State of California—Health and Human Services Agency

Department of Health Care Services

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DATE: April 20, 2020

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ALL PLAN LETTER 20-010
SUPERSEDES POLICY LETTER 08-011

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TO: ALL MEDI-CAL MANAGED CARE HEALTH PLANS

SUBJECT: COST AVOIDANCE AND POST-PAYMENT RECOVERY FOR OTHER
               HEALTH COVERAGE

PURPOSE:

The purpose of this All Plan Letter (APL) is to provide clarification and guidance to Medi-Cal managed care health plans (MCPs) with respect to the requirements for cost avoidance and post-payment recovery when an MCP member has other health coverage (OHC). These requirements also include instructions on the use of the Department of Health Care Services' (DHCS) Medi-Cal eligibility record to process OHC claims and guidelines on reporting to DHCS if the MCP becomes aware of OHC that is not listed on the eligibility record.

BACKGROUND:

State law requires Medi-Cal to be the payer of last resort for services in which there is a responsible third party.[1] Medi-Cal members with OHC must utilize their OHC for covered services prior to accessing their Medi-Cal benefits.[2] Cost avoidance is the practice of requiring providers to bill liable third parties prior to seeking payment from the Medi-Cal program.

Pursuant to federal law, states must take all reasonable measures to determine the legal liability of third parties and seek reimbursement for covered services for which the third party is liable.[3] This requirement is referred to as post-payment recovery and

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[1] Welfare and Institutions Code (WIC) section 14124.90 is available at:
http://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=WIC&sectionNum=14124.90
[2] Title 22 of the California Code of Regulations (CCR), section 50763(a)(3). CCRs are searchable at:
https://govt.westlaw.com/calregs/Document/IB1B147B0D4B811DE8879F88E8B0DAAAE?viewType=FullText&originationContext=documenttoc&transitionType=CategoryPageItem&contextData=(sc.Default)
[3] Social Security Act section 1902(a)(25) is available at:
https://www.ssa.gov/OP_Home/ssact/title19/1902.htm

extends to MCPs that administer health care on behalf of DHCS. MCPs that have accepted a claim from a provider for which there was OHC present on the member's Medi-Cal eligibility record at the time of service must engage in post-payment recovery for the reasonable value of the services from the liable third party. Additional information detailing private health care coverage requirements are further defined in state law[4] and the MCP contracts.[5]

POLICY:

1. Using the Medi-Cal Eligibility Record for Processing OHC Claims

   - MCPs should rely on the Medi-Cal eligibility record for cost avoidance and post-payment recovery purposes.
   - MCPs that become aware of OHC from sources other than the Medi-Cal eligibility record may use this OHC information, but must report the OHC to DHCS by submitting an OHC Removal or Addition form[6] or through batch updates[7].

2. OHC Reporting Requirements and Delivery Options

   - MCPs must report new OHC information not found on the Medi-Cal eligibility record or OHC information that is different from what is found on the Medi-Cal eligibility record to DHCS within 10 calendar days of discovery. This requirement ensures timely receipt of all new or updated OHC information so that the Third Party Liability and Recovery Division (TPLRD) can verify the information and update the member's Medi-Cal eligibility record, if valid. MCPs must report this OHC information to DHCS by either:

     o Completing and submitting an OHC Removal or Addition form; or
     o Reporting OHC information to DHCS in batch updates. Batch updates regarding OHC information are processed by DHCS on a weekly basis. MCPs

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[4] WIC section 10022 is available at:
http://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=10022.&lawCode=WIC
[5] The MCP boilerplate contract is available at:
https://www.dhcs.ca.gov/provgovpart/Pages/MMCDBoilerplateContracts.aspx
[6] The OHC Removal and Addition forms are available at:
https://www.dhcs.ca.gov/services/Pages/TPLRD_OCU_cont.aspx
[7] Batch processing (multiple additions/removals at a time) is done via weekly submission of an HI-36 Excel spreadsheet. Contact your MCP contract manager for the HI-36 template and instructions on how to complete it.

can contact their Managed Care Operations Division (MCOD) Contract Manager for more information regarding this process.

