Updated Designation of Categorical Risk Levels for the Drug Medi-Cal (DMC) Program

The *Code of Federal Regulations* (CFR), Title 42, Sections 455.410 and 455.450, and *Welfare and Institutions Code* (W&I Code), Section 14043.38, require the Department of Health Care Services (DHCS) to screen and establish categorical risk levels for all providers participating in the Medi-Cal program according to the risk of fraud, waste or abuse posed to the Medi-Cal program.

42 CFR, Section 455.450 and W&I Code, Section 14043.38 establish three categorical risk levels of "limited," "moderate" or "high" for screening provider applications. Pursuant to W&I Code, Section 14043.38(a), DHCS has reassessed the risk of fraud, waste and abuse posed by the category of Drug Medi-Cal (DMC) providers and determined that newly certifying or newly enrolling DMC applicants and DMC providers who submit an application for revalidation in the Medi-Cal program should be designated as "limited" categorical risk level.

This bulletin supersedes the bulletin establishing DMC providers as high categorical risk titled, "Designation of Categorical Risk Levels for the Drug Medi-Cal (DMC) Program," effective June 13, 2019.

Based upon the authority granted to DHCS pursuant to W&I Code, Section 14043.75(b), DHCS hereby designates the "limited" categorical risk level for newly certifying or newly enrolling DMC applicants and DMC providers that submit an application for revalidation. The procedures regarding screening DMC applicants or providers as having a "limited" categorical risk level will be effective on June 13, 2019.

Under the Patient Protection and Affordable Care Act (ACA), federal law requires DHCS to establish a screening process for Medi-Cal applicants and providers based on each provider type's categorical risk for fraud, waste and abuse. In addition to the "limited," "moderate" or "high" risk screening level designations, provider applications are also subject to the minimum requirements for screening and research to be conducted during the application review process. Screening levels are determined as follows:

- If Medicare designates a provider type to a specific categorical risk, Medi-Cal must screen that provider type at the same categorical risk level.
- Federal law specifies certain criteria that require Medi-Cal to designate a provider or provider type as a certain risk level or to move them to a higher level of screening pursuant to 42 CFR, Section 455.450.
- For all other provider types, federal law allows DHCS to designate an appropriate screening level based on the actual risk of fraud, waste or abuse for that provider type (42 CFR, Sections 455.434 and 455.450).

When Medi-Cal designates a categorical risk level of "limited" to a provider, Medi-Cal must complete the following enrollment screening process:

- Verify that a provider meets any applicable federal regulations or state requirements for the provider type prior to making an enrollment determination.
- Conduct license verifications, including state license verifications in states other than where the provider is enrolling, in accordance with Section 455.412.
- Conduct database checks on a pre- and post-enrollment basis to ensure that providers continue to meet the enrollment criteria for their provider type, in accordance with Section 455.436.

The usual conditions that cause a provider to be screened at the "moderate" or "high" risk level still apply. Therefore, if DHCS determines that a provider may need their risk level elevated to "moderate" or "high," the Provider Enrollment Division (PED) still has the authority to do so pursuant to 42 CFR, Section 455.450.