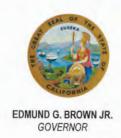


State of California—Health and Human Services Agency Department of Health Care Services



SEP 1 6 2016

Ms. Henrietta Sam-Louie Associate Regional IX Administrator Division of Medicaid and Children's Health Operations Centers for Medicare & Medicaid Services San Francisco Regional Office 90 Seventh Street, Suite 5-300 (5W) San Francisco, CA 94103-6707

STATE PLAN AMENDMENT (SPA) 16-043

Dear Ms. Henrietta Sam-Louie.

The Department of Health Care Services (DHCS) is submitting the enclosed State Plan Amendment (SPA) 16-043 for the Recovery Audit Contractor (RAC) program for your review and approval.

DHCS secured a RAC in 2013 in accordance with Section 1902(a)(42)(B)(i) of the Social Security Act, and the agreement is set to expire on January 31, 2017. The RAC has recovered zero dollars since its execution and DHCS' program integrity efforts make the RAC ineffective in California. Therefore, DHCS is requesting an exception from renewing the RAC.

No tribal consultation was required for SPA 16-043.

SPA 16-043 will be effective January 1, 2017.

If you have any questions about the enclosed SPA, please contact Mark Mimnaugh, R.N., M.P.A., Chief, Medical Review Branch, at (916) 440-7549 or by email at Mark.Mimnaugh@dhcs.ca.gov.

Sincerely,

ORIGINAL SIGNED

Chief Deputy Director Health Care Programs State Medicaid Director

Enclosures

TRANSMITTAL AND NOTICE OF APPROVAL O STATE PLAN MATERIAL FOR: CENTERS FOR MEDICARE & MEDICAID SERVICE	1 6 - 0 4 3 CA
TO: REGIONAL ADMINISTRATOR CENTERS FOR MEDICARE & MEDICAID SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES	January 1, 2017
5. TYPE OF PLAN MATERIAL (Check One)	
☐ NEW STATE PLAN ☐ AMENDMENT TO BE CON	SIDERED AS NEW PLAN
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AM	IENDMENT (Separate transmittal for each amendment)
6. FEDERAL STATUTE/REGULATION CITATION Section 1902 (a) (42) (B) (i) of the Social Security Ac	7. FEDERAL BUDGET IMPACT a. FFY 2017
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT Section 4.5, pages 36, 36a	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable) Section 4.5, pages 36, 36a, 36b, 36c
Recovery Audit Contractor: Exception from establishin 11. GOVERNOR'S REVIEW (Check One)	
 ☐ GOVERNOR'S OFFICE REPORTED NO COMMENT ☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED ☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL 	OTHER, AS SPECIFIED
ORIGINAL SIGNED	16. RETURN TO Department of Health Care Services ATTN: State Plan Coordinator 1501 Capitol Avenue, MS 4506
14. TITLE Chief Deputy Director	P.O. Box 997417
15. DATE SUBMITTED SEP 1 6 2016	Sacramento, CA 95899-7417
FOR REGIONAL C	OFFICE USE ONLY
17. DATE RECEIVED	18. DATE APPROVED
	DNE COPY ATTACHED
19. EFFECTIVE DATE OF APPROVED MATERIAL	20. SIGNATURE OF REGIONAL OFFICIAL
21. TYPED NAME	22. TITLE
23. REMARKS	

Revision: 36

State/Territory California

Proposed Section 4 – GENERAL PROGRAM ADMINISTRATION

4.5 Medicaid Recovery Audit Contractor (RAC) Program

Citation Section 1902(a)(42)(B)(i) of the Social Security Act	 □The State has established a program under which it will contract with one or more recovery audit contractors (RACs) for the purpose of identifying underpayments and overpayments of Medicaid claims under the State plan and under any waiver of the State plan ☑The State is seeking an exception to establishing such program for the following reasons: California secured a RAC in 2013 and the RAC agreement is set to expire on January 31, 2017. RAC has recouped zero dollars since the execution of the agreement and failed to identify any overpayments or underpayments. California had robust program integrity efforts in place before the RAC which continue today. Due to California's program integrity activities in place, the RAC is not effective in California. California has the following program integrity initiatives in place to combat fraud, waste and abuse in the Medi-Cal program:

