STATE OF CALIFORNIA–HEALTH AND HUMAN SERVICES AGENCY

GRAY DAVIS, Governor

DEPARTMENT OF HEALTH SERVICES
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February 22, 1999

MEDI-CAL ELIGIBILITY PROCEDURES MANUAL LETTER NO.: 211

TO: All Holders of the Medi-Cal Eligibility Procedures Manual

The purpose of this letter is to transmit revised procedures for Article 16 pages 16C-I through 16C-V. Section C, "Computing Potential Overpayments," is being revised to add a note to the beginning alerting counties to consider that individuals in a potential overpayment case may have eligibility for Medi-Cal through another program. This is important to note because if any individuals in the case are otherwise eligible, then these circumstances may exclude the individual from an overpayment liability.

While this policy is not new, it reinforces for overpayment procedural purposes the existing Title 22, California Code of Regulations requirements that eligibility for other programs be considered at Application, Denial, Discontinuance, and during the potential overpayment computation processes.

As stated before in PROCEDURES MANUAL LETTER NO. 205, counties can contact and confer with their local Department of Health Services Investigations office to develop some flexibility in implementing these procedures.

Procedures Revision:	**Description:**
Article 16	Overpayments and Fraud

Filing Instructions:

Remove Pages:	**Insert Pages:**
Article 16 Pages 16C-1 through C-10	Article 16 Pages 16C-1 through C-11

If you have any questions, please call Marlene Ratner of my staff at (916) 657-0715.

Sincerely,

Original signed by

Angeline Mrva, Chief
Medi-Cal Eligibility Branch

16C--COMPUTING POTENTIAL OVERPAYMENTS

Note: Pursuant to Title 22, California Code of Regulations, Sections 50153, 50180 and 50783: Before the county computes a potential overpayment for any Medi-Cal case, it is necessary to consider the possibility that any individuals in the case may be eligible for Medi-Cal through another program. For example, one or more members could be eligible for one of the percent or pregnancy programs. Because these and other programs can have different property or income rules, a potential overpayment for any Medi-Cal case may not apply to the individual qualifying for these programs.

It is important to keep this in mind when reviewing the examples in this section as any case member may be, under current program rules, potentially otherwise eligible in another program. This could mean that no potential overpayment would even exist.

I. Potential Overpayments Due to Increased Share of Cost (SOC)

A. The potential overpayment will be the lesser of:

1. Cost of Medi-Cal services which were paid by the Department of Health Services (DHS) that were received in the potential overpayment month(s).

OR

2. Amount of the increased SOC for the potential overpayment month(s) in which services were received and paid by DHS.

B. Example 1a. --- SOC Case

Medi-Cal Family Budget Unit (MFBU) consists of a single mother and her 15-year old child who have been on Medi-Cal continuously since November 1994. The mother did not report timely that her earned income had increased from $1,000 per month to $1,200 per month beginning February 1, 1995. In June 1995, the county welfare department (CWD) learns of this information and issues a ten-day Notice of Action adjusting the July 1995 SOC. The county requests Medi-Cal utilization information for this period and it shows that DHS paid for services in March 1995 and May 1995. As explained in the Note in Article 16B, the county may request the Medi-Cal utilization information in advance for the purpose of narrowing the potential overpayment period.

The CWD computes the potential overpayment as follows:

$1,200
- 90
$1,110 = net nonexempt income

(Note: Only the $90 work deduction is applicable in this example. The family has no other eligibility under any other Medi-Cal program.)

Mo/Yr	Correct Nonexempt Income	Correct Maintenance Need Level	Correct SOC	Original SOC	Potential Overpayment
3/95	$1,110	$750	$360	$160	$200
5/95	$1,110	$750	$360	$160	$200

In the above scenario, the CWD uses the utilization information (March 1995 and May 1995) as a basis to determine the overpayment months for computation of the potential overpayment. Since the potential overpayment exceeds $100, the CWD refers the case to the local DHS Investigations office with a completed Confidential Medi-Cal Complaint Report (MC 609) and the Medi-Cal Potential Overpayment Reporting Worksheet Income or Other Health Coverage (MC 224A), only listing the months of known Medi-Cal usage. (See Note, Article 16B). The completed MC 224A is on the following page.

