

# Pharmacy Retroactive Claim Adjustments – Frequently Asked Questions (FAQs)

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## Overview

The Department of Health Care Services (DHCS) will be reprocessing pharmacy claims from April 2017 through February 2019 related to the Actual Acquisition Cost (AAC)-based methodology, effective April 1, 2017. This effort will occur over many months and involve both the California Medicaid Management Information System (MMIS) Fiscal Intermediary (which processed pharmacy fee-for-service claims prior to January 1, 2022) and Medi-Cal Rx.

- The California MMIS Fiscal Intermediary will reprocess the claims and provide the Remittance Advice Details (RADs)/835 files via the [Medi-Cal Provider Portal](#). For questions regarding portal access, contact the California MMIS Fiscal Intermediary's Telephone Service Center (TSC) at 1-800-541-5555.
- Medi-Cal Rx will manage the resulting accounts receivable (AR) including recoupment from a pharmacy's weekly Medi-Cal Rx checkwrite. Recoupments will be viewable on the Medi-Cal Rx RADs/835 files and are available in the Medi-Cal Rx Finance Portal accessible via the [Medi-Cal Rx Provider Portal](#).

## Background

### 1. Why is the Department of Health Care Services (DHCS) reprocessing fee-for-service pharmacy claims for covered outpatient drugs (CODs)?

The Centers for Medicare & Medicaid Services (CMS) approved State Plan Amendment (SPA) 17-002 on August 25, 2017, with a mandated policy effective date of April 1, 2017. This SPA outlines the new Actual Acquisition Cost (AAC)-based methodology DHCS has adopted for reimbursement of Medi-Cal fee-for-service CODs to comply with the CMS COD Final Rule (CMS-2345-FC). The SPA also outlines the methodology for a new two-tiered professional dispensing fee. It took significant time for the state to update the claims processing system to reimburse using the new methodology. As a result, DHCS is required to process retroactive adjustments for impacted fee-for-service claims with dates of service (DOS) on and after the policy effective date of April 1, 2017, and that were processed before the system implementation date of February 23, 2019.

The reprocessing of the claims will be completed by the California Medicaid Management Information System (MMIS) Fiscal Intermediary and will occur over five months. Starting in October 2023, Medi-Cal Rx will administer the accounts receivable (AR), and recoup amounts due from a pharmacy's Medi-Cal Rx weekly payment. Refer to the following table for the time periods and DOS for claims based on iteration number, California MMIS Fiscal Intermediary Remittance Advice Details (RADs)/835 files, and Medi-Cal Rx checkwrite.

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## Schedule

Iteration Number	DOS for Claims Included in Iteration	Date Claim Adjustments Appear on the California MMIS Fiscal Intermediary RADs/835 File	Date Recoupment Begins in Medi-Cal Rx Checkwrite
1	April 2017	May 2019	n/a
2	May – June 2017 with remaining April 2017	August 31, 2023	October 20, 2023
3	July – September 2017	September 21, 2023	November 14, 2023
4	October – December 2017	September 28, 2023	December 5, 2023
5	January – March 2018	October 5, 2023	January 9, 2024
6	April – June 2018	October 12, 2023	February 16, 2024
7	July – September 2018	October 19, 2023	March 22, 2024
8	October – December 2018	October 26, 2023	April 19, 2024
9	January – February 2019	November 2, 2023	May 17, 2024
10	340B adjustments, payout transactions, and remaining adjustments	November 30, 2023, December 7, 2023, and December 14, 2023	June 28, 2024

### 2. Is the authority to collect retroactive payments approved by Centers for Medicare & Medicaid Services (CMS)?

Yes, with the policy effective date of State Plan Amendment (SPA) 17-002 being April 1, 2017, as approved by CMS, the Department of Health Care Services (DHCS) is obligated to reprocess pharmacy claims according to the Actual Acquisition Cost (AAC) reimbursement methodology between the policy effective date and the system implementation date of the AAC reimbursement methodology.

### 3. Why is this change occurring now?

Passage of Assembly Bill 179 (Budget Act of 2022) and resolution to prior litigation have made it possible for the Department of Health Care Services (DHCS) to proceed with these recoupments. DHCS is obligated to reprocess pharmacy claims according to the reimbursement methodology effective April 1, 2017, through February 23, 2019 (when the California Medicaid Management Information System [MMIS] Fiscal Intermediary implemented the updated reimbursement methodology).

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**4. Does this change affect Medi-Cal Managed Care pharmacy claims also?**

No, this change only affects Medi-Cal fee-for-service pharmacy claims.

**5. What does this change mean to managed care organizations (MCOs) and their Pharmacy Benefit Managers (PBMs)?**

The impacted claims are Medi-Cal fee-for-service pharmacy claims. Medi-Cal pharmacy claims paid by a managed care plan (MCP) are not impacted. This is a coordinated effort involving the prior California Medicaid Management Information System (MMIS) Fiscal Intermediary and Medi-Cal Rx.

