April 3, 2019

Subject: Adjustment of Pharmacy Claims Due to Retroactive Payment Methodology Changes

Dear Provider:

The Centers for Medicare & Medicaid Services (CMS) published its final rule on covered outpatient drugs (CODs) on February 1, 2016. Under the final rule, each state Medicaid agency is required to adopt a methodology based on actual acquisition cost (AAC) for CODs. As has been published in previous Medi-Cal Updates, pursuant to California's State Plan Amendment 17-002, which was approved by CMS on August 25, 2017, the Department of Health Care Services (DHCS) implemented a new fee-for-service reimbursement methodology for CODs to comply with the final rule. Although the mandated policy was effective on April 1, 2017, it took time to update the state’s claims processing system to reimburse using the new methodology. The associated system changes went into effect on February 23, 2019.

Starting with the last checkwrite in May 2019, and continuing over a period of 8 to 10 months, DHCS will begin to make retroactive adjustments for impacted claims with dates of service from the policy effective date of April 1, 2017, through the implementation date of February 23, 2019, for claims submitted prior to February 23, 2019. In a Medi-Cal NewsFlash dated March 11, 2019, DHCS invited pharmacy stakeholders to participate in a teleconference conducted on March 26, 2019, presenting how claim adjustments will be rolled out. A PDF version of the presentation slides are available at the Pharmacy Reimbursement Project page of the DHCS website, under the Latest News heading (www.dhcs.ca.gov/provgovpart/pharmacy/Pages/PharmSurvey.aspx).

No action is required on your part. The California Medicaid Management Information System (MMIS) Fiscal Intermediary, Conduent State Healthcare, LLC, will adjust the affected claims. These adjustments will appear on Remittance Advice Details (RAD) forms beginning May 30, 2019, with RAD code 0812: Covered Outpatient Drug Retroactive Payment Adjustment.

The recoveries are authorized under the provisions of 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 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.

If you disagree with any of these adjustments, you may submit a Claims Inquiry Form (CIF) within six months of the new RAD date or you may submit an Appeal Form within 90 days of 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 website (www.medi-cal.ca.gov). For Appeal Form completion instructions, please refer to the Appeal Form Completion section in the appropriate Part 2 manual or on the Medi-Cal website.
Questions regarding offsets and repayment agreements should be directed via email to GCU@dhcs.ca.gov at DHCS, Third Party Liability and Recovery Division, Overpayments Unit.

If you have questions regarding these adjustments, please call the California MMIS Fiscal Intermediary Telephone Service Center at 1-800-541-5555, option 5, followed by option 6, or write to the California MMIS Fiscal Intermediary Correspondence Specialist Unit at P.O. Box 13029, Sacramento, CA 95813-4029.

Sincerely,

Evonne Pelaez

Evonne Pelaez  
Director, Provider Relations  
Conduent State Healthcare, LLC, on behalf of  
California Department of Health Care Services

Reference Number: P50489