

FISCAL INTERMEDIARIES TABLE OF CONTENTS

	Page
FY 2014-15 FI Estimate	1
FY 2015-16 FI Estimate	2
Comparison of the November 2014 Estimate to the Appropriation	3
<u>MEDICAL FISCAL INTERMEDIARY</u>	4
Medical FI Contract	5
Medical FI Summary, CY & BY	7
Medical FI Estimate Detail Table, CY	8
Medical FI Estimate Detail Table, BY	10
Medical FI ACL Projections, CY & BY	12
Change Order #12 Diagnosis Related Groups	13
<u>DENTAL FISCAL INTERMEDIARY</u>	14
Delta Dental Contract	15
Administration Estimate, CY	18
Administration Estimate, BY	19
Cost Reimbursement, CY & BY	20
ACSL & TAR Projections, CY & BY	21
Change Order #7 <i>Conlan, Schwarzmer, Stevens vs. Bontá</i>	22
Change Order #9 HIPAA – Security Risk Assessment	23
Change Order #23 Federal Rule – Revalidation of Provider Enrollment	24
Change Order #24 Federal Rule – Database Checks	25
<u>MISCELLANEOUS EXPENDITURES</u>	26
State Controller’s Office & State Treasurer’s Agreements	27
Provider Verification File	28
HIPAA Project Summary	29

FISCAL INTERMEDIARY ESTIMATE

November 2014

FY 2014-15	TOTAL	FEDERAL	STATE
MEDICAL FISCAL INTERMEDIARY CONTRACT (a)	\$244,100,000	\$183,188,000	\$60,912,000
DENTAL FISCAL INTERMEDIARY CONTRACT (b)	\$104,392,000	\$69,530,000	\$34,862,000
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	<u>\$350,350,000</u>	<u>\$253,866,000</u>	<u>\$96,484,000</u>

Refugee expenditures of \$137,895 are included in the Reimbursement line (4260-610-0995) in the Management Summary.

(a) Includes \$1,300 TF (\$450 GF) for Title XXI activities (4260-113-0001/0890), and \$23,334,000 TF (\$3,796,000 GF) for HIPAA (4260-117-0001/0890).

(b) Includes \$200,000 TF (\$70,000 GF) for Title XXI activities (4260-113-0001/0890), and \$560,000 TF (\$140,000 GF) for HIPAA (4260-117-0001/0890).

FISCAL INTERMEDIARY ESTIMATE

November 2014

FY 2015-16	TOTAL	FEDERAL	STATE
MEDICAL FISCAL INTERMEDIARY CONTRACT (a)	\$234,298,000	\$174,399,000	\$59,899,000
DENTAL FISCAL INTERMEDIARY CONTRACT (b)	\$109,325,000	\$72,330,000	\$36,995,000
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	<u>\$345,481,000</u>	<u>\$247,878,000</u>	<u>\$97,603,000</u>

Refugee expenditures of \$136,047 are included in the Reimbursement line (4260-610-0995) in the Management Summary.

(a) Includes \$10,496,000 TF (\$2,677,000 GF) for HIPAA (4260-117-0001/0890).

(b) Includes \$760,000 TF (\$190,000 GF) for HIPAA (4260-117-0001/0890).

Fiscal Year 2014-15 Comparison

	<u>2014-15 Appropriation</u>		<u>Nov 2014 Estimate</u>		<u>Difference btwn. Nov 14 & Appr.</u>	
	<u>Total Funds</u>	<u>State Funds</u>	<u>Total Funds</u>	<u>State Funds</u>	<u>Total Funds</u>	<u>State Funds</u>
Total Medical Fiscal Intermediary	\$255,355,000	\$62,208,000	\$244,100,000	\$60,912,000	(\$11,255,000)	(\$1,296,000)
Total Dental Fiscal Intermediary	\$99,835,000	\$31,728,000	\$104,392,000	\$34,862,000	\$4,557,000	\$3,134,000
Total Miscellaneous Expenditures	\$18,568,000	\$709,000	\$1,858,000	\$710,000	(\$16,710,000)	\$1,000
GRAND TOTAL	\$373,758,000	\$94,645,000	\$350,350,000	\$96,484,000	(\$23,408,000)	\$1,839,000