MEDI-CAL POTENTIAL OVERPAYMENT REPORTING
WORK SHEET INCOME OR OTHER HEALTH COVERAGE

SECTION I

County ID: 59 — 37-000123-1

Case Status. Active-effective date: 1-1-95 ☐ IEVs ☒ non-IEVs Closed-effective date

Recipients Included in Potential Overpayment (MFBU):

Name	DOB	SSN
JANE JONES	3/1/55	987-65-4321
JOHN JONES	3/5/80	876-54-3219

SECTION II — POSSESSION OF OTHER HEALTH COVERAGE ☐ Yes (check only if not reported) ☒ No

If yes, complete DHS 6166 and separately send to Health Services Recovery Branch.

Is there also an income-related overpayment? ☒ Yes (complete Section III) ☐ No

SECTION III — INCOME

The share of cost should have increased for the period(s) MARCH 1995 - JUNE 1995

because INCREASED EARNINGS

and the county was not informed: (Check all that apply.)

☐ on the statement of facts ☒ within 10 days of change stated above ☐ status report

The overpayment is computed as follows: (County completes boxes 1—6.)

1 Month/Year		2 Correct Net Income	3 Correct Maintenance Need	4 Correct Share of Cost (2—3)	5 Share of Cost Met	6 Potential Overpayment (4—5)	DHS Investigation/ Recovery Use Only 7 Amount paid by Medi-Cal	8 Overpayment (lower of 6 or 7)
3	1995	$ 1110	$ 750	$ 360	$ 160	$ 200	$	$
5	1995	1110	750	360	160	200		
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SECTION IV — COUNTY WORKER COMPLETING FORM

Name	County		
JOE SMITH	ANYCO		
Signature: Joe Smith	Date: 8/13/95	Unit: 123	Phone: (123) 456-7777

Example 1b. -- SOC Case

Note: This case is the same MFBU and circumstances as Example 1a., except that the CWD considers all of the months of increased SOC as the potential overpayment period, without knowing if the SOC was met or whether Medi-Cal usage occurred in any of the months. (See NOTE, Article 16B).

Medi-Cal Family Budget Unit (MFBU) consists of a single mother and her 15-year old child who have been on Medi-Cal continuously since November 1994. The mother did not report timely that her income had increased from $1,000 per month to $1,200 per month beginning February 1, 1995. In June 1995, the CWD learns of this information and issues a ten-day Notice of Action adjusting the July 1995 SOC.

The CWD computes the potential overpayment as follows:

$1,200
- 90
$1,110 = net nonexempt income

(Note: Only the $90 work deduction is applicable in this example. The family has no other eligibility under any other Medi-Cal program.)

Mo/Yr	Correct Nonexempt Income	Correct Maintenance Need Level	Correct SOC	Original SOC	Potential Overpayment
3/95	$1,110	$750	$360	$160	$200
4/95	$1,110	$750	$360	$160	$200
5/95	$1,110	$750	$360	$160	$200
6/95	$1,110	$750	$360	$160	$200

In the above scenario, the CWD did not request Medi-Cal utilization and computes all of the months where there was an adjusted SOC as the potential overpayment period. Since the potential overpayment exceeds $100, the CWD refers the case to the local DHS Investigations office with a completed Confidential Medi-Cal Complaint Report (MC 609) and the Medi-Cal Potential Overpayment Reporting Worksheet Income or Other Health Coverage (MC 224A), listing all of the potential overpayment months. (See Note, Article 16B). The completed MC 224A is on the following page.

MEDI-CAL POTENTIAL OVERPAYMENT REPORTING
WORK SHEET INCOME OR OTHER HEALTH COVERAGE

SECTION I

County ID: 59-37-000123-1

Case Status: Active-effective date: 1-1-95 ☐ IEVs ☒ non-IEVs

Closed-effective date:

Recipients included in Potential Overpayment (MFBU):

Name	DOB	SSN
JANE JONES	3/1/55	987-65-4321
JOHN JONES	3/5/80	876-54-3219

SECTION II — POSSESSION OF OTHER HEALTH COVERAGE

If yes, complete DHS 6166 and separately send to Health Services Recovery Branch.

Is there also an income-related overpayment?

☐ Yes (check only if not reported) ☒ No

☒ Yes (complete Section III) ☐ No

SECTION III — INCOME

The share of cost should have increased for the period(s) MARCH 1995 - JUNE 1995

because

and the county was not informed: (Check all that apply.)

☐ on the statement of facts ☒ within 10 days of change stated above ☒ status report

The overpayment is computed as follows: (County completes boxes 1—6.)

