



MICHELLE BAASS
DIRECTOR

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



GAVIN NEWSOM
GOVERNOR

PROVIDER NAME
ADDRESS 1
ADDRESS 2
CITY, STATE ZIP

August 14, 2023
NPI # 123456789

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*, and 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 beginning with 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 reprocessing efforts.

No action is required on your part. DHCS will resume retroactive adjustments beginning in August 2023, through December 2023, for the remaining impacted claims with dates of service beginning April 1, 2017, through February 23, 2019. The California Medicaid Management Information System (MMIS) Fiscal Intermediary will adjust the affected claims and transfer the resulting Account Receivable to Medi-Cal Rx for recoupment. These adjustments will appear on California MMIS FFS *Remittance Advice Details* (RAD) forms beginning August 31, 2023, with RAD code **0812: Covered outpatient drug retroactive payment adjustment.**

Page 2
August 14, 2023

Starting in October 2023, Medi-Cal Rx will administer the Account Receivable(s) (AR) and recoup amounts due from a pharmacy's Medi-Cal Rx weekly payment. Pharmacies meeting the requirements of Assembly Bill 179, Statutes of 2022, which allowed DHCS to forego the recoupment of overpayments from independent pharmacies, will be notified of their AR cancellations in early 2024. 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. 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.

Refer to the *Pharmacy Retroactive Claim Adjustments Frequently Asked Questions at [Medi-Cal Rx | FAQ](#)* for up-to-date information including the dispute resolution process.

If you have general questions regarding the recovery process, please call the Medi-Cal Rx at Customer Service Center at 800-977-2273 twenty-four hours a day, seven days a week. If you have claim specific questions about these adjustments, or need assistance accessing your electronic RAD or ASC X12 835 file, contact the California MMIS Fiscal Intermediary Telephone Service Center at 1-800-541-5555, and select the prompts for pharmacy EPC support.

Sincerely,

Cindy Garrett

Cindy Garrett
Director, Provider & Member Services
Gainwell Technologies, *on behalf of*
California Department of Health Care Services
Reference Number: P50489A