**6. Are all pharmacy fee-for-service claims impacted?**

No, the following pharmacy-related fee-for-service claims are not subject to retroactive adjustments:

- Blood factors
- Enteral products
- Incontinence supplies
- Medical supplies

**Note:** Physician administered drug (PAD) rates impacted by this adjustment were implemented in Fall of 2017 and claim adjustments occurred at that time.

**7. Are 340B pharmacy claims impacted?**

Yes, 340B fee-for-service pharmacy claims for covered outpatient drugs (CODs) will be reprocessed. However, because the drug ingredient cost reimbursement is already equal to the Actual Acquisition Cost (AAC), only the professional dispensing fee component will be recalculated for these claims.

**8. When was the first claim adjustment processed?**

Pharmacy providers saw the first claim adjustment (Iteration 1 for claims with dates of service [DOS] during April 2017) in the last checkwrite in May 2019, and for some providers, this continued into the first checkwrite in June 2019. Adjustments were then paused and have been scheduled for recoupment starting in October 2023.

## **Independent Pharmacies**

**9. What does forgiveness of the Actual Acquisition Cost (AAC) recoupments mean?**

Assembly Bill 179, Statutes of 2022, allows the Department of Health Care Services (DHCS) to forgo the continued recoupment of overpayments for independent pharmacies. An independent pharmacy is defined as a pharmacy owned by a person or entity who owns no more than 74 pharmacies in California. If you are uncertain if your pharmacy is considered an independent pharmacy for this recoupment, contact the Medi-Cal Rx Customer Service Center (CSC) at 1-800-977-2273, select **Option 2** for Pharmacy, enter your National

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Provider Identifier (NPI), and select **Option 2** for Checkwrite. The CSC is open Monday through Friday, 8 a.m. to 5 p.m. PT.

#### **10. When will pharmacies know that overpayments received have been forgiven?**

Once all adjustments have been completed and reconciled, Medi-Cal Rx, on behalf of the Department of Health Care Services (DHCS), will send a letter informing independent pharmacies of the forgiveness. These letters are anticipated to be mailed in the first quarter of 2024.

## **Reprocessing**

#### **11. Where can I see the adjustments?**

The retroactive claim adjustments will appear on the California Medicaid Management Information System (MMIS) Fiscal Intermediary's Remittance Advice Details (RADs)/835 files available through the [Medi-Cal Provider Portal](#).

**Note:** This is not the Medi-Cal Rx Provider Portal.

The RADs/835 files will contain the details of all the claims adjusted and the total adjustment. These adjustments will appear with RAD code **0812: Covered Outpatient Drug Retroactive Payment Adjustment**. No paper RADs will be mailed; all RADs/835 files are available through the Medi-Cal Provider Portal. RADs/835 files will be available based on how each pharmacy signed up to receive this information from the California MMIS Fiscal Intermediary.

For questions regarding portal access, contact the California MMIS Fiscal Intermediary's Telephone Service Center (TSC) at 1-800-541-5555.

No Actual Acquisition Cost (AAC) recoupments will occur during the adjustment processing. The resulting accounts receivable (AR) will be transferred to Medi-Cal Rx.

#### **12. I haven't accessed the online Remittance Advice Details (RADs)/835 files from the California Medicaid Management Information System (MMIS) Fiscal Intermediary's Provider Portal since Medi-Cal Rx began operations. How do I access my California MMIS Fiscal Intermediary's Provider Portal credentials and/or password/PIN reset?**

Login Help is available with the California MMIS Fiscal Intermediary. For User ID and Password assistance, call the California MMIS Fiscal Intermediary's Telephone Service Center (TSC) at 1-800-541-5555.

**Note:** This is not the Medi-Cal Rx Customer Service Center (CSC).

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**13. Will an Erroneous Payment Correction (EPC) letter for each iteration be posted to the Department of Health Care Services (DHCS) website explaining these claim adjustments?**

No. An EPC letter will be posted to the [EPC](#) page of the California Medicaid Management Information System (MMIS) Fiscal Intermediary's website explaining the totality of claim adjustments. The Remittance Advice Details (RAD) code identified for this EPC will be **0812: Covered Outpatient Drug Retroactive Payment Adjustment**; individual letters will not be posted for each iteration.

**14. Where can I get more information on drug pricing?**

Historical National Average Drug Acquisition Cost (NADAC) prices are listed by week on the [Pharmacy Pricing](#) page on the Medicaid website. Pharmacy providers may leverage the information provided on that website to determine appropriate claim reimbursement.

**15. The California Medicaid Management Information System (MMIS) Fiscal Intermediary's Remittance Advice Details (RADs)/835 files indicate that the claim adjustments resulted in a payment due to me. When can I expect that payment and from whom?**

Any payments that result from the Actual Acquisition Cost (AAC) claim adjustment process will be made during Iteration #10 from California MMIS Fiscal Intermediary via a paper check or Electronic Fund Transfer (EFT). Due to retroactive member eligibility changes, the claim reversal (and Accounts Receivable [AR]) may be recorded in one checkwrite stream, and the reprocessed paid claim may be recorded in a different checkwrite stream.