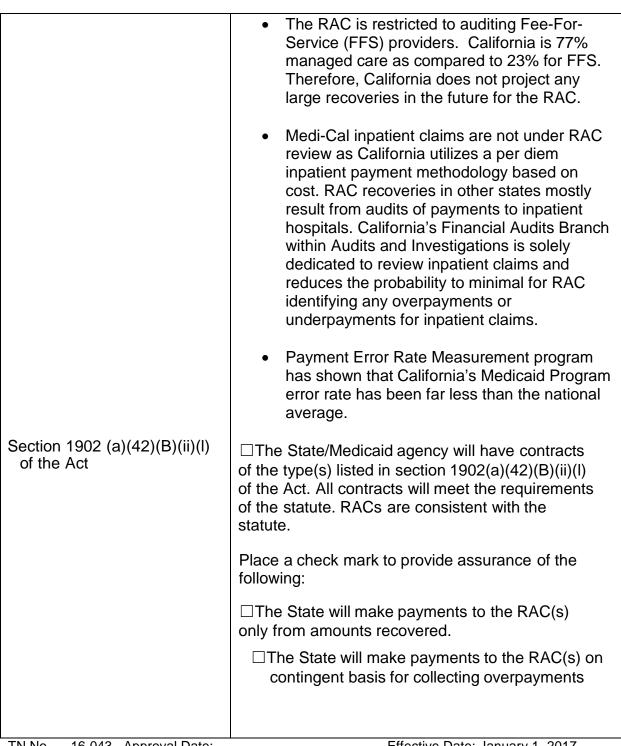
TN No. 16-043 Approval Date: ______ Effective Date: January 1, 2017

Supersede

TN No.: 11-032

Revision: 36a

State/Territory California **Proposed Section 4 – GENERAL PROGRAM ADMINISTRATION**



TN No. 16-043 Approval Date: ____ Effective Date: January 1, 2017

Supersede

TN No.: 11-032 Revision: 36b

State/Territory California Proposed Section 4 – GENERAL PROGRAM ADMINISTRATION

Section1902(a)(42)(B)(ii)(II) (aa) of the Act	The following payment methodology shall be used to determine State payments to Medicaid RACs for identification and recovery of overpayments (e.g. the percentage of the contingency fee)
	☐ The State attests that if the contingency fee·rate paid to the Medicaid RAC will exceed the highest rate paid to Medicare RACs, as published in the Federal Register. The State will only submit for FFP up to the amount equivalent to that published rate.
Section 1902(a)(42)(B)(ii)(II)(bb) of the Act	☐ The following payment methodology shall be used to determine State payments to Medicaid RACs for the identification of underpayments (e.g. amount of flat fee, the percentage of the contingency fee):
	The percentage of the contingency fee.
	☐ The State will submit a justification seeking to pay the Medicaid RAC(s) a contingency fee higher than the highest contingency fee rate paid to Medicare RACs as published in the Federal Register.
Section 1902(a)(42)(B)(ii)(III) of the Act	☐The State has an adequate appeal process in place for entities to appeal any adverse determination made by the Medicaid RAC(s).
Section 1902(a)(42)(ii)IV)(aa) of the Act	☐ The State assures that the amounts expended by the State to carry out the program will be amounts expended as necessary for the proper and efficient administration of the State plan or a waiver of the plan.
TN No. 16-043 Approval Date:	Effective Date: January 1, 2017

Supersede

TN No.: 11-032

Revision: 36c

State/Territory California

Proposed Section 4 – GENERAL PROGRAM ADMINISTRATION

Section 1902(a)(42)(B)(ii)(IV)(bb) of the Act	☐The State assures that the recovered amounts will be subject to a State's quarterly expenditure estimates and funding of the State's share
Section 1902(a)(42)(B)(ii)(IV)(cc) of the Act	□Efforts of the Medicaid RAC(s) will be coordinated with other contractors or entities performing audits of entities receiving payments under the State plan or waiver in the State, and/or State and Federal law enforcement entities and the CMS Medicaid Integrity Program.

TN No. 16-043 Approval Date: Effective Date: January 1, 2017

Supersede TN No.: 11-032

SPA Impact Form

State/Title/Plan Number: 16-043
Federal Fiscal Impact: \$0
Number of People Affected by Enhanced Coverage, Benefits or Retained Eligibility: _0
Number of Potential Newly Eligible People: None or Eligibility Simplification: Yes/No – Not Applicable – See comments below
Number of People Losing Medicaid Eligibility: Not Applicable – See comments below
Reduces Benefits: Yes/No – Not Applicable – See comments below
Provider Payment Increase: Yes/No – Not Applicable – See comments below

Delivery System Innovation: Yes/No – Not Applicable – See comments below (Examples: adding new provider types to provide a covered service, managed care delivery systems or other similar type plans.)

Comments/Remarks:

The RAC involves identification of provider overpayments and underpayments and recoupment of overpayments of provider claims paid under the Medi-Cal program pursuant to Title XIX of the Social Security Act. The beneficiaries are not subject to the RAC review. The RAC is paid through a contingency fee, based upon recovered overpayments.

DHCS Contact:

Mark Mimnaugh, R.N., M.P.A Chief, Medical Review Branch MS 2303 P.O. Box 997413 Sacramento, CA 95899 - 7413

Date: August 29, 2016