

DEPARTMENT OF HEALTH SERVICES

714/744 P STREET
SACRAMENTO, CA 95814
(916) 324-4950



March 7, 1988

All County Welfare Directors
All County Administrative Officers

Letter 88-17

Subject: Other Health Coverage

Reference: ACWDL 87-44

The State has two methods for utilizing third party liability information on Medi-Cal beneficiaries. These are the Cost Avoidance and the Post Recovery methods. Under the Cost Avoidance method, the provider must bill the other health coverage prior to billing Medi-Cal. Currently, providers are required to bill Kaiser (K), CHAMPUS (C), Ross Loos (R), Prepaid Health Plans (P), American General (G), Blue Cross (B), and Blue Shield (S), prior to billing Medi-Cal. The fiscal intermediary (FI) will deny claims for beneficiaries with a Medi-Cal card coded with one of these coverages unless an Explanation of Benefits (EOB) from the other coverage carrier is attached to the claim indicating a denial of payment or a partial payment. The only exception to the requirement to bill these carriers first is when the claim is for long term care services or for drugs for patients in long term care facilities.

Under the Post Recovery method, providers are encouraged but not required to bill health insurance carriers other than those listed above. The FI processes claims for beneficiaries coded for such coverage (reflected by an A, M, X, Y or Z on the Medi-Cal card) without an EOB from the other coverage carrier. The FI forwards information about claims paid for beneficiaries with one of these other coverage codes to the Department of Health Services. The Department's Recovery Branch bills and pursues payment from the other insurance carrier, using information provided by the County on the Health Insurance Questionnaire (DHS 6155).

At this time, the State is utilizing both methods; the Cost Avoidance and Post Recovery. The emphasis is, however, on converting from a post recovery to a cost avoidance system as required by Federal and State law.

Initially, the responsibility for determining whether a beneficiary has coverage with one of the "cost avoidance" carriers has been only with DHS. DHS places cost avoidance codes on MEDs as a result of tape matches with insurance companies if the policy offers full coverage. However, since the tape matches currently do not match dependent data, the counties were directed in ACWDL 87-44 to place cost avoidance codes for all dependents covered under a parent's or spouse's policy.

All County Welfare Directors
All County Administrative Officers
Page 3

Beneficiaries will not receive notification by the state of the county added cost avoidance code. Therefore, the county worker must explain the meaning of the cost avoidance code to the beneficiary. Please see enclosed recommended explanation.

The Health Insurance Questionnaire must be completed by the county worker for cost avoidance OHC codes only if health coverage was available prior to the effective date of the cost avoidance code and the other health coverage has not been previously reported. Counties must enter "CA/Retro" in the upper right hand corner of the Health Insurance Questionnaire. Health Insurance Questionnaires are no longer required for dependents who are covered under a parent's policy that has been cost avoided.

If you have any questions, please call Paula Marty at (916) 739-3276.

Sincerely,

Original signed by

Frank S. Martucci, Chief
Medi-Cal Eligibility Branch

Enclosure

Expiration Date: March 31, 1989

EXPLANATION FOR COST AVOIDANCE CODES

Medi-Cal is expanding its program for using private health insurance. This program is called Cost Avoidance and it means that if you have private health insurance, Medi-Cal will not pay for medical services covered by your insurance. However, you will still be able to use your Medi-Cal card for Medi-Cal covered services that your private health insurance does not cover.

Your Medi-Cal card will have a " " code in the other health coverage field on your card to indicate this coverage. Your provider of service will have to bill your private health insurance first. If your insurance company denies payment, your provider may then bill Medi-Cal.