Fiscal Year 2015-16 Comparison

	<u>Nov 2014 Estimate</u>		<u>Difference btwn. CY and BY</u>	
	<u>Total Funds</u>	<u>State Funds</u>	<u>Total Funds</u>	<u>State Funds</u>
Total Medical Fiscal Intermediary	\$234,298,000	\$59,899,000	(\$9,802,000)	(\$1,013,000)
Total Dental Fiscal Intermediary	\$109,325,000	\$36,995,000	\$4,933,000	\$2,133,000
Total Miscellaneous Expenditures	\$1,858,000	\$709,000	\$0	(\$1,000)
GRAND TOTAL	\$345,481,000	\$97,603,000	(\$4,869,000)	\$1,119,000

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.

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.

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 Field Office Automation Group (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 Pharmacists administer processes and review drug Treatment Authorization Requests (TAR) in accordance with the Department's criteria, guidelines and policy. They provide consultation services to Contractor staff consultants, physicians, nurses, and Field Office personnel. FOAG Pharmacists independently evaluate and adjudicate TARs and maintain currency with continuously evolving healthcare practices, equipment and technology.

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) FOAG equipment and furniture, and

16) Independent Verification & Validation and Consultant Contracts

Costs under these categories consist of direct costs, or subsets thereof, which can be specifically identified with the particular cost objective.

Other Estimated Costs – Costs under this category consists of payment to the Contractor for other contract services, such as Beneficiary ID Cards, cost containment, fixed price hourly billable Systems Group projects such as PAVE and ICD-10, etc.

Change Orders – A Change Order (CO) 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. Costs under this category are due to the Department altering the work required, or reallocating functions within the general scope of the contract, that the Department in its sole discretion may do any time during the life of the Contract. When the Department alters the work and causes a documentable increase or decrease in the required work effort of the Contractor, a CO is warranted. As the total number of active COs increase, the annual CO expenditures also increase. Modifications to the Contractor's responsibilities resulting in COs, are billed separately from the contract Operations.

Enhancements – Enhancements are work activities that have been identified as a new feature or modification of an existing feature requiring a change to the automated system. The Contractor is paid for the Design, Development and Implementation (DDI) of each Enhancement. Unlike regular operations activities, Enhancements are not always part of the FI Budget. Costs in this category may be due to new laws or regulations such as HIPAA, ICD-10, ACA, etc., that alter the bid requirements, changes in hardware or software requirements, technical and/or schedule delays that cause a shift in milestone payment dates, etc.

Optional Contractual Services – Optional Contractual Services (OCS) are Contractor-proposed methods of providing services, functions, and procedures above contract requirements to improve the CA-MMIS performance. OCSs can apply to the Legacy System or to the Replacement System. Unlike regular operations activities, OCSs are not always part of the FI Budget. Costs in this category are due to the Contractor proposing an OCS and the Department approving the OCS.

System Replacement – System Replacement (SR) constitutes the contractual responsibilities required for the Contractor to replace the existing CA-MMIS, as defined by the FI Contract. The Department plans to replace the 30-year old CA-MMIS, which ensures timely and accurate claims processing for Medi-Cal providers. The Department continues to update the current system to incorporate technological advances. The updates address new business and legislative requirements. Because of the updates, CA-MMIS is extremely complex, difficult to maintain, and near the end of its useful life cycle. The Department scheduled the CA-MMIS SR Project in four phases. The Contractor is paid for the Design, Development and Implementation (DDI) of the SR Project at the completion of each phase. Planning work on the system began in January 2012. The Department plans to implement Phase I in February 2015. Phase II planning began in February 2013, with an expected implementation date of July 2015. The Department scheduled Phase III to begin in FY 2013-14. The Department scheduled the final phase of planning to begin in FY 2014-15.

