

Third Amendment to the Contract

This Third Amendment to the Contract (the "Amendment") is made pursuant to Section 19.6 of the Contract for Iowa Medicaid Enterprise Provider Audit and Ratesetting (the "Contract") between the State of Iowa, Department of Human Services (the "Department" or "DHS") and Myers and Stauffer, LC (the "Contractor") effective as of July 1, 2004. This Amendment is effective as of the date signed by the Department Director and will remain coterminous with the Contract. The Amendment modifies, to the extent specified below, the terms and conditions of the Contract:

1. Section 4 of the Contract is hereby amended to include the following:

Section 4 Scope of Work and Service Requirements

- 4.6 Beginning upon signing by the Department Director, perform annual Desk reviews and cost settlements for remedial service providers, habilitation waiver service providers and community mental health centers (CMHC).

4.6.1 Performance Standards

The performance standards for annual desk reviews and cost settlements for remedial service providers, habilitation waiver service providers and community mental health centers are:

- a. Settle cost reports within six (6) months after receipt of the submitted Medicaid report.
- 4.7 Beginning upon signing by the Department Director, provide assistance as described below for providers under the purview of the Iowa Departments of Education (LEA's and AEA's) and Public Health (Infant & Toddler), that receive reimbursement from the Medicaid program. The following tasks will be performed:
- a. Evaluate the cost report completed by LEA's, AEA's, and Infant & Toddler providers under the purview of the Iowa Departments of Education (LEA's and AEA's) and Public Health (Infant & Toddler). Modify the cost report as needed, so that it is of a form that follows standard accounting principles.
- b. For SFY 2008, perform desk reviews of all the Area Education Agency providers under the purview of the Iowa Department of Education and perform desk reviews of ten (10) of the Local Education Agency providers.

- c. Provide technical assistance to providers on the completion and submission of cost reports. Provide cost report training and training materials at provider training forums.
- d. Provide assistance to the Department in evaluating policy options regarding reimbursement for services performed by providers under the purview of the Iowa Departments of Education (LEA's and AEA's) and Public Health (Infant & Toddler). Prepare drafts of amendments to the Iowa Medicaid State Plan, Iowa Administrative Code, and Medicaid Provider Manuals.
- e. Beginning July 1, 2008, perform an annual desk review of all providers under the purview of the Iowa Departments of Education (LEA's and AEA's) and Public Health (Infant & Toddler), including cost settlements and calculation of interim rates.

4.7.1 Performance Standards

The performance standards for the desk review of all providers under the purview of the Iowa Departments of Education (LEA's and AEA's) and Public Health (Infant & Toddler), including cost settlements and calculation of interim rates are:

- a. Perform desk reviews of all the Area Education Agency providers (who are under the purview of the Iowa Department of Education) and desk reviews of ten (10) of the Local Education Agency providers by January 31, 2008, using fiscal year ending June 30, 2007 Financial and Statistical reports.
- b. Beginning July 1, 2008, perform an annual desk review of all providers under the purview of the Iowa Departments of Education (LEA's and AEA's) and Public Health (Infant & Toddler), including cost settlements and calculation of interim rates, within 90 days after receipt of the annual Financial and Statistical report.

- 4.8 Beginning upon signing by the Department Director, assist in the development and implementation of a new reimbursement methodology for outpatient hospital services, the Ambulatory Payment Classification (APC) system. The APC system is currently the system utilized by the Medicare program for reimbursement of outpatient hospital services. Under this system, Medicaid will reimburse hospitals for outpatient services at a predetermined, specific rate. While it is the intent to implement this system for use by the Medicaid program for reimbursement of outpatient hospital services, there are logical differences that exist between the two programs that must be considered when adapting this reimbursement system. The following tasks will be performed:

- a. Identify specifications of the Medicare APC system that would be beneficial to modify for use by the Medicaid program.

