



RICHARD FIGUEROA
ACTING DIRECTOR

State of California—Health and Human Services Agency
Department of Health Care Services



GAVIN NEWSOM
GOVERNOR

January 7, 2020

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. The associated system changes went into effect on February 23, 2019.

CMS requires that DHCS 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. DHCS processed the first iteration of these adjustments (claims with dates of service in the month of April 2017) in May 2019, and then paused for further adjustments. In the fall of 2019, DHCS contacted all Medi-Cal Pharmacy providers to notify them of an alternative payment arrangement for remaining adjustments. Providers could register for this option via an online application that was available from October 28, 2019, through November 22, 2019. Providers approved for the alternative payment arrangement have since been notified by DHCS and will have their remaining adjustments processed separately from the previous adjustment process.

For providers who did not choose the alternative payment arrangement, DHCS will resume retroactive adjustments beginning in February 2020, through February 2021, for the remaining impacted claims with dates of service from May 1, 2017, through February 23, 2019. The California Medicaid Management Information System (MMIS) Fiscal Intermediary will adjust the affected claims. These adjustments will appear on *Remittance Advice Details* (RAD) forms beginning February 2020, 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,

Cindy Garrett

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Director, Provider & Member Services

DXC Technology, on behalf of

California Department of Health Care Services

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