**Medical Fiscal Intermediary Summary
November 2014**

FY 2014-15

	Total Funds	State Funds
Operations	\$95,604,498	\$31,222,671
Hourly Reimbursement	\$18,906,048	\$4,559,652
Cost Reimbursement	\$31,214,696	\$8,902,979
Other Estimated Costs	\$31,962,952	\$5,922,382
Change Orders	\$300,000	\$150,000
Healthy Families (XXI)	\$1,295	\$453
Enhancements	\$17,318,756	\$2,074,787
Optional Contractual Services	\$3,217,301	\$321,730
System Replacements	\$39,765,296	\$6,255,081
Family PACT	\$200,000	\$100,000
 Sub-Total	 \$238,490,842	 \$59,509,735
 Sales Tax	 \$5,608,735	 \$1,402,184
 TOTAL MEDICAL FI COSTS	 <u>\$244,099,577</u>	 <u>\$60,911,919</u>

FY 2015-16

	Total Funds	State Funds
Operations	\$92,756,341	\$30,226,216
Hourly Reimbursement	\$23,077,548	\$5,435,667
Cost Reimbursement	\$25,386,985	\$7,770,259
Other Estimated Costs	\$9,350,470	\$2,662,618
Change Orders	\$200,000	\$100,000
Healthy Families (XXI)	\$0	\$0
Enhancements	\$0	\$0
System Replacements	\$77,965,560	\$12,263,983
Family PACT	\$200,000	\$100,000
 Sub-Total	 \$228,936,904	 \$58,558,742
 Sales Tax	 \$5,360,757	 \$1,340,189
 TOTAL MEDICAL FI COSTS	 <u>\$234,297,661</u>	 <u>\$59,898,932</u>

MEDICAL FISCAL INTERMEDIARY ESTIMATE (DETAIL TABLE)

November 2014

FY 2014-15	TOTAL FUNDS
OPERATIONS	\$95,604,498
General ACLs	\$63,571,067
On-Line Pharmacy ACLs	\$4,416,584
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	\$12,200,000
HOURLY REIMBURSEMENT	\$18,906,048
Systems Group	\$18,354,600
Field Office Automation Group (FOAG)	\$551,448
COST REIMBURSEMENT	\$31,214,696
Postage	\$2,843,550
Parcel Services & Common Carriers	\$141,052
Equipment/Services	\$6,362,523
P&D and PUBS	\$3,487,496
Other Direct Costs	\$764,780
Facilities Improve/Modif	\$975,854
Audits & Research	\$225,662
Change Orders	\$132,000
Consultant Contracts	\$8,347,442
Telecommunication	\$2,165,721
Other Cost Reimbursable Items	\$5,768,616
OTHER ESTIMATED COSTS	\$31,962,952
Beneficiary ID Cards - BIC	\$1,500,000
Health Access Program Cards	\$270,000
Provision 11 & 57	\$1,999,954
RAIS Medi-Cal	\$1,500,000
RAIS MCO	\$3,000,000
Cost Containment	\$1,500,000
Fixed Price Billable SG	\$22,192,998
CHANGE ORDERS	\$300,000
Negotiated Change Orders	\$300,000
Change Orders in Progress	\$0
Unspecified Change Orders	\$0

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Page 8

CY Medical FI Estimate (Detail Table), November 2014 Estimate
Continued from Page 8

FY 2014-15	TOTAL FUNDS
ENHANCEMENTS	\$17,318,756
HIPAA 5010	\$0
HIPAA ICD-10	\$13,209,530
BRE	\$4,109,226
OPTIONAL CONTRACTUAL SERVICES	\$3,217,301
HITECH	\$3,217,301
SYSTEM REPLACEMENTS	\$39,765,296
HEALTHY FAMILIES (Title XXI only)	\$1,295
FAMILY PACT	\$200,000
SUBTOTAL	\$238,490,842
SALES TAX 8%	\$5,608,735
MEDICAL FI TOTAL FUND	\$244,099,577

