STATE OF CALIFORNIA—HEALTH AND WELFARE AGENCY

GEORGE DEUKMEJIAN, Governor

DEPARTMENT OF HEALTH SERVICES
714/744 P STREET
SACRAMENTO, CA 95814

June 24, 1986

TO: All County Welfare Directors
All County Administrative Officers

Letter No. 86- 35

Subject: Other Health Coverage Data Processing Program Changes for MEDS

This is to inform you that the Department of Health Services will be implementing Phase I of the Medi-Cal program's Cost Avoidance System on November 1, 1986. Phase I of the new system consists of expanding the existing system which currently cost avoids Kaiser, CHAMPUS and Ross Loos to also cost avoid additional prepaid health plans (PHPs) or health maintenance organizations (HMOs). County systems must have the capability to accept and process an Other Health Coverage (OHC) code of 'P' effective on October 1, 1986. Having the capability by that date will allow sufficient time for the 'P' OHC indicator to be printed on the November 1986 Medi-Cal ID cards. Prior to October 1, 1986, you will be receiving additional instructions and data which will include a list of beneficiaries who require an OHC indicator change on MEDS.

REGULATORY BACKGROUND

Federal regulation 42 CFR 433.139 requires that as of May 12, 1986 State Medicaid agencies use the cost avoidance method of handling provider claims when potential third party liability exists. The Department of Health Services will be achieving compliance in phases with the first phase occurring on November 1, 1986. This phase will require beneficiaries enrolled in designated non-state contracted PHPs/HMOs to have a 'P' OHC indicator placed on their Medi-Cal card and require them to utilize the services of their PHP/HMO except in specified circumstances. Additionally, Sections 14000(b) and 14023 of the California Welfare and Institutions Code require Medi-Cal beneficiaries to report and utilize their other health coverage prior to receiving benefits provided under other federal or state laws. These laws and regulations serve to underscore Medi-Cal's role as payor of last resort.

Should you have any questions regarding this letter, please contact Gino Maiolini at (916) 739-3247.

Sincerely,

Original signed by

Doris Z. Soderberg, Chief
Medi-Cal Eligibility Branch

cc: Medi-Cal Liaisons
Medi-Cal Program Consultants
County MEDS Liaisons
County EDP Coordinators

Expiration Date: December 31, 1986