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

TOBY DOUGLAS
DIRECTOR

EDMUND G. BROWN JR.
GOVERNOR

DATE: January 10, 2014

MHSD INFORMATION NOTICE NO.: 14-01

TO: LOCAL MENTAL HEALTH DIRECTORS
LOCAL MENTAL HEALTH PROGRAM CHIEFS
LOCAL MENTAL HEALTH ADMINISTRATORS
COUNTY ADMINISTRATIVE OFFICERS
CHAIRPERSONS, LOCAL MENTAL HEALTH BOARDS

SUBJECT: SHORT-DOYLE/MEDI-CAL DENIED CLAIM ADJUSTMENT CODE CHANGES

REFERENCE: ADMINISTRATIVE SIMPLIFICATION: ADOPTION OF STANDARDS FOR HEALTH CARE ELECTRONIC FUNDS TRANSFERS AND REMITTANCE ADVICE (45 CFR PART 162)

This Information Notice describes changes to the adjustment codes for denied claims reported on claim payment/advice transactions (835) from the Short-Doyle/Medi-Cal (SDMC) system. These changes are part of the Committee on Operating Rules for Information Exchange (CORE) Rule 360, are federally mandated as part of the Affordable Care Act, and have an implementation date of January 1, 2014.

Background

The Phase III CORE 360 Uniform Use of Claim Adjustment Reason Codes (CARCs) and Remittance Advice Remark Codes (RARCs) Rule establishes data content rule requirements for conducting the v5010 X12 835 transaction. The current use of the CARCs, RARCs, and Claim Adjustment Group Codes (CAGCs) can cause confusion throughout the healthcare industry due to non-uniform use of the codes. Therefore, CORE determined that operating rules would be required for the consistent and uniform use of CARCs and RARCs. The federal government released the regulations related to these operating rules on August 10, 2012.

When providers do not receive the same uniform and consistent CARC and RARC combinations for the same or similar business scenarios from all health plans, they are unable to automatically post claim payment adjustments and claim denials accurately and consistently. The CORE Rule 360 remediates this by providing four CORE-defined Claim Adjustment/Denial Business Scenarios and specific combinations of

CARC/RARC/CAGC codes that can be applied to convey details of the claim denial or payment within each business scenario. However, when a specific CORE-defined Business Scenario is not applicable to meet the health plan's business needs, the health plan may develop additional business scenarios and code combinations for them.

Changes to SDMC CARCs and RARCs

To implement the CORE Rule 360 requirements, the Claim Adjustment Group Codes, Claim Adjustment Reason Codes, and Remittance Advice Remarks Codes will be changed according to Enclosure 1, effective January 1, 2014. For certain claim denials, the description of the circumstance of claim denial is revised from the previously published descriptions to clarify the circumstance or to reflect changes since the description was previously published.

Questions regarding the content of this information notice or its enclosure may be directed to the County Customer Services Section at MedCCC@dhcs.ca.gov or (916) 650-6525.

Sincerely,

Original Signed By

Karen Baylor, Ph.D., LMFT, Deputy Director
Mental Health and Substance Use Disorder Services

Enclosure