MEDICAL FISCAL INTERMEDIARY ESTIMATE (DETAIL TABLE)
November 2014

FY 2015-16	TOTAL FUNDS
OPERATIONS	\$92,756,341
General ACLs	\$60,698,073
On-Line Pharmacy ACL s	\$4,445,421
DUR	\$320,000
Retrospective DUR	\$75,807
Encounter Claim Lines	\$1,000,000
CA-EVS/CMS Processing	\$4,800,000
Medicare Drug Discount Program	\$17,040
Treatment Authorization Requests	\$9,200,000
Telephone Services Center	\$12,200,000
 HOURLY REIMBURSEMENT	 \$23,077,548
Systems Group	\$22,526,100
Field Office Automation Group (FOAG)	\$551,448
 COST REIMBURSEMENT	 \$25,386,985
Postage	\$2,680,763
Parcel Services & Common Carriers	\$136,870
Equipment/Services	\$6,251,617
P&D and PUBS	\$3,120,122
Other Direct Costs	\$650,439
Facilities Improve/Modif	\$965,905
Audits & Research	\$225,662
Change Orders	\$132,000
Consultant Contracts	\$7,162,802
Telecommunication	\$2,289,022
Other Cost Reimbursable Items	\$1,771,783
 OTHER ESTIMATED COSTS	 \$9,350,470
Beneficiary ID Cards - BIC	\$1,200,000
Health Access Program Cards	\$270,000
Provision 11 & 57	\$1,780,470
RAIS Medi-Cal	\$1,500,000
RAIS MCO	\$3,300,000
Cost Containment	\$1,300,000
Fixed Price Billable SG	\$0
 CHANGE ORDERS	 \$200,000
Negotiated Change Orders	\$200,000
Change Orders in Progress	\$0
Unspecified Change Orders	\$0

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CY Medical FI Estimate (Detail Table), November 2014 Estimate
Continued from Page 10

FY 2015-16	TOTAL FUNDS
ENHANCEMENTS	\$0
HIPAA 5010	\$0
HIPAA ICD-10	\$0
BRE	\$0
SYSTEM REPLACEMENTS	\$77,965,560
HEALTHY FAMILIES (TITLE XXI ONLY)	\$0
FAMILY PACT	\$200,000
SUBTOTAL	\$228,936,904
SALES TAX 8%	\$5,360,757
MEDICAL FI TOTAL FUND	\$234,297,661

MEDICAL FISCAL INTERMEDIARY

Assumptions

ACL Projections:

FY 2014-15

	<u>General ACLs</u>	<u>Amount</u>	<u>Online-Drug ACLs</u>	<u>Amount</u>
Total ACLs	205,790,076	63,572,348	36,063,827	\$4,416,598
Less HFP	182,618	1,281	50,725	14
Total Medi-Cal ACLs	\$205,607,458	\$63,571,067	\$36,013,102	\$4,416,584

Based on the estimated FY 2013-14 volumes, general ACLs are projected at \$0.31277 and online ACLs are projected at \$0.12359. 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 2015-16

	<u>General ACLs</u>	<u>Amount</u>	<u>Online-Drug ACLs</u>	<u>Amount</u>
Total ACLs	174,191,262	60,698,073	36,973,234	\$4,445,421
Less HFP	0	0	0	0
Total Medi-Cal ACLs	\$174,191,262	\$60,698,073	36,973,234	\$4,445,421

Based on the estimated FY 2014-15 volumes, general ACLs are projected at \$0.35417 and online ACLs are projected at \$0.12157. 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>
12	Diagnosis Related Groups	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 2014-15</u>	<u>FY 2015-16</u>
Change Order Administration:		
Total Funds	\$300,000	\$200,000
General Funds	\$150,000	\$100,000
Cost Reimbursement:		
Total Funds	\$132,000	\$132,000
General Funds	\$66,000	\$66,000
Total Funds	\$432,000	\$332,000
General Funds	\$216,000	\$166,000

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, the Centers for Medicare and Medicaid Services (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 has developed a Planning Advanced Planning Document (PAPD), which has been approved by CMS, and will 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 benefits have been 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 has received 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 California Dental Medicaid Management Information System (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.

