



California  
Department of  
Health Services

SANDRA SHEWRY  
Director

State of California—Health and Human Services Agency  
**Department of Health Services**

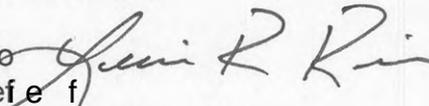


ARNOLD SCHWARZENEGGER  
Governor

April 27, 2004

MMCD All Plan Letter No. 04002

**TO:** County Organized Health System Plans (COHS)  
Geographic Managed Care (GMC) Plans  
Prepaid Health Plans (PHP)  
Primary Care Case Management (PCCMS)  
Two-Plan Model Plans

**FROM:** Luis R. Rico   
Acting Chief of  
Medi-Cal Managed Care Division

**SUBJECT:** Recovery of Capitation Paid to Health Care Plans for Deceased Beneficiaries

Currently, when the Department of Health Services (DHS) is notified that a member is deceased, their eligibility status is changed on the Medi-Cal Eligibility Data System (MEDS). The member is disenrolled from their managed care plan the month following notification. In many instances, DHS receives notification several months after the member is deceased. Consequently, the health care plans have been paid capitation from the period of time between when a member dies and MEDS is updated.

This letter is to inform you that beginning May 2004, DHS will commence making adjustments for these overpayments in accordance with the budget detail and payment provisions of your contract. The recovery of the overpayments will be made in two parts: the first will involve an adjustment to the current month's capitation for recent updates; the second will be to address the backlog, if any.

April 27, 2004

Adjustments to each plan's monthly capitation will be based on the deceased member's aid code, group rate, and number of months capitation was paid after the member died. Each plan will receive documentation supporting DHS' calculations. The first adjustment will be to correct overpayments made for the months of March/April 2004 eligibility, which will be reflected in May's payments. The second portion of the adjustment concerns the backlog of overpayments. Some health care plans have been paid capitation for deceased members for a number of years. The method for recovering the backlog overpayments is yet to be determined. Each plan will be contacted in order to make repayment arrangements.

Should a plan wish to appeal the capitation reduction for the current month or the recoupment of overpayment for the period of time between when a member dies and the month that MEDS is updated, the plan must follow the appeal rights contained in their contract.

If recovery of the full backlog amount at one time imposes a financial hardship on the plan, DHS, at its discretion, may grant a plan's request to repay the recoverable amounts in monthly installments over a period of consecutive months, not to exceed six months. At least 30 days prior to seeking any such recovery, DHS shall notify the plan to explain the improper or erroneous nature of the payment and to describe the recovery process.

If you have any questions, require additional information, or would like to discuss the dispute process for your plan type, please contact your contract manager.