through FY 2014-15.

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
Total Funds	\$3,606,800	\$9,888,885
General Funds	\$1,803,400	\$4,944,443

**Negotiated Change Orders**

<u>Change Order No.</u>	<u>Title/Description</u>	<u>Effective</u>
2	<b>SPD Mandatory Enrollment into Managed Care HCO Costs – Special Packet Inserts</b>	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 2013-14</u>	<u>FY 2014-15</u>
<b>Change Order Administration:</b>		
Total Funds	\$57,738	\$63,512
General Funds	\$28,869	\$31,756
<b>Cost Reimbursement:</b>		
Total Funds	\$0	\$0
General Funds	\$0	\$0
Total Funds	\$57,738	\$63,512
General Funds	\$28,869	\$31,756

**Negotiated Change Orders**

<u>Change Order No.</u>	<u>Title/Description</u>	<u>Effective</u>
3	<b>Healthy Families Transition to Medi-Cal Managed Care – Special Outbound Telephone Call Campaigns/Surveys</b>	7/17/2013

This change order authorizes Enrollment Broker to handle all the operational requirements for the implementation of the Healthy Families (HFP) Special Outbound Telephone Call Campaign/Surveys and other associated telephone call activities for the transition of HFP beneficiaries into Medi-Cal Managed Care. MAXIMUS will be required to hire and train Customer Service Representatives for the Telephone Call Center (TCC) to conduct the Special Outbound Telephone Call Campaign/Surveys under the Welfare and Institutions Code Section 14180 and California Section 1115 Comprehensive Medicaid Demonstration Project Waiver for the Healthy Families population into Medi-Cal Managed Care Program.

	<u>FY 2013-14</u>	<u>FY 2014-15</u>
<b>Change Order Administration:</b>		
Total Funds	\$2,771,700	\$0
General Funds	\$970,095	\$0
<b>Cost Reimbursement:</b>		
Total Funds	\$491,135	\$0
General Funds	\$171,897	\$0
Total Funds	\$3,262,835	\$0
General Funds	\$1,141,992	\$0

**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.

<b><u>FY 2013-14 Estimate</u></b>	<u>Total</u>	<u>GF</u>	<u>FFP</u>
CSCO			
Warrants & RADs	\$793,617	\$198,404	\$595,212
Postage	\$981,383	\$490,692	\$490,692
SCO Total	<b>\$1,775,000</b>	<b>\$689,096</b>	<b>\$1,085,904</b>
 CSTO			
Warrant Redemption	\$80,652	\$20,163	\$60,489
<b>TOTAL</b>	<b>\$1,855,652</b>	<b>\$709,259</b>	<b>\$1,146,393</b>

<b><u>FY 2014-15 Estimate</u></b>	<u>Total</u>	<u>GF</u>	<u>FFP</u>
CSCO			
Warrants & RADs	\$798,750	\$199,688	\$599,063
Postage	\$976,250	\$488,125	\$488,125
SCO Total	<b>\$1,775,000</b>	<b>\$687,813</b>	<b>\$1,087,188</b>
 CSTO			
Warrant Redemption	\$80,652	\$20,163	\$60,489
<b>TOTAL</b>	<b>\$1,855,652</b>	<b>\$707,976</b>	<b>\$1,147,677</b>

**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 2013-14</u>	<u>FY 2014-15</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 2013-14</u>		<u>FY 2014-15</u>	
Total Funds	\$21,338,271		\$22,005,520	
General Funds	\$4,211,152		\$3,625,843	
	<u>FY 2013-14</u>		<u>FY 2014-15</u>	
	Total Funds	GF	Total Funds	GF
<b>Medi-Cal Fiscal Intermediary</b>				
Code Conv/Secur/Trans (SG)	\$10,943,858	\$2,674,937	\$5,840,100	\$1,501,740
UPN Project Manager HIPAA-1 (CR)	\$116,580	\$29,145	\$0	\$0
ICD-10 HIPAA Medical Coders HIPAA-2 (CR)	\$144,000	\$16,992	\$171,000	\$20,178
Code Conversion Proj Mgr HIPAA-1 (CR)	\$116,580	\$29,145	\$0	\$0
ICD-10 Gap Analysis	\$116,670	\$11,667	\$1,283,330	\$128,333
5010 Legacy Enhancements	\$4,814,200	\$576,741	\$0	\$0
ICD-10 Enhancements	\$3,302,383	\$395,625	\$13,209,530	\$1,582,502
IV&V Contractor for HIPAA 5010 & ICD-10	\$50,000	\$5,900	\$150,000	\$17,700
HIPAA & State Privacy Breach Notification	\$150,000	\$75,000	\$150,000	\$75,000
Code Management Tool - Sof	\$450,000	\$112,500	\$450,000	\$112,500
PM for HIPAA ICD-10	\$134,400	\$33,600	\$0	\$0
HIPAA ICD-10 PM	\$138,600	\$34,650	\$241,560	\$60,390
Code Management Tool - Tra	\$147,000	\$36,750	\$50,000	\$37,500
<b>Total Medical FI</b>	<b>\$20,624,271</b>	<b>\$4,032,652</b>	<b>\$21,545,520</b>	<b>\$3,510,843</b>
<b>Dental</b>				
HIPAA Security (CO)	\$300,000	\$75,000	\$310,000	\$77,500
Development – CDT (SG) 25%	\$390,000	\$97,500	\$150,000	\$37,500
HIPAA 2 (SG)	\$0	\$0	\$0	\$0
HIPAA Operating Rules (SG) 25%	\$0	\$0	\$0	\$0
HIPAA EFT and Remittance Advice 25%	\$24,000	\$6,000	\$0	\$0
<b>Total Dental FI (Delta)</b>	<b>\$714,000</b>	<b>\$178,500</b>	<b>\$460,000</b>	<b>\$115,000</b>
<b>HCO</b>				
NPI (CR)	\$0	\$0	\$0	\$0
<b>Total HCO FI (Maximus)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total HIPAA</b>	<b>\$21,338,271</b>	<b>\$4,211,152</b>	<b>\$22,005,520</b>	<b>\$3,625,843</b>

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