HIPAA – CD-MMIS – HIPAA requires uniform national health data standards, unique identifiers, and health information privacy and security standards that apply to all health plans and health care providers who conduct specified transactions electronically. Additional technical staff are required to provide for remediation/implementation of HIPAA changes to the CD-MMIS and for assessing the impact of each new published rule and any proposed changes to previously published rules (addenda and errata). The advance planning document updates (APDUs) were submitted to CMS and were approved for enhanced funding for Transactions. APDs will continue to be submitted as new rules are published to continue to secure enhanced funding.

The work necessary is associated with the following HIPAA regulations:

- Adoption of Rules for a Unique Health Plan Identifier (HPID) (In Progress)
- Claims Attachments (Pending)
- Adoption of Operating Rules for Eligibility for a Health Plan and Health Care Claims Status Transactions (In Progress)
- Adoption of Standards for Health Care Electronic Funds Transfers (EFTs) and Remittance (In Progress)
- Adoption of Operation Rules for Connectivity (In Progress)

Due to the complexity of the HIPAA requirements and their impact on the Medi-Cal Program, the Department has developed a phased in approach to implement the most critical transactions (in terms of provider impact) and code sets first, without interrupting payments to providers or services to beneficiaries. The July 8, 2011 published HIPAA rules require changes to the Claim Status Transactions and Companion Guides and had a compliance date of January 1, 2013. The

September 5, 2012 published HIPAA rules adopted the standard for a national unique health plan identifier (HPID) and requires changes to CD-MMIS in order to meet the federal compliance date of November 7, 2016.

Medi-Cal Dental FI Contract Turnover – CMS determined the new Medi-Cal Dental FI contract fails to meet the regulatory criteria and conditions as a MMIS. The Department received approval for a two-year Non Competitive Bid Sole Source extension of the 2004 contract. The extension began July 1, 2013 and goes through June 30, 2015. The Department has developed a PAPD, which has been approved by CMS, and will procure a new dental MMIS contract that meets CMS's requirements.

The Department has instructed the FI contractor to resume turnover support services and all activities in accordance with the contract requirements. Turnover activities, previously completed by the Dental FI, have to be redone. As a result, the Turnover bid price must be renegotiated. A change order will be submitted to implement this change.

The Turnover period ensures an orderly transfer of the Medi-Cal Dental FI contract from the current contractor to the successor contractor, in addition to supporting the Department's procurement effort by ensuring that all required data and documentation was included in the Office of Medi-Cal Procurement's data library.

CD-MMIS Takeover by New Dental FI Contractor – The dental FI operates CD-MMIS, which is the Medi-Cal dental claims processing system. It is a mission-critical system that must ensure timely and accurate claims processing for Medi-Cal dental providers. The Department issued a RFP to establish a new FI contract. In August 2011, the Department evaluated the bids and published the Notice of Intent to Award.

In February 2012, the new dental FI began takeover activities. However, CMS determined the new Medi-Cal Dental FI contract failed to meet the regulatory criteria and conditions as a 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. Additionally, the Department received approval for a two-year Non Competitive Bid Sole Source extension of the 2004 contract, extending operations of the current Dental FI contract for the period of July 1, 2013 through June 30, 2015. The Department instructed the FI contractor to stop all Takeover activities. The FI contractor filed a Notification of Claim to recoup costs already expended for Takeover activities. The Department has determined that the FI contractor should be reimbursed and is currently working with CMS to determine if FFP will be available for these costs.

Takeover Activities for the new FI contractor are expected to begin October 1, 2014.

Extension of the Current Medi-Cal Dental FI Contract – CMS determined the new Medi-Cal Dental FI contract fails to meet the regulatory criteria and conditions as a MMIS. The Department received approval for a two-year Non Competitive Bid Sole Source extension of the 2004 contract. The Department has developed a PAPD, which has been approved by CMS, and will procure a new dental MMIS contract that meets CMS's requirements.