1 Month/Year		2 Correct Net Income	3 Correct Maintenance Need	4 Correct Share of Cost (2—3)	5 Share of Cost Met	6 Potential Overpayment (4—5)	DHS Investigation/ Recovery Use Only 7 Amount paid by Medi-Cal	8 Overpayment (lower of 6 or 7)
3	1995	$ 1110	$ 750	$ 360	$ 160	$ 200	$	$
4	1995	1110	750	360	160	200		
5	1995	1110	750	360	160	200		
6	1995	1110	750	360	160	200		
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SECTION IV — COUNTY WORKER COMPLETING FORM

Name	County		
JOE Smith	ANYCO		
Signature	Date	Ext. No.	Phone
Joe Smith	8/13/95	123	(123)456-7777

MC 2344 (7/95) ☐ DHS

C. Example 2 ---SOC Case

MFBU consists of a mother, her unemployed husband, and the mother's separate child, age 19. On June 5, 1995, the CWD discovers that the child has applied for and received a $2,000 lump sum VA benefit on February 2, 1995 and a monthly VA benefit of $500 beginning in March 1995. The husband received $450 unemployment benefits in each of these months and the family's original SOC was zero. The county issues a ten-day notice to adjust the July 1995 SOC and requests Medi-Cal usage information from the DHS Investigations office, or requests abbreviated usage information through the Totally Automated Office (TAO) system. The utilization record shows that Medi-Cal services were paid in March 1995 only for the 19-year old child. The CWD computes the potential overpayment as follows:

(Since the child has his own income and the MFBU has a SOC, Sneede applies.)

Mo/Yr	Correct Nonexempt Income	Correct Maintenance Need Level	Correct SOC	Original SOC	Potential Overpayment
Mini Budget Unit No. 1 for Mother and Stepfather					
3/95	$450	$934	$0	$0	$0
Mini Budget Unit No. 2 for Mother's separate Child					
3/95	$500	$375	$125	$0	$125

No overpayment exists for February 1995 as the county would not have been able to assign a SOC for February 1995, even if the client had reported timely, because a ten-day Notice of Action could not have been issued for February 1995.

II. Potential Overpayments Due to Excess Property

A. The potential overpayment will be the lesser of:

1. The total cost of services paid for by Medi-Cal during the consecutive month period in which there was excess property throughout each of the months;

OR

2. The highest excess property reserve balance for any single month in the potential overpayment period specified in subsection A.1 above.

B. Example 1: Property Case

MFBU consists of a single mother and her one child. The mother did not report that she owned a second car that had a net market value of $4,000, and when combined with other countable resources including a bank account, her property totaled $6,000. The property was considered available since they applied in January 1995. The CWD discovered the excess property in December 1995 and issued a ten-day Notice of Action to discontinue aid beginning January 1996. The county requests Medi-Cal utilization information from DHS and is advised that there was Medi-Cal usage in every month since January 1995.

The CWD computes the overpayment as follows:

Mo/Yr	Lowest Property Balance in Month	Medi-Cal Property Limit	Excess Property Amount
1/95	$6,000	$3,000	$3,000
2/95-3/95	$5,000 per month	$3,000 per month	$2,000 per month
4/95-12/95	$4,000 per month	$3,000 per month	$1,000 per month

The CWD refers the case to the local DHS Investigations office with a completed Medi-Cal Complaint Report (MC 609), and a completed Medi-Cal Potential Overpayment Reporting Worksheet - Property (MC 224B). (The completed MC 224B is on the following page.) The local Investigations office obtains an updated Claim Detail Report for Medi-Cal usage information and they review the case to determine whether criminal activity was involved.

Investigations staff determines that the total amount of services paid for by Medi-Cal from January 1995 through December 1995 was $12,000. However, the actual overpayment was only $3,000 (i.e., the highest monthly excess property balance during the potential overpayment period in question, which is less than the total amount of paid Medi-Cal services). Investigations Branch determines that the family had fraudulently obtained Medi-Cal benefits, refers the case to the county District Attorney for prosecution, and sends the client a demand letter for repayment of the overpayment.

State of California—Health and Welfare Agency | Department of Health Services

MEDI-CAL POTENTIAL OVERPAYMENT REPORTING WORK SHEET—PROPERTY

SECTION I

County ID: 59-34-123456 ☐ IEVS ☒ Non-IEVS

Case Status: Active-effective date: 1/1/95 Closed-effective date: 12/31/95

Recipients Included in Potential Overpayment (MFBU):

Name	DOB	SSN
JANE DOE	3/10/58	123-45-678
STEVEN DOE	2/10/80	234-56-7896

SECTION II

Recipient should have been ineligible for Medi-Cal for 1/95 (month/year) through 12/95 (month/year) because

☑ Property was above the allowable property limit.
☐ Property was transferred or given away in _____.
☐ Other (describe): _____

Overpayment is computed as follows: (Manual Sections 50786—50787) (Use for any type of bank account, stocks, cash, etc.)