**16. When will we be notified of our total liability for the claim adjustment period?**

Since the remaining claims in the adjustment period span five months broken into nine remaining iterations, providers will not receive notification of their total liability in advance. The amount owed will be displayed on each California Medicaid Management Information System (MMIS) Fiscal Intermediary's Remittance Advice Details (RADs)/835 files. For each iteration, the initial California MMIS Fiscal Intermediary RADs/835 file will display the total as a negative balance. The following week, the California MMIS Fiscal Intermediary RADs/835 file will show this balance as an Account Receivable (AR). The resulting AR will be transferred to Medi-Cal Rx. Refer to the Schedule table in **question #1** for iteration details and dates.

**17. Where can I direct my question related to a specific claim adjustment?**

Pharmacies can contact the California Medicaid Management Information System (MMIS) Fiscal Intermediary's Telephone Service Center (TSC) at 1-800-541-5555 regarding specific claim adjustments related to this Erroneous Payment Correction (EPC) and Remittance Advice Details (RAD) code **0812: Covered Outpatient Drug Retroactive Payment Adjustment**.

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For escalated concerns, contact the Department of Health Care Services (DHCS) at [AACTRecoupment@dhcs.ca.gov](mailto:AACTRecoupment@dhcs.ca.gov).

The [Provider Claim Appeal Form](#) may be submitted to Medi-Cal Rx within 90 days of the California MMIS Fiscal Intermediary's RAD/835 file date. For [Provider Claim Appeal Form](#) (DHCS 6571) completion instructions, refer to the *Medi-Cal Rx Provider Claim Appeal Processes* section in the [Medi-Cal Rx Provider Manual](#).

## Accounts Receivable

**18. Will the Medi-Cal Rx Customer Service Center (CSC) be able to provide my California Medicaid Management Information System (MMIS) Fiscal Intermediary's Remittance Advice Details (RADs)/835 files or address what specific claims were factored into the transferred accounts receivable (AR) balance?**

The Medi-Cal Rx CSC will not have access to the California MMIS Fiscal Intermediary's RADs/835 files and will not be able to address which specific claims were factored into the AR balance transferred to Medi-Cal Rx. For questions regarding specific claims involved in the reprocessing, contact the California MMIS Fiscal Intermediary's Telephone Service Center (TSC) at 1-800-541-5555.

**19. For a given iteration, when will interest start accruing on the accounts receivable (AR) balance transferred to Medi-Cal Rx?**

No interest shall accrue for Actual Acquisition Cost (AAC) recoupments or their related AR balances.

**20. Where can I direct my question related to the recoupment of the accounts receivable (AR)?**

Contact the Medi-Cal Rx Customer Service Center (CSC) at 1-800-977-2273, select **Option 2** for Pharmacy, enter your National Provider Identifier (NPI), and select **Option 2** for Checkwrite. The CSC is open Monday through Friday, 8 a.m. to 5 p.m. PT.

**21. How much will be withheld weekly from my checkwrite payment?**

The weekly withhold is not a set amount. Up to 100 percent of your checkwrite will be used to satisfy any amount owed. The accounts receivable (AR) will continue to recoup from your Medi-Cal Rx checkwrite each week until full recoupment is reached.

**22. What if weekly withholds do not fulfill the Actual Acquisition Cost (AAC) accounts receivable (AR) amount due?**

If weekly withholds do not fulfill the amount due, remit payment to the Department of Health Care Services (DHCS) via the following payment methods:

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- **Payment by Check:** Checks should be made payable to “Department of Health Care Services” and must list the appropriate National Provider Identifier (NPI), Owner Number, and AR number. Checks should be mailed to the following address:

Department of Health Care Services  
Overpayments Unit, MS 4720  
P.O. Box 997421  
Sacramento, CA 95899-7421

- **Payment by Electronic Fund Transfer (EFT):** Visit the [TPLRD Electronic Funds Transfer Payments](#) web page and follow the instructions to make an EFT payment.

**23. Can we submit a single payment rather than recouping from Medi-Cal Rx checkwrites?**

Yes. Email [Robin.Callori@dhcs.ca.gov](mailto:Robin.Callori@dhcs.ca.gov) to request the single payment option and include applicable National Provider Identifier (NPI) and Owner Numbers. All requests for a single payment must be received by August 31, 2023, so the Department of Health Care Services (DHCS) can hold the accounts receivable (ARs). Once all recoupment iterations have been processed, your pharmacy chain can arrange a single payment. This is expected to occur in early 2024, and more information will be communicated to those who request the single payment option.

**24. If there has been a change in pharmacy ownership between April 1, 2017, and now, who is responsible for the recoupment?**

The “owner” on file for the date of service (DOS) of the claim is responsible for any recoupment on that claim.

**25. I have erroneously been identified as the owning provider for an account receivable (AR) owed to the Department of Health Care Services (DHCS) because of these claim adjustments. My pharmacy sales contract clearly attributes the liability for the debt to another party. What should I do?**

Visit the Third-Party Liability and Recovery Division’s (TPLRD) [Provider Overpayments Program](#) web page to submit an online update, or call TPLRD at 1-916-650-0575 for assistance.

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