

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

Medi-Cal Anti-Fraud Special Deposit Fund

FACT SHEET

Issue Title: Medi-Cal Anti-Fraud Special Deposit Fund. The Department of Health Care Services (DHCS) proposes to establish a permanent Medi-Cal Anti-Fraud Special Deposit Fund in order to house Medi-Cal provider payments withheld while a Credible Allegation of Fraud is being investigated.

Background: When DHCS Audits & Investigations places Medi-Cal providers who have a Credible Allegation of Fraud on payment suspension, the State Controller's Office (SCO) intercepts the payments and deposits them into the SCO's Special Deposit Fund (0942). These monies are held in the account until DHCS' investigation has concluded and funds are either released to the provider or maintained by the Department if an overpayment is identified.

The SCO's Special Deposit Fund (0942) was established in 1880 and is governed by Government Code sections 16370-16378. DHCS has used SCO's Special Deposit Fund (0942) to house withheld funds for several years; however, the Special Deposit Fund is a temporary fund and can only be used for a limited time unless DHCS obtains approval to extend its use of the Special Deposit Fund.

Justification for the Change: Due to the lack of an established permanent fund for the withheld Medi-Cal payments, DHCS is required to periodically work with the Department of Finance to request an extension for the use of the SCO's Special Deposit Fund. Currently, the use of SCO's Special Deposit Fund (0942) for this purpose is set to administratively expire June 30, 2027. DHCS proposes to establish a permanent Medi-Cal Anti-Fraud Special Deposit Fund (proposed Welfare and Institutions Code section 14107.115) in order to appropriately house withheld Medi-Cal payments while a fraud investigation is in progress. Establishing a permanent fund will reduce the administrative burden of having to regularly request an extension from Finance for DHCS' use of SCO's Special Deposit Fund. Upon the lifting of a payment suspension, DHCS may return the intercepted Medi-Cal payments to the Medi-Cal provider or may offset the payments against any liabilities or restitution owed by the Medi-Cal provider to the Department. Other monies housed in SCO's Special Deposit Fund would continue to be housed in the fund as they are time-limited.

Summary of Arguments in Support: The proposal will reduce the amount of staff time and resources needed by DHCS, Finance, and the SCO to continually extend DHCS' use of the SCO's Special Deposit Fund (0942) for withheld Medi-Cal provider payments when a fraud investigation is in progress due to a Credible Allegation of Fraud.