R=Reported
NR=Non-reported

Bank Name:	Bank Name:	Bank Name:	Bank Name:	TOTAL BALANCE	MEDI-CAL PROPERTY LIMIT	EXCESS PROPERTY AMOUNT
B of A						
Acct. No: 123-4567	Acct. No:	Acct. No:	Acct. No:			

LOWEST BALANCE PER MONTH

Month	Year	☒ R ☐ NR	☐ R ☐ NR	☐ R ☐ NR	☐ R ☐ NR	TOTAL BALANCE	MEDI-CAL PROPERTY LIMIT	EXCESS PROPERTY AMOUNT
1	1995	$ 2000	$	$	$	$ 6000	$ 3000	$ 3000
2	1995	1000				5000	3000	2000
3	1995	1000				5000	3000	2000
4	1995	Ø				4000	3000	1000
5	1995	Ø				4000	3000	1000
6	1995	Ø				4000	3000	1000
7	1995	Ø				4000	3000	1000
8	1995	Ø				4000	3000	1000
9	1995	Ø				4000	3000	1000
10	1995	Ø				4000	3000	1000
11	1995	Ø				4000	3000	1000
12	1995	Ø				4000	3000	1000
	19							
	19							
	19							
	19							

Other property (describe): 1/95 through 12/95 Non-reported Vehicle - equity value = $400 and exempt vehicle

Potential Overpayment is: $ 3,000 (highest monthly amount of excess property)
Medi-Cal Usage for Period is: $ 12,000 (computed by DHS)
Actual Overpayment: $ 3,000 (lesser of Medi-Cal usage or excess property)

SECTION III — County Worker Completing Form

Name	County		
JOE SMITH	ANY CO		
Signature	**Date**	**EW No.**	**Phone**
Joe Smith	2/10/96	123	(916) 443-7777

MC 2248 (7/90)

C. Example 2: Property, Sneede Case

MFBU consists of a married mother, unemployed father and their two children, ages 12 and 17. On December 1, 1995, the family has no countable resources and is property eligible for Medi-Cal. On December 15, 1995, the 17-year old receives a $5,000 gift from his grandparents. The mother notifies the CWD of the gift on February 7, 1996. She also reports that they spent down part of the excess property in the following way on February 6, 1996:

$ 500	bedroom furniture	$5,000	gift
$ 500	clothes	-2,000	spenddown
$1,000	vacation	$3,000	remaining countable property on February 6, 1995
$2,000	total		

This verifies that the MFBU's resources are under the property limit of $3,300 as of February 6, 1996.

There is no overpayment in December 1995, because even if the beneficiary had reported timely, the county could not have issued the ten-day Notice of Action to increase the SOC. Beginning January 1996 (the first month the gift is treated as property), the county applies Sneede rules because the MFBU is over the property limit of $3,300.

Only the 17-year old's MBU is shown below:

Mo/Yr	Lowest Property Balance in Month	Medi-Cal Property Limit (1 child, 2 parents)	Excess Property Amount
1/96	$5,000	$1,050	$3,950

The CWD requests Medi-Cal utilization information from the local DHS Investigations office. Investigations reports that there is utilization in January 1996 only, in the amount of $400.

The amount of the overpayment for January 1996, is the lesser of either: (1) the actual cost of services paid by Medi-Cal, or (2) the amount of the excess property. The 17-year old's excess property is $3,950, but his Medi-Cal utilization is only $400. Therefore, the overpayment is $400, the lesser of the two amounts.

The CWD completes the MC 609 and the MC 224B. These forms along with copies of all other pertinent data including the budget/property worksheets and the forms specified in Article 16D from the case record are sent to the local DHS Investigations office for completion and/or investigation of the overpayment.

III. Potential Overpayment Due to Total Ineligibility

All of the amount of paid Medi-Cal services is an overpayment during the potential overpayment period.

A. Example 1: It is determined that a Medi-Cal recipient is not a California resident or has no intent to reside in the state.

A Medi-Cal recipient applied March 1, 1995, and provided the eligibility worker with an address in San Diego County. On the Statement of Facts (MC 210) dated March 1, 1995, she stated that she intended to reside in California and would be renting a home in the area.

Her application for Medi-Cal is approved effective March 1, 1995. An anonymous call to the welfare office in July 1995 informed the EW that the woman and her two children return every night to Mexicali after work in a sewing factory in San Diego. When confronted by the EW on July 6, 1995, the recipient stated she lived in Mexicali in a home she owns there.