- Beginning January 1, 2021, MCPs must include OHC information in their notification to the provider when a claim is denied due to the presence of OHC. OHC information includes, but is not limited to, the name of the OHC provider, the policy number, and contact or billing information. OHC information known to DHCS is provided to all MCPs on a monthly basis. Prior to January 1, 2021, MCPs may direct providers to access the necessary member OHC information utilizing the Automated Eligibility Verification System at (800) 427-1295, or the Medi-Cal Online Eligibility Portal.[8] Information pertaining to OHC carriers can be found in the Health and Human Services Open Data Portal.[9]

3. Cost Avoidance

- Prior to delivering services to members, MCPs must ensure providers review the Medi-Cal eligibility record for the presence of OHC. If the member has active OHC, MCPs must ensure providers compare the OHC code (Appendix A) to the requested service. If the requested service is covered by the OHC, MCPs must ensure providers instruct the member to seek the service from the OHC carrier.
- Regardless of the presence of OHC, MCPs must ensure providers do not refuse a covered Medi-Cal service to a Medi-Cal member.[10]
- Effective February 9, 2018, in accordance with federal law, prenatal care is subject to cost avoidance.[11] In cases where prenatal service billing is bundled with claims for other services, MCPs must ensure providers cost-avoid the entire claim.
- MCPs must not process claims for a member whose Medi-Cal eligibility record indicates OHC, other than a code of A or N, unless the provider presents proof that all sources of payment have been exhausted, or the provided service meets the requirement for billing Medi-Cal directly. For more information regarding direct bill services, please refer to the list of direct bill Current Procedural

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[8] The Medi-Cal Online Eligibility Portal is available at: https://www.medi-cal.ca.gov/Eligibility/Login.asp

[9] The Health and Human Services Open Data Portal is available at: https://data.chhs.ca.gov/dataset/aevs-carrier-codes-for-other-health-coverage

[10] Title 42 U.S. Code section 1396a(a)(25)(D) is available at: https://www.law.cornell.edu/uscode/text/42/1396a

[11] Section 53102 of the Bipartisan Budget Act of 2018 is available at: https://www.congress.gov/bill/115th-congress/house-bill/1892/text

Terminology (CPT) and Healthcare Common Procedure Coding System (HCPCS) Codes.[12]
- Acceptable forms of proof that all sources of payment have been exhausted include a denial letter from the OHC for the service, an explanation of benefits indicating that the service is not covered by the OHC, or documentation that the provider has billed the OHC and received no response for 90 days.

4. Post-Payment Recovery

- MCPs must engage in post-payment recovery if OHC is discovered retroactively or the member had an OHC indicator code of A on their Medi-Cal eligibility record at the time of service.
- For the purpose of post-payment recovery, the reasonable value of the services is the average payment the MCP pays for similar services in the particular service area, but in no event less than the Medi-Cal fee-for-service payment rate for the services rendered.
- MCPs that initiate and complete post-payment recovery within 12 months from the date of payment of a service are entitled to retain all monies recovered.
- DHCS' TPLRD will conduct post-payment recoveries and/or leverage its recovery contractor to initiate post-payment recovery beginning the 13th month following the date of payment of a service. TPLRD's recovery contractor assists with the identification and recovery of paid Medi-Cal claims for which there is liable third party. Monies recovered by TPLRD or its recovery contractor starting the 13th month after the date of payment of a service will be retained by DHCS.
- Beginning June 1, 2020, MCPs are required to submit detailed information regarding their recoveries to DHCS on a monthly report utilizing DHCS' Secure File Transfer Protocol no later than the 15th of each month. (See Appendix B for the specifics regarding the file format, required data elements, and other submission requirements).
- On a monthly basis, MCPs must report and return all recovered monies that are 13 months or older from the date of payment of a service to DHCS utilizing the monthly report (Appendix B).
- MCPs must remit warrants, payable to DHCS, for all recovered monies that are 13 months or older from the date of payment of a service to the following address:

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Bank of America
P.O. Box 742635
Los Angeles, CA 90074-2635

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[12] The full list of direct bill CPT and HCPCS codes is available at: https://files.medi-cal.ca.gov/pubsdoco/publications/masters-mtp/part2/othhlthcpt_m00o00a02a05.doc

MCPs are responsible for ensuring that their delegates comply with all applicable state and federal laws and regulations, contract requirements, and other DHCS guidance, including APLs and Policy Letters. These requirements must be communicated by each MCP to all delegated entities and subcontractors.

If you have any questions regarding this APL, please contact your MCOD Contract Manager.

Sincerely,

Original Signed by Nathan Nau

Nathan Nau, Chief
Managed Care Quality and Monitoring Division

Attachments