



September 4, 2009

Dear Outpatient Hospital Provider,

Subject: Overpaid Claims for Modifiers ZM and ZN

EDS, an HP company, has discovered a system error that resulted in the overpayment of certain claims with modifiers ZM or ZN (supplies and drugs for surgical procedures).

Under the terms of a settlement agreement effective July 1, 2001, if there is a Medi-Cal rate in effect for June 30, 2001, outpatient hospital claims are priced at that rate plus a percentage (30 to 43.44 percent). This settlement pricing should not be applied to services with no price on file for June 30, 2001, but when these services had modifier ZM or ZN, the system error applied the settlement pricing. This error was corrected January 19, 2009.

EDS is adjusting the claims that were affected after *Remittance Advice Details* (RAD) date September 11, 2006. These adjustments will appear on RADs beginning September 24, 2009 with RAD code **0898: Retroactive price correction ortho settlement**.

This recovery is authorized under the provisions of the *Welfare and Institutions Code* (W&I Code), Sections 14176 and 14177, and *California Code of Regulations* (CCR), Title 22, Section 51458.1(a)(1). In addition, the W&I Code sections authorize the Department of Health Care Services (DHCS) to enter into repayment agreements with providers or offset overpayments against amounts due. If the total warrant amount is not sufficient to offset the recovery, the negative balance will be converted to an accounts-receivable transaction and subtracted from future Medi-Cal reimbursements, subject to any repayment agreements.

If you disagree with any of these adjustments, you may submit a *Claims Inquiry Form* (CIF) within six months from the new RAD date. For CIF completion instructions, please refer to the *CIF Completion* and *CIF Special Billing Instructions* sections in the appropriate Part 2 manual or on the Medi-Cal Web site (www.medi-cal.ca.gov).

If you have questions, please call the Telephone Service Center (TSC) at 1-800-541-5555, option 11 followed by option 18.

Sincerely,

A handwritten signature in black ink that reads 'Nona Carpenter'.

Nona Carpenter
Provider Relations Director

Reference Number: P7623a

EDS, an HP company
3215 Prospect Park Drive
Rancho Cordova, CA 95670-6017