

## DEPARTMENT OF HEALTH SERVICES

714/744 P STREET  
SACRAMENTO, CA 95814



April 14, 1987

TO: All County Welfare Directors  
All County Administrative Officers

Letter: 87-20

REQUEST FOR COUNTY INPUT RE: STATE PLACEMENT OF OTHER HEALTH  
COVERAGE INDICATORS ON MEDS

This letter is to provide the counties the opportunity to comment on the Department of Health Services' (DHS) direct placement of Other Health Coverage (OHC) indicators on the Medi-Cal Eligibility Data System (MEDS) for the Cost Avoidance Phase II data matches.

Revised Federal Regulations (42 CFR 433.139) and the passage of new State Legislation (AB 3328, Margolin, Chapter 940, Statutes of 1986) require DHS to implement a Cost Avoidance System for paying Medi-Cal claims. DHS is implementing this Cost Avoidance System in three phases. Phase I of its Cost Avoidance System was implemented in December 1986. In Phase I, counties were asked to code the Medi-Cal cards with a "P" for Medi-Cal beneficiaries enrolled in Pre-Paid Health Plans/Health Maintenance Organizations (PHPs/HMOs).

DHS will implement Phase II of its Cost Avoidance System by August 1986. In this phase, DHS will do data matches with health insurance companies who provide OHC to the majority of Medi-Cal beneficiaries. The first data matches will begin in May 1987 with additional matches every sixty (60) to ninety (90) days thereafter. Beneficiaries identified by the match will have a cost avoidance code placed on their Medi-Cal cards.

It is anticipated that approximately 20,000 beneficiaries will be identified from the first three data matches (Blue Cross, Blue Shield and American General) as having full coverage and will be assigned cost avoidance OHC codes; "B" for Blue Cross, "S" for Blue Shield and "G" for American General.

Under the proposed system, the state will update MEDS directly from the matched eligible tapes. MEDS edits will be disabled to prevent overrides of the cost avoidance code by county updates. The counties will be able to change the cost avoidance code with the EW15 and EW55 transactions if the beneficiary informs the county that they do not have the coverage.

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Counties are requested to provide their comments, concerns and/or recommendations regarding DHS' direct placement of OHC codes on MEDS by April 30, 1987. Please include a statement whether tape or paper listing would be preferred and send your comments via SYSM to "HDAREED" or in writing to:

Paula Marty  
Health Insurance Unit  
Recovery Branch  
Department of Health Services  
6620 Folsom Boulevard  
Sacramento, CA 95819

If you have any questions regarding this matter, please contact Paula Marty at (916) 739-3274.

Sincerely,

Original signed by

Frank S. Martucci, Chief  
Medi-Cal Eligibility Branch

cc: Medi-Cal Liaisons  
Medi-Cal Program Consultants

Expiration Date: October 31, 1987