Fiscal Intermediary Change Orders – A change order is a documentable increase of effort identified as having a direct relation to the administration of the contract. The change order is above the volume of required work within the scope and normal fixed-price of the contract. The Department assesses all change orders and either approves, denies or requests additional information. If approved, the Department issues payment terms to the FI.

**Dental Fiscal Intermediary
November 2014**

FY 2014-15

	<u>Total Fund</u>	<u>General Fund</u>
Dental Administration/Operations	\$53,876,000	\$14,863,042
Telephone Service Center	\$25,478,000	\$10,764,455
Change Orders	\$2,238,000	\$1,041,500
Hourly Reimbursable Groups	\$12,116,000	\$3,029,000
Cost Reimbursable Expenses	\$10,684,000	\$5,164,250
Contract Turnover	\$0	\$0
Contract Takeover	<u>\$0</u>	<u>\$0</u>
Total Dental Administration Costs	<u>\$104,392,000</u>	<u>\$34,862,247</u>

**Dental Fiscal Intermediary
November 2014**

FY 2015-16

	<u>Total Fund</u>	<u>General Fund</u>
Dental Administration Operations	\$54,900,000	\$15,145,538
Telephone Service Center	\$25,962,000	\$10,968,945
Change Orders	\$2,248,000	\$1,044,000
Hourly Reimbursable Groups	\$12,298,000	\$3,074,500
Cost Reimbursable Expenses	\$13,842,000	\$6,743,250
Contract Turnover	<u>\$75,000</u>	<u>\$18,750</u>
Total Dental Administration Costs	<u>\$109,325,000</u>	<u>\$36,994,983</u>

DENTAL COST REIMBURSABLE EXPENSES

November 2014

	FY 2014-15		FY 2015-16	
	TF	GF	TF	GF
Printing (50%)	\$1,100,000	\$550,000	\$1,100,000	\$550,000
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%)	\$170,000	\$85,000	\$170,000	\$85,000
Facilities Improvement (25%)	\$110,000	\$27,500	\$110,000	\$27,500
Toll Free Phone Charges (25%)	\$600,000	\$150,000	\$600,000	\$150,000
Knox-Keene Annual Assessment (50%)	\$2,898,000	\$1,449,000	\$2,898,000	\$1,449,000
Health Insurance Provider Fee (50%)	\$3,730,000	\$1,865,000	\$7,100,000	\$3,550,000
Misc. (50%)	\$545,000	\$272,500	\$333,000	\$166,500
Total	\$10,684,000	\$5,164,250	\$13,842,000	\$6,743,250

**DENTAL FISCAL INTERMEDIARY
ACSL & TAR PROJECTIONS**

November 2014

FY 2014-15 Assumptions

- | | | |
|---------------------|------------|--------------------|
| ➤ ACSL Projections: | 36,325,668 | \$46,030,000 |
| ➤ TAR Projections: | 553,924 | <u>\$7,846,000</u> |
| | | \$53,876,000 |
- 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 2015-16 Assumptions

- | | | |
|--------------------|------------|--------------------|
| ➤ ACSL Projections | 37,052,181 | \$46,730,000 |
| ➤ TAR Projections | 565,002 | <u>\$8,170,000</u> |
| | | \$54,900,000 |
- Full, ongoing costs will be incurred for all contract pricing components.
 - FFP for postage, printing, Knox-Keene and Dental Outreach are funded at 50%.
 - Expenditures for all remaining administrative cost categories will be funded at 75% FFP.

