

**California Department of Health Care Services  
Proposed Trailer Bill Language**

**Strengthen Coordination of Benefits and Post-Payment Recovery for the Medi-Cal Program**

**FACT SHEET**

**Issue Title: Strengthen Coordination of Benefits and Post-Payment Recovery for the Medi-Cal Program.** This proposal seeks to update the data required by the Department of Health Care Services' from third-party commercial health insurance carriers for post-payment recovery and coordination of benefits activities.

**Background:** Federal and state law requires Medi-Cal to be the payer of last resort. DHCS meets this requirement by practicing "coordination of benefits." This includes identifying liable third parties (e.g., other commercial insurance policies, Medicare) responsible for the payment of services provided to Medi-Cal members and ensuring these entities make payments prior to Medi-Cal. In some cases, this also involves recovering Medi-Cal payments from liable third-parties.

DHCS identifies commercial other health coverage (OHC) in advance and maintains the information in the Department's eligibility data system for Medi-Cal members who have private insurance. Providers can access this information at the point of service and are required to bill a member's OHC before they bill Medi-Cal for any remaining balance up to the Medi-Cal rate. This process is commonly referred to as "cost avoidance."

In cases where a member's OHC is identified after the point of service, DHCS pays for the member's services, and then seeks reimbursement from the member's OHC. This process is commonly referred to as "pay and chase." Pay and chase is more time-consuming, costly, and unpredictable than cost avoidance.

In order to perform both cost avoidance and pay and chase, DHCS requires access to Medi-Cal members' OHC information. To do this, DHCS needs to obtain commercial health insurance eligibility files through electronic data exchanges. Existing law requires DHCS to enter into a cooperative agreement with OHC carriers to provide DHCS with this data. Currently, DHCS has to negotiate agreements with carriers on an individual basis to obtain this information, and has limited ability to request a comprehensive set of data from each carrier.

In addition, DHCS must also validate individual Medi-Cal members' OHC information with health insurance carriers over the telephone. This is a labor intensive process that requires time and State resources. Many health insurance carriers have online provider portals allowing automated electronic eligibility verifications in real-time. However, most carriers only allow providers who have a National Provider Identifier (NPI) number to access their online portals. DHCS is not a health care provider and cannot obtain an NPI.

**Justification for the Change:** DHCS seeks to clarify state law into order to strengthen its ability to perform cost avoidance and pursue post-payment recovery. This proposal also improves DHCS' coordination of benefits and allows DHCS to obtain the data required to act as a payer of last resort.

Specifically, this proposal would:

- Update and clarify the list of OHC insurers to enter into cooperative agreements with DHCS to include all health care entities licensed through the California Department of Insurance, third party administrators, and union trusts.
- Remove the requirement for the reimbursement rate to the carriers to be at the same rate paid by carriers to the Department of Motor Vehicles for providing information given that data manipulation and distribution is accomplished largely through automated electronic processes.
- Establish the member data required to be submitted to DHCS from third-party entities in order for DHCS to assess overlapping or duplicate health coverage and adjudicate claims.
- Establish other data required when available about other persons' covered under the member's policy.
- Require entities to provide DHCS with access to real-time electronic eligibility verification, at no cost to DHCS and in a form and manner specified by DHCS as is necessary to conduct its coordination of benefits responsibilities.
- Authorize DHCS to implement the changes by means of policy letter, information notice or other similar instruction, without taking further regulatory action.

**Summary of Arguments in Support:**

- Supports DHCS' duty to fulfill federal and state requirements to act as the payer of last resort.
- Ensures that DHCS can obtain OHC data to perform our cost avoidance and post-payment recovery duties, at no financial cost to the State.
- Reduces the administrative cost and burden of having to individually negotiate with private carriers to access OHC data.
- Improves DHCS' data accuracy, allowing the Department to potentially cost avoid more claims and recover more general funds.
- Ensures consistent data validation through an automated, real-time OHC eligibility verification, resulting in greater cost avoidance.