- b. Prepare fiscal impact models to ensure implementation of the APC system is budget neutral or at the funding level appropriated by the Iowa General Assembly for outpatient hospital services.
- c. Provide assistance to the Department of Human Services in evaluating and purchasing the appropriate APC grouper software.
- d. With assistance from the IME Core Unit, develop the system requirement changes needed to correctly process outpatient hospital claims when utilizing the APC system in the Medicaid Management Information System. This includes, but is not limited to: system testing, acceptance testing, operational readiness and operability testing, pilot testing, and stress testing. The MMIS should be ready to begin processing outpatient claims on the effective date of the implementation of the revised reimbursement system.
- e. Provide assistance to the Department of Human Services in writing the policy associated with this reimbursement change, including Iowa Medicaid State Plan, Iowa Administrative Code, and Medicaid Provider Manual changes.
- f. Provide training, technical assistance and support to other IME Units to further their understanding of Iowa Medicaid's use of the APC reimbursement system.
- g. Provide training, technical assistance and support to hospital providers and the Iowa Hospital Association, if requested, to further their understanding of Iowa Medicaid's use of the APC reimbursement system.

4.8.1 Performance Standards

The performance standards for the development and implementation of a new reimbursement system for outpatient hospital services are:

- a. Accurately prepare fiscal impact models to ensure implementation of the APC system is budget neutral or at the funding level appropriated by the Iowa General Assembly for outpatient hospital services.
- b. Provide updates to the Medicaid State Plan, Iowa Administrative Code, and Medicaid Provider Manual in a timely manner, so their effective dates coincide with the implementation of the revised reimbursement system.
- c. Ensure that system changes are coordinated with the IME Core Unit and that system testing is completed in a timely manner.

4.9 Delete the following requirements in RFP MED-04-015:

- a. Section 6.7.2.6.4, #1 – 4
- b. Section 6.7.2.6.6, bullets 1 – 4

2. Section 6 of the Contract is hereby added to read as follows:

Section 6 Payment Terms and Compensation

6.1.3 Desk reviews and cost settlements for remedial service providers, habilitation waiver service providers and community mental health centers (CMHC):

SFY 2008 - \$228,800

SFY 2009 - \$235,650

SFY 2010 - \$242,750

6.1.4 Assist in the administration for providers under the purview of the Iowa Departments of Education (LEA's and AEA's) and Public Health (Infant & Toddler), who receive reimbursement from the Medicaid program.

SFY 2008- \$49,000 maximum

* Cost report evaluation, including modifications as needed, presentation of training materials at provider training, assistance with rule, state plan, and provider manual changes, and development of desk review/cost settlement procedures = \$16,000

* Desk reviews - \$1,500 each x 22 = \$33,000 beginning October 2007.

SFY 2009 - \$491,750 maximum

SFY 2010 - \$506,500 maximum

6.1.4 APC implementation

SFY 2008 - \$247,800 (one-time cost)

3. Ratification

Except as expressly amended and supplemented herein, the Contract shall remain in full force and effect, and the parties hereby ratify and confirm the terms and conditions thereof.

4. Authorization

Each party to this Amendment represents and warrants to the other that:

4.1 It has the right, power, and authority to enter into and perform its obligations under this Amendment.

4.2 It has taken all requisite actions (corporate, statutory, or otherwise) to approve execution, deliver and perform pursuant to this Amendment, and this Amendment constitutes a legal, valid and binding obligation upon itself in accordance with its terms.

5. Contingency

This Amendment is subject to and contingent upon CMS approval.

6. Execution

IN WITNESS WHEREOF, in consideration of the mutual covenants set forth above and for other good and valuable consideration, the receipt, adequacy and legal sufficiency of which are hereby acknowledged, the parties have entered into the above Amendment and have caused their duly authorized representatives to execute this Amendment.

State of Iowa, acting by and through the Iowa Department of Human Services

By: _____

Date: _____

Kevin W. Concannon
Director

Myers and Stauffer LC

By: _____

Date: _____