Negotiated Change Orders

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
7	Conlan, Schwarzmer, Stevens vs. Bontá	7/1/2007

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

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

	<u>FY 2014-15</u>	<u>FY 2015-16</u>
Total Funds	\$115,000	\$115,000
General Funds	\$57,500	\$57,500

Negotiated Change Orders

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

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

	<u>FY 2014-15</u>	<u>FY 2015-16</u>
Total Funds	\$310,000	\$320,000
General Funds	\$77,500	\$80,000

Negotiated Change Orders

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
23	Federal Rule – Revalidation of Provider Enrollment	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 2014-15</u>	<u>FY 2015-16</u>
Total Funds	\$1,438,000	\$1,438,000
General Funds	\$719,000	\$719,000

Negotiated Change Orders

<u>Change Order No.</u>	<u>Title/ Description</u>	<u>Effective</u>
24	Federal Rule – Database Checks	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 2014-15</u>	<u>FY 2015-16</u>
Total Funds	\$375,000	\$375,000
General Funds	\$187,500	\$187,500

**MISCELLANEOUS
EXPENDITURES**

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

Pursuant to an interagency agreement with the Department, the California State Controller's Office (CSCO) issues warrants to Medi-Cal providers and the California State Treasurer's Office (CSTO) provides funds for warrant redemption.

CSCO Assumptions

- 75% FFP is claimed for CSCO costs related to warrant and Remittance Advice Detail (RAD) production. Due to all costs associated with the Medically Indigent Adult SNF cases being 100% payable from the General Fund, the net effective FFP ratio is 74.9%.
- 50% FFP is claimed for postage costs.
- 100% FFP is claimed for auditing services.

CSTO Assumptions

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

<u>FY 2014-15 Estimate</u>	<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	\$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

<u>FY 2015-16 Estimate</u>	<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	\$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.

	<u>FY 2014-15</u>	<u>FY 2015-16</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 2014-15</u>	<u>FY 2015-16</u>
Total Funds	\$23,893,979	\$11,256,241
General Funds	\$3,936,284	\$2,867,155

	<u>FY 2014-15</u>		<u>FY 2015-16</u>	
	<u>Total Funds</u>	<u>GF</u>	<u>Total Funds</u>	<u>GF</u>
Medi-Cal Fiscal Intermediary				
Code Conv/Secur/Trans (SG)	\$7,091,550	\$1,710,315	\$9,594,450	\$2,482,043
ICD-10 HIPAA Medical Coders HIPAA-2 (CR)	\$605,740	\$71,477	\$208,000	\$24,544
Code Conversion Proj Mgr HIPAA-1 (CR)	\$19,500	\$4,875	\$234,000	\$23,400
ICD-10 Gap Analysis	\$1,283,330	\$128,333	\$0	\$0
ICD-10 Enhancements	\$13,209,530	\$1,582,502	\$0	\$0
IV&V Contractor for HIPAA 5010 & ICD-10	\$150,000	\$17,700	\$40,000	\$4,720
HIPAA & State Privacy Breach Notification	\$150,000	\$75,000	\$150,000	\$75,000
Code Management Tool - Sof	\$450,000	\$112,500	\$0	\$0
HIPAA ICD-10 PM	\$324,329	\$81,082	\$269,791	\$67,448
Code Management Tool - Tra	\$50,000	\$12,500	\$0	\$0
Total Medical FI	\$23,333,979	\$3,796,284	\$10,496,241	\$2,677,155
Dental				
HIPAA Security (CO)	\$310,000	\$77,500	\$320,000	\$80,000
Development – CDT (SG) 25%	\$250,000	\$62,500	\$440,000	\$110,000
HIPAA 2 (SG)	\$0	\$0	\$0	\$0
HIPAA Operating Rules (SG) 25%	\$0	\$0	\$0	\$0
HIPAA EFT and Remittance Advice 25%	\$0	\$0	\$0	\$0
Total Dental FI (Delta)	\$560,000	\$140,000	\$760,000	\$190,000
HCO				
NPI (CR)	\$0	\$0	\$0	\$0
Total HCO FI (Maximus)	\$0	\$0	\$0	\$0
Total HIPAA	<u>\$23,893,979</u>	<u>\$3,936,284</u>	<u>\$11,256,241</u>	<u>\$2,867,155</u>

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