

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

Medi-Cal Fiscal Intermediary Checkwrite Contingency Payments

FACT SHEET

Issue Title: Medi-Cal Fiscal Intermediary Checkwrite Contingency Payments. This proposal would authorize the Department of Health Care Services (DHCS) to make contingency payments to healthcare providers to mitigate risk of a disruption to the Medi-Cal Checkwrite process and ensure continuity of access to healthcare services for beneficiaries in its unlikely event. Contingency payments would be determined based on the previous claims history of the provider held by the department, and would be trued-up once the Checkwrite disruption has ceased.

Background: DHCS is the single state agency in California to administer the approved mandatory Medicaid program (Medi-Cal). The California Medicaid Management Information System (CA-MMIS) Division is responsible for the overall administration, management, oversight, and monitoring of the medical fiscal intermediary (FI) contract, and all services provided under the contract. Over 13 million Medi-Cal beneficiaries receive health care services via the Medi-Cal program administered by DHCS.

CA-MMIS processes payments to providers of medical care to Medi-Cal certified eligible beneficiaries, via the Medi-Cal Checkwrite. The FI provides other related services including, but not limited to, the operation of a telephone service center and provider relations functions; system operations, updates and enhancements; processing eligibility inquiry transactions, treatment authorization requests, and service authority requests. In Fiscal Year (FY) 2017-18, the weekly Medi-Cal Checkwrite averaged \$345,048,851; the total amount paid during FY 2017-18 equaled \$17,942,540,252.

In order to mitigate the risk of a possible Medi-Cal Checkwrite disruption caused by the implementation of new system functionality, emergencies, or other unplanned interruptions, the FI contract required the FI to develop an automated contingency payment process to ensure payments to providers would be able to continue uninterrupted. The medical FI contract was approved by the Centers for Medicare and Medicaid Services (CMS) which disperses federal Medicaid funding. DHCS has not recently experienced a Checkwrite delay but relies on aging information technology systems and is taking responsible precautions.

The process developed pursuant to the FI contract: (1) calculates contingency payment amounts based on the provider's payment history for the past twelve months (or all months if fewer than twelve) and a percentage set by DHCS which may vary by provider type; (2) validates that the provider is in good standing; and (3) allows DHCS to determine which providers receive contingency payments for which service dates. Once the Medi-Cal Checkwrite disruption ends, the process reconciles the contingency

payments against adjudicated claims for that time period and adjusts future payments accordingly.

Justification for the change: Although, DHCS has the technical ability to calculate contingency payments to providers when there is a disruption to the Medi-Cal Checkwrite process pursuant to the federally-approved contingency process contained in the medical FI contract the State Controller's Office requires statutory authority to process such contingency payments.

Therefore, DHCS is seeking statutory authority to make contingency payments to providers for claims if there is a disruption to the Medi-Cal Checkwrite process upon approval of the Department of Finance.

A contingency process is a responsible preventative measure to ensure continuity of access to Medi-Cal healthcare services for beneficiaries and payments to providers in the event of a disruption in the Medi-Cal Checkwrite service.

Furthermore, a contingency process would allow DHCS remain in compliance with federal and state prompt payment laws (42 USC §1396a(a)(37); 42 CFR §447.45(d); Welfare & Institutions Code §14104.3(a)(3); and Government Code §927 et seq.) and prevent potential loss of federal financial participation (FFP).

Summary of Arguments in Support:

- Ensures continued access to Medi-Cal healthcare services for millions of California beneficiaries and allows providers to receive payment for services in the event of a Medi-Cal Checkwrite disruption.
- Allows DHCS to remain in compliance with federal and state prompt payment laws and prevent loss of federal funding for services rendered during a Medi-Cal Checkwrite disruption.
- Provides statutory authority to execute already developed contingency payment functionality approved by the federal Centers for Medicare and Medicaid Services.
- Strengthens DHCS's resiliency and mitigates risk by creating a responsible contingency process for aging information technology systems.