



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



EDMUND G. BROWN JR.  
GOVERNOR

DATE: December 30, 2016

MHSUDS INFORMATION NOTICE NO.: 16-064

TO: COUNTY BEHAVIORAL HEALTH DIRECTORS  
COUNTY DRUG & ALCOHOL ADMINISTRATORS  
COUNTY BEHAVIORAL HEALTH DIRECTORS ASSOCIATION OF CALIFORNIA  
CALIFORNIA COUNCIL OF COMMUNITY BEHAVIORAL HEALTH AGENCIES  
COALITION OF ALCOHOL AND DRUG ASSOCIATIONS  
CALIFORNIA ASSOCIATION OF ALCOHOL & DRUG PROGRAM EXECUTIVES, INC.  
DRUG MEDI-CAL DIRECT CONTRACT PROVIDERS

SUBJECT: CARRIER AND PROVIDER RECOVERIES and OTHER HEALTH COVERAGE CODES

### PURPOSE

Section 433.138 of Title 42 of the Code of Federal Regulations and Section 1902 (a) of the Social Security Act require State Medicaid agencies to take all reasonable measures to ascertain the legal liability of third parties to pay for care and services furnished to Medicaid recipients and to pursue liable third parties for Medicaid paid claims. California's Medicaid program, Medi-Cal, requires beneficiaries to cooperate with DHCS to identify available third party resources and assign their rights to third party payments to DHCS<sup>1</sup>.

### BACKGROUND

For many years, DHCS has contracted with a Safety Net Recovery vendor, currently Health Management Systems, Inc. (HMS), to bill liable third parties for Medi-Cal claims other than claims for Specialty Mental Health Services (SMHS) and Drug Medi-Cal ((DMC); claim categories 21 and 37). The Safety Net Recovery Vendor will now review all paid claims for categories 21 and 37.

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<sup>1</sup>(See 42 United States Code Section 1396a (25); 42 Code of Federal Regulations, section 433; Welfare & Institutions Code, Section 10022; and [Centers for Medicare & Medicaid Services' letter SMD 14-006](#).)

## DISCUSSION

Consistent with existing processes, if the Safety Net Recovery Vendor identifies a Medi-Cal beneficiary for whom SMHS and DMC has been claimed and who has Other Health Coverage (OHC), the Safety Net Recovery Vendor will request that the OHC carrier submit payment to DHCS. The OHC carrier will then either provide DHCS with a reason for the denial of its coverage or issue payment to DHCS.

If the OHC carrier issues payment to DHCS, the OHC carrier should produce an Explanation of Benefits (EOB) to the policy holder of the Medi-Cal beneficiary and potentially to the respective county Behavioral Health Plan. The EOBs are generated as part of the OHC's obligation to inform its policy holders of claims processed on their behalf. The EOB is not a DHCS claim or bill. In addition, services to members and payments to providers will not be impacted by the OHC carrier's EOB process.

Note that as part of the recovery process, the provider should not receive payment from the OHC. If a provider receives a check from an insurance carrier that is payable to the Mental Health Services Division or Substance Use Disorder Services - Program Policy and Fiscal Division (SUD-PPFD), the provider should return the check to the insurance carrier. If the provider receives a payment from an insurance carrier that is payable to DHCS or to Health Management Systems (HMS), the provider should forward the check and any supporting documents to:

DHCS  
P.O. Box 742635  
Los Angeles, CA 90074-2635

## OHC COST-AVOIDANCE

As a reminder, Medi-Cal beneficiaries who also have OHC through a third party insurance carrier or health plan are coded in the Medi-Cal Eligibility Data System (MEDS) with unique designators called cost avoidance codes. These cost avoidance codes identify if a Medi-Cal beneficiary should have services paid for by their third party insurance carrier or health plan. This ensures Medi-Cal is the payer of last resort.

If a recipient's OHC is one of the following and the service rendered falls within the recipient's Scope of Coverage under the OHC, the provider must advise the recipient to contact the Health Maintenance Organization or bill the OHC before billing Medi-Cal. If the MEDS cost avoidance code for the beneficiary is "A," providers are allowed, but not required, to bill the OHC carrier prior to billing Medi-Cal.

OHC Code	Carrier
A	Pay and Chase (applies to any carrier)
C	Military Benefits Comprehensive
D	Medicare Part D Prescription Drug Coverage
F	Medicare Part C Health Plan
G	Medical Parolee
I	Institutionalized
K	Kaiser
L	Dental only policies
P	PPO/PHP/HMO/EPO not otherwise specified
V <sup>2</sup>	Any carrier other than the above (includes multiple coverage)

Effective January 1, 2017, TPLRD will implement the following four new OHC codes:

OHC Code	Carrier
E	Vision Plans
H	Multiple Plans Comprehensive
Q	Commercial Pharmacy Plans
W	Multiple Plans Non-Comprehensive

A recipient is required to use their OHC prior to Medi-Cal when the same service is available under the beneficiary's third party health insurance carrier. Providers are not allowed to deny Medi-Cal services based upon potential third party liability. If the recipient elects to seek services not covered by Medi-Cal, Medi-Cal is not liable for the cost of those services. To establish Medi-Cal's liability for a covered Medi-Cal service, the provider must obtain an acceptable denial letter from the OHC entity.

More information about the Medi-Cal program and benefits can be found at:

<http://www.dhcs.ca.gov/formsandpubs/publications/Documents/PUB68.pdf>

For OHC instructions specific to DMC, please refer to ADP Bulletin 11-01, ADP Bulletin 12-03, and MHSUDS Information Notice 15-011 at

<http://www.dhcs.ca.gov/formsandpubs/Pages/MHSUDS-Information-Notices.aspx>

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<sup>2</sup> Effective January 1, 2017, OHC code V will only be used for historical reference.

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IMPLEMENTATION DATE

The implementation date will be as soon as possible.

Questions regarding the content of this Information Notice or its enclosure that are related to SMHS may be directed to the MHSD County Customer Services Section at [MedCCC@dhcs.ca.gov](mailto:MedCCC@dhcs.ca.gov) or (916) 650-6525. For DMC, please contact the SUD-PPFD Fiscal Policy Unit at (916) 327-2745.

Sincerely,

Original signed by

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