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FISCAL INTERMEDIARY ESTIMATE

May 2015

FY 2014-15	TOTAL	FEDERAL	STATE
MEDICAL FISCAL INTERMEDIARY CONTRACT (a)	\$237,992,000	\$178,653,000	\$59,339,000
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>\$239,850,000</u>	<u>\$179,801,000</u>	<u>\$60,049,000</u>

(a) Includes \$43,803,000 TF (\$5,907,000 GF) for HIPAA (4260-117-0001/0890).

FISCAL INTERMEDIARY ESTIMATE

May 2015

FY 2015-16	TOTAL	FEDERAL	STATE
MEDICAL FISCAL INTERMEDIARY CONTRACT (a)	\$246,757,000	\$184,064,000	\$62,693,000
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>\$248,615,000</u>	<u>\$185,213,000</u>	<u>\$63,402,000</u>

(a) Includes \$10,976,000 TF (\$2,517,000 GF) for HIPAA (4260-117-0001/0890).

FISCAL INTERMEDIARY

Comparison of May 2015 Estimate to Appropriation and November 2014 Estimate

Fiscal Year 2014-15 Comparison

	<u>2014-15 Appropriation</u>		<u>November 2014 Estimate CY</u>		<u>May 2015 Estimate CY</u>		<u>Difference between May 2015 & Appropriation</u>		<u>Difference between May 2015 & November 2014</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>
Xerox Medical Fiscal Intermediary	\$255,355,000	\$62,208,000	\$244,100,000	\$60,912,000	\$237,992,000	\$59,339,000	(\$17,363,000)	(\$2,869,000)	(\$6,108,000)	(\$1,573,000)
Total Miscellaneous Expenditures	\$1,858,000	\$709,000	\$1,858,000	\$710,000	\$1,858,000	\$710,000	\$0	\$1,000	\$0	\$0
Reconciliation with Budget Act	<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>
GRAND TOTAL	\$257,213,000	\$62,917,000	\$245,958,000	\$61,622,000	\$239,850,000	\$60,049,000	-\$17,363,000	-\$2,868,000	(\$6,108,000)	(\$1,573,000)

Fiscal Year 2015-16 Comparison

	<u>November 2014 Estimate BY</u>		<u>May 2015 Estimate BY</u>		<u>Difference between May 2015 & November 2014</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>
Xerox Medical Fiscal Intermediary	\$234,298,000	\$59,899,000	\$246,757,000	\$62,693,000	\$12,459,000	\$2,794,000
Total Miscellaneous Expenditures	<u>\$1,858,000</u>	<u>\$709,000</u>	<u>\$1,858,000</u>	<u>\$709,000</u>	<u>\$0</u>	<u>\$0</u>
GRAND TOTAL	\$236,156,000	\$60,608,000	\$248,615,000	\$63,402,000	\$12,459,000	\$2,794,000

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
May 2015**

FY 2014-15

	Total Funds	State Funds
Operations	\$91,851,183	\$29,852,361
Hourly Reimbursement	\$21,408,948	\$4,663,940
Cost Reimbursement	\$33,607,462	\$10,324,122
Other Estimated Costs	\$30,937,673	\$5,089,178
Change Orders	\$300,000	\$150,000
Healthy Families (XXI)	\$1,240	\$434
Enhancements	\$17,318,756	\$2,074,787
Optional Contractual Services	\$1,206,488	\$120,649
System Replacements	\$35,885,263	\$5,644,752
Family PACT	\$200,000	\$100,000
Sub-Total	\$232,717,013	\$58,020,222
Sales Tax	\$5,275,192	\$1,318,798
TOTAL MEDICAL FI COSTS	\$237,992,205	\$59,339,020

FY 2015-16

	Total Funds	State Funds
Operations	\$92,964,887	\$30,159,208
Hourly Reimbursement	\$21,408,948	\$5,101,947
Cost Reimbursement	\$32,356,837	\$10,060,204
Other Estimated Costs	\$12,320,150	\$2,995,448
Change Orders	\$200,000	\$100,000
Healthy Families (XXI)	\$0	\$0
Enhancements	\$0	\$0
Optional Contractual Services	\$804,325	\$80,433
System Replacements	\$81,223,924	\$12,776,523
Family PACT	\$200,000	\$100,000
Sub-Total	\$241,479,071	\$61,373,762
Sales Tax	\$5,277,871	\$1,319,468
TOTAL MEDICAL FI COSTS	\$246,756,942	\$62,693,230

MEDICAL FISCAL INTERMEDIARY ESTIMATE (DETAIL TABLE)

