STATE OF CALIFORNIA—HEALTH AND WELFARE AGENCY GEORGE DEUKMEJIAN, Governor

DEPARTMENT OF HEALTH SERVICES
714/744 P STREET
SACRAMENTO, CA 95814

June 11, 1984

To: All County Welfare Directors

Letter No. 84- 23

UPDATE ON FEDERAL FISCAL WITHHOLDS

Reference: All County Welfare Directors (ACWD) Letter No. 84-6

This letter is to update the information provided in ACWD Letter 84-6 and to provide new information concerning the status of federal fiscal sanctioning. In brief, in that ACWD letter, we described that under the Tax Equity and Fiscal Responsibility Act (TEFRA) interim regulations, the Federal Government withheld $210,630 for the July-September 1983 quarter. We also mentioned that because of a lawsuit by several states against the federal Health Care Financing Administration (HCFA), no action had been taken for the October-December 1983 quarter.

Since that ACWD letter was issued, two significant events have occurred. First, HCFA has published final regulations for the April-December 1983 period. Secondly, after final regulations were issued, the judge dismissed the lawsuit for lack of jurisdiction. Section A below provides you with information on interim and final federal regulations for these periods and Section B describes their impact on federal withholds.

A. Final Federal Regulations for the April-December, 1983 Period

1. Interim Regulations Published June 24, 1983 (effective for the April-December 1983 period):

   The quarterly withholding was based on the weighted average of the actual error rates from the two most recent Quality Control (QC) review periods. However, this federally determined prospective error rate was reduced by the estimated impact of the State's corrective action activities.

2. Final Regulations Published February 8, 1984 (effective for the April-December 1983 period):

   The quarterly withholding is based on the lower of either: (1) the weighted average of the actual error rates for the two most recent QC review periods or (2) the most recent review period. However, this federally determined prospective error rate may be reduced by the estimated impact of the State's corrective action activities.

B. Federal Fiscal Withholds

1. July-September 1983 Quarter

HCFA recomputed the State's QC error rate projection based on the final regulations. The actual error rate of 3.6957 was reduced 22.92 percent due to corrective action activities. As a result, the revised projected error rate is 2.8486, which is below the 3 percent standard. HCFA will issue a supplemental grant award for the July-September 1983 quarter, in effect returning the $210,630 previously withheld.

2. October-December 1983 Quarter

In a March 30, 1984 letter, HCFA informed the Department of Health Services that California is liable for a federal fiscal withhold for the October-December, 1983 quarter. The weighted average of the actual error rates for the October 1981-March 1982 and April-September 1982 review period was 4.9489 percent while the error rate for the April-September period was 6.0961 percent. Therefore, under the final regulations, HCFA used the average annualized error rate of 4.9489 percent. HCFA reduced this rate by 23.75 percent due to the State's corrective action activities, resulting in a projected error rate of 3.7735 percent for the October-December 1983 quarter.

HCFA has withheld $2.2 million from the third quarter grant award.

We will attempt to keep you informed of future developments. In addition, we will be seeking your assistance in designing and carrying out corrective action initiatives which will reduce the Medi-Cal QC error rate below the federal tolerance level.

If you or your staff have any questions or suggestions, please contact me or Marlene Ratner of my staff at (916) 445-1912 or (ATSS) 485-1912.

Sincerely,

Original signed by

Caroline Cabias, Chief
Medi-Cal Eligibility Branch

cc: Medi-Cal Liaison
Medi-Cal Program Consultants