The CWD sends a ten-day notice on July 6, 1995. The effective date of Medi-Cal discontinuance is July 30, 1995. The CWD initiates the overpayment process by completing the MC 609 and MC 224B and refers the case to the local Investigations office. The Investigations office will obtain the Medi-Cal utilization information. Since the potential overpayment was due to factors which result in total ineligibility, all of the paid Medi-Cal services are considered an overpayment and subject to recovery.

B. Example 2: Principal wage earner returns to work without notifying EW.

A married couple and their two mutual children have linkage to Medi-Cal from January through June 1995 based on the father's unemployment. The father's Unemployment Insurance Benefits stopped on June 30, 1995. On July 1, 1995, he returned to work 40 hours per week earning $6.25 per hour. He did not notify the CWD until August 15, 1995. Beginning August 1, 1995, the parents are no longer linked to Medi-Cal. The children are eligible as Medically Indigent, with no SOC. The family's Medi-Cal utilization for August is:

August	mother	**$ 0**
	father	**$150**
	child	$100
	child	$100

Since the children are still eligible with no SOC, only the parent's Medi-Cal utilization is considered in the potential overpayment period. The overpayment period begins with the month that the CWD could have issued a ten-day Notice of Action to discontinue the parents had the change been reported timely. Since the overpayment is due to factors which result in total ineligibility for the mother and father, the overpayment is the sum of the Medi-Cal utilization during the month of August, $150. The CWD completes the MC 224B and the MC 609 to include in the referral package to DHS Investigations.

C. Example 3: Medi-Cal eligible child no longer in the home.

A mother age 22, and her 6-year old son have been eligible for Medi-Cal since his birth through absent parent deprivation. The mother's employment nets her $800 per month. The mother neglects to inform her worker that her son has resided in another county with the son's father since December 31, 1994. She tells her worker on March 5, 1995 that she no longer has primary custody of her son. The CWD sends the recipient a Notice of Action to discontinue her from Medi-Cal effective March 30, 1995.

The mother is ineligible for Medi-Cal beginning with the month of February because there is no eligible child in the household and she has no other linkage to the Medi-Cal program. Because February is the first month that the CWD could have discontinued with a ten-day notice, had they been informed of the change timely, no overpayment exists for January 1995.

The CWD completes the MC 609 and the MC 224B and sends to DHS Investigations.

IV. Potential Overpayments Due to Unreported Other Health Coverage

For all potential overpayments due to unreported other health coverage, the CWD will:

1. Complete the Confidential Medi-Cal Complaint Form, (MC 609), and the Medi-Cal Potential Overpayment Reporting Worksheet Income or Other Health Coverage, (MC 224A, omitting Section III) and send the referral to DHS Investigations office (see Article 16F for office addresses).

2. Contact the DHS Third Party Liability Branch, Health Insurance Section in accordance with health insurance reporting instructions in Article 15A (see Article 16I Section II for Health Insurance Section address and telephone number).

V. Medi-Cal Overpayments, Fraud -- CalWORKs Cash Grant

Note: Counties have flexibility to establish individualized policies and procedures for the in-county routing of CalWORKs overpayment cases that may also have Medi-Cal overpayments requiring computations and referrals to DHS Investigations.

County welfare departments or county district attorney offices investigate cases where a county has determined that a CalWORKs recipient has illegally received a CalWORKs cash grant through fraud and, by that fraudulent act, received Medi-Cal benefits to which he/she may not be entitled. Frequently, the amount of money lost to the Medi-Cal program on such CalWORKs fraud cases is substantially greater than the amount of the CalWORKs overpayment. Thus it is very important that DHS be informed when a CalWORKs overpayment and/or fraud case is being initially developed. This section provides the county with instructions for reporting cases of potential Medi-Cal fraud to DHS in CalWORKs cash grant fraud cases.

Note: Due to the varied differences in the eligibility rules for the CalWORKs program and for the Medi-Cal program, it is not correct to assume that the existence of an overpayment or fraud in the CalWORKs case will result in an overpayment or fraud in the Medi-Cal case.

To determine whether Medi-Cal fraud has occurred in a CalWORKs cash grant fraud case, the county must review the Medi-Cal case independently to establish whether Medi-Cal eligibility existed for each family member under any Medi-Cal program.

When a CalWORKs overpayment occurs, the county Medi-Cal staff will <u>independently</u> of the CalWORKs case, examine the Medi-Cal case to:

- Determine if Medi-Cal eligibility exists under any other program,
- Determine if there is a potential Medi-Cal overpayment, and
- Refer potential overpayments of $100 or more to the local DHS Investigations office.