May 2015

FY 2014-15	TOTAL FUNDS
OPERATIONS	\$91,851,183
General ACLs	\$59,340,113
On-Line Pharmacy ACLs	\$4,408,223
DUR	\$310,000
Retrospective DUR	\$75,807
Encounter Claim Lines	\$2,000,000
CA-EVS/CMS Processing	\$4,400,000
Medicare Drug Discount Program	\$17,040
Treatment Authorization Requests	\$9,300,000
Telephone Services Center	\$12,000,000
HOURLY REIMBURSEMENT	\$21,408,948
Systems Group	\$20,857,500
Field Office Automation Group (FOAG)	\$551,448
COST REIMBURSEMENT	\$33,607,462
Postage	\$3,410,990
Parcel Services & Common Carriers	\$132,806
Equipment/Services	\$5,836,690
P&D and PUBS	\$3,778,509
Other Direct Costs	\$715,962
Facilities Improve/Modif	\$947,724
Audits & Research	\$225,662
Change Orders	\$132,000
Consultant Contracts	\$9,320,506
Telecommunication	\$2,619,187
Other Cost Reimbursable Items	\$6,487,426
OTHER ESTIMATED COSTS	\$30,937,673
Beneficiary ID Cards - BIC	\$1,300,000
Health Access Program Cards	\$260,000
Provision 11 & 57	\$1,942,739
RAIS Medi-Cal	\$1,300,000
RAIS MCO	\$4,100,000
Cost Containment	\$1,650,000
Fixed Price Billable SG	\$20,384,934
CHANGE ORDERS	\$300,000
Negotiated Change Orders	\$300,000
Change Orders in Progress	\$0
Unspecified Change Orders	\$0

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CY Medical FI Estimate (Detail Table), November 2014 Estimate
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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	\$1,206,488
HITECH	\$1,206,488
SYSTEM REPLACEMENTS	\$35,885,263
HEALTHY FAMILIES (Title XXI only)	\$1,240
FAMILY PACT	\$200,000
SUBTOTAL	\$232,717,013
SALES TAX 8%	\$5,275,192
MEDICAL FI TOTAL FUND	\$237,992,205

MEDICAL FISCAL INTERMEDIARY ESTIMATE (DETAIL TABLE)
May 2015

FY 2015-16	TOTAL FUNDS
OPERATIONS	\$92,964,887
General ACLs	\$59,575,099
On-Line Pharmacy ACL s	\$4,376,941
DUR	\$320,000
Retrospective DUR	\$75,807
Encounter Claim Lines	\$2,200,000
CA-EVS/CMS Processing	\$4,800,000
Medicare Drug Discount Program	\$17,040
Treatment Authorization Requests	\$9,400,000
Telephone Services Center	\$12,200,000
 HOURLY REIMBURSEMENT	 \$21,408,948
Systems Group	\$20,857,500
Field Office Automation Group (FOAG)	\$551,448
 COST REIMBURSEMENT	 \$32,356,837
Postage	\$2,647,875
Parcel Services & Common Carriers	\$108,265
Equipment/Services	\$9,922,450
P&D and PUBS	\$3,508,575
Other Direct Costs	\$650,439
Facilities Improve/Modif	\$861,723
Audits & Research	\$225,662
Change Orders	\$132,000
Consultant Contracts	\$10,577,043
Telecommunication	\$2,244,716
Other Cost Reimbursable Items	\$1,478,089
 OTHER ESTIMATED COSTS	 \$12,320,150
Beneficiary ID Cards - BIC	\$1,300,000
Health Access Program Cards	\$270,000
Provision 11 & 57	\$1,619,557
RAIS Medi-Cal	\$1,500,000
RAIS MCO	\$3,600,000
Cost Containment	\$1,300,000
Fixed Prlce Billable SG	\$2,730,593
 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
OPTIONAL CONTRACTUAL SERVICES	\$804,325
HITECH	\$804,325
SYSTEM REPLACEMENTS	\$81,223,924
HEALTHY FAMILIES (TITLE XXI ONLY)	\$0
FAMILY PACT	\$200,000
SUBTOTAL	\$241,479,071
SALES TAX 8%	\$5,277,871
MEDICAL FI TOTAL FUND	\$246,756,942

MEDICAL FISCAL INTERMEDIARY

Assumptions

ACL Projections:

FY 2014-15

	General ACLs	Amount	Online-Drug ACLs	Amount
Total ACLs	200,247,530	\$59,341,339	35,524,130	\$4,408,237
Less HFP	182,618	\$1,226	50,725	14
Total Medi-Cal ACLs	200,064,912	59,340,113	35,473,406	4,408,223

Based on the estimated FY 2013-14 volumes, general ACLs are projected at \$0.29916 and online ACLs are projected at \$0.12552. 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

	General ACLs	Amount	Online-Drug ACLs	Amount
Total ACLs	158,696,013	\$59,575,099	32,604,724	\$4,376,941
Less HFP	0	0	0	0
Total Medi-Cal ACLs	158,696,013	\$59,575,009	32,604,724	\$4,376,941

Based on the estimated FY 2014-15 volumes, general ACLs are projected at \$0.38044 and online ACLs are projected at \$0.13639. 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

**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 Medical FI contract as follows:

	<u>FY 2014-15</u>	<u>FY 2015-16</u>
Total Funds	\$43,803,254	\$10,976,390
General Funds	\$5,907,094	\$2,516,797

	<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)	\$11,263,050	\$2,190,038	\$9,594,450	\$2,273,468
HIPAA SG (ICD-10 Fixed Price Billable SDN)	\$16,289,044	\$1,628,904	\$0	\$0
ICD-10 HIPAA Medical Coders HIPAA-2 (CR)	\$605,740	\$71,477	\$468,000	\$55,224
Code Conversion Proj Mgr HIPAA-1 (CR)	\$19,500	\$4,875	\$234,000	\$23,400
ICD-10 Gap Analysis	\$1,283,330	\$128,333	\$250,000	\$25,000
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	\$333,060	\$83,265	\$239,940	\$59,985
Code Management Tool - Tra	\$50,000	\$12,500	\$0	\$0
Total Medical FI	\$43,803,254	\$5,907,094	\$10,976,390	\$2,516,797

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