

Background

The California Department of Health Care Services (DHCS), in partnership with the federal government and other state agencies, counties, and partners, administers the Medi-Cal program, providing vital health services, including physical, mental health, substance use disorder services, pharmacy, dental, and long-term care, to about 14.5 million or more than one in three Californians. DHCS oversees more than \$200 billion annually in state and federal funds.

DHCS prioritizes the integrity of its Medi-Cal program's compliance with federal and state laws, regulations, and rules and has robust protocols to prevent and vigorously address fraud, waste, and abuse. DHCS' program integrity functions include provider enrollment requirements, audits and investigations, third-party liability and recovery, and robust oversight and monitoring of its program partners such as Medi-Cal managed care plans and providers to ensure compliance, including oversight of counties related to Medi-Cal eligibility.

Provider Enrollment

DHCS is responsible for the timely enrollment, re-enrollment, and monthly monitoring of Medi-Cal providers, aligning policies with federal guidelines. DHCS:

- » **Closely screens provider applications.** Providers are checked against federal exclusion lists and the Medicare and Medicaid termination database. Excluded providers are terminated from the Medi-Cal program.
- » **Checks provider licenses and certifications.** DHCS ensures that providers are properly authorized to operate. If providers fail to meet compliance or licensure requirements, DHCS can suspend or terminate them. This includes maintaining initial and ongoing licensure and certification for individual providers through health care boards, and licensure for institutional providers through the California Department of Public Health (CDPH).
- » **Requires providers to maintain a legitimate and fully operational place of business.** Providers must demonstrate financial stability and the ability to deliver quality care. This includes having appropriate facilities, equipment, staff, insurance coverage, posted business hours, and a signed lease or proof of ownership. Providers

are also required to disclose all ownership and control interests, including identifying information for each individual, to ensure transparency and compliance with federal and state requirements.

- » **Conducts additional screens for high-risk providers.** DHCS conducts in-person visits to make sure they are operating businesses that meet Medi-Cal rules, and requires fingerprinting and background checks on high-risk providers, including those identified by the federal Centers for Medicare and Medicaid Services.
- » **Requires provider enrollment by Medi-Cal managed care plans.** Providers must enroll either directly or through DHCS.
- » **Imposes enrollment moratoria on provider types with a higher risk of fraud.** DHCS collaborates with CDPH as appropriate on licensing, certification, and enrollment requirements always striving to strike the right balance between processes that encourage provider participation in the Medi-Cal program by qualified providers and keeping bad actors out of the program.

Audits and Investigations

DHCS' program integrity unit performs ongoing proactive measures to safeguard Medi-Cal against fraud, waste, and abuse through a statewide team of over 700 positions comprised of auditors, sworn fraud investigators, clinicians, and data researchers. DHCS:

- » **Conducts compliance audits** of medical, dental, and behavioral health managed care plans. It also performs financial compliance audits of Medi-Cal providers.
- » **Performs rigorous fraud data analytics** to identify suspected Medi-Cal fraud, waste and abuse that warrants review or investigation. DHCS is developing and piloting a model to enhance pre-payment fraud detection, further reduce improper claims, expand identification of potential fraud, waste, and abuse, and capture cost savings.
- » **Conducts administrative and criminal investigations** of fraud leads derived from in-house data analytics, Medi-Cal fraud Hotline tips, and complaints received from local, state and federal partners.
- » **Partners with Medi-Cal Managed Care Plan program integrity teams** to address the prevention, detection, and investigation of fraud, waste, and abuse as a shared priority coordinated comprehensively across the state.
- » **Refers credible allegations of fraud** to the California Department of Justice's Division of Medi-Cal Fraud and Elder Abuse, which serves as California's Medicaid Fraud Control Unit, for criminal investigation and prosecution.

Third Party Liability and Recovery

DHCS ensures that the Medi-Cal program complies with state and federal laws and regulations that require the Medi-Cal program to be the payer of last resort and promote fiscal sustainability. DHCS:

- » **Recovers Medi-Cal expenses from liable third parties.** DHCS recovers money from settlements, judgments, or awards involving Medi-Cal members when a third party is liable for injuries, such as auto accidents, malpractice cases, workers' compensation claims, estates of certain deceased members, and provider and member overpayments.
- » **Avoids Medi-Cal costs by identifying or purchasing alternative health care coverage for members.** When existing other coverage is confirmed and liable for payment, claims may be denied accordingly. DHCS also deflects costs to alternative health coverage by paying for premiums for members with certain medical conditions that meet cost-effectiveness criteria. This process is estimated to avoid billions of dollars in annual Medi-Cal costs by deferring payment responsibility to liable health coverage.
- » **Recovers post-payment funds as appropriate.** When Medi-Cal paid for medical services provided to members, and other health coverage is identified retroactively, DHCS recovers the cost of care from other health coverage organizations, such as private health insurance and Medicare.
- » **Collects overpayments** resulting from audits, retroactive rate adjustments, and other program integrity processes through claims offsets and active collections.

Medi-Cal Eligibility

DHCS also provides significant oversight and monitoring of county Medi-Cal offices to ensure only eligible applicants and members are enrolled or stay enrolled.

- » **County Medi-Cal Offices screen applicants and recheck eligibility yearly** (starting January 2027, some adults will have eligibility checked every six months). Californians must meet eligibility requirements, like income, age, assets, or disability. Identity and residency are verified electronically using the Federal Data Services Hub. If data does not match, county workers follow up. Failure to verify eligibility requirements within 30 days can lead to application denial or disenrollment.
- » **DHCS conducts targeted reviews** of Medi-Cal new applications, renewals, and system alerts. Each case file is fully checked to confirm all required documents are on file and county actions were performed before eligibility is finalized. Every quarter, DHCS reviews up to eight counties chosen based on performance data.
- » **DHCS completes quarterly residency checks** using a federal program that identifies individuals enrolled in Medicaid in multiple states. DHCS reviews the findings, sends out a letter to flagged individuals, and requests confirmation of California residency to maintain eligibility. Further, DHCS uses a vendor to complete periodic residency checks and follows the same process when a member is flagged.
- » **DHCS continuously strengthens policies and systems to resolve eligibility conflicts.** Improvements include statewide monitoring, compliance reviews against

county standards, and clearer alert processes to prevent eligibility errors and improper payments.

Reporting Fraud, Waste, and Abuse

Anyone can report suspected Medi-Cal fraud. Every credible complaint is reviewed and routed for handling as appropriate.

- » **24/7 Hotline:** (800) 822-6222 (free and anonymous)
- » **Online:** <https://www.dhcs.ca.gov/individuals/Pages/StopMedi-CalFraud.aspx>
- » **Email:** fraud@dhcs.ca.gov
- » **Mail:**
Medi-Cal Fraud Complaint – Intake Unit
PO Box 997413, MS 2500
Sacramento, CA 95899-7413