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SAPC INFORMATION NOTICE 20-07

June 18, 2020

TO: Los Angeles County Substance Use Disorder
Treatment Network Providers

FROM: Gary Tsai, M.D., Interim Division Director *GT*
Substance Abuse Prevention and Control

SUBJECT: **CLAIM DENIALS AND COST REPORTING PROCESSES**

The Department of Public Health, Division of Substance Abuse Prevention and Control (SAPC) is releasing this Information Notice (IN) to provide additional guidance to providers on the local and California Department of Health Care Services' (DHCS) Drug Medi-Cal (DMC) claims denial process; and the claims correction and/or recoupment process. SAPC is prioritizing visibility on State denials and the replacement claim process as this needs to be completed prior to cost reporting.

SAPC "LOCAL" CLAIM DENIALS

Local denials generally occur before SAPC payment and submission to DHCS (DMC services only). These denials are based on Los Angeles County rules outlined in the Provider Manual and/or known errors that would result in a DHCS denial if submitted. These claims need to be corrected before resubmission and payment.

DHCS "STATE" CLAIM DENIALS

State denials occur after payment by SAPC and as a result of a DHCS identified reason. This includes, but is not limited to, ineligibility for Medi-Cal, invalid information, or non-compliance to any other DMC treatment standard, including those identified by DHCS during monitoring activities. If the State's denial is a result of local policy variation (e.g., additional residential episodes that the State will not pay for but which SAPC has agreed to cover), associated claims will be paid by SAPC.

SYSTEM VISIBILITY ON DENIED CLAIMS

The MSO KPI Dashboard 2.0 (“Managed Services Organization Key Performance Indicator”) has two views that Network Providers can use to identify denied claims:

- Local Denied Claims: The MSO KPI Dashboard 2.0 Claim Denial View includes information on SAPC denials.
- State Denied Claims: The MSO KPI Dashboard 2.0 State Denial View includes information on DHCS denials only if recouped by SAPC. Therefore, SAPC needs to trigger recoupments before Network Providers can correct State denials. SAPC is in the process of posting denials for previous Fiscal Years, as outlined below.

Both of these MSO KPI Dashboard 2.0 views support Network Providers in resolving claim denials and expediting reimbursement. As SAPC moves to fully implement its recoupment process, these tools will display more complete information. It is essential for providers to closely monitor both views, as well as the County’s Explanation of Benefits (EOB) and/or State’s Health Care Claim Payment/Advice (835), to be able to replace denied claims expeditiously to minimize impact of recoupments.

GUIDE TO CLAIM DENIAL RESOLUTION AND CROSSWALK

The [Quick Guide to Identifying Claim Denials](#), [Sage Claim Denial Reason and Resolution Crosswalk](#) and [Guide to Claim Denial Resolution and Crosswalk](#) are designed to walk providers through the process of identifying and resolving local and State denials. Network Providers need to be familiar with these documents and understand how to resolve any denials to ensure payment for allowable claims. Not all claims can be replaced and resubmitted; this includes but is not limited to duplicate claims, unallowable same day billing ([DHCS IN 17-039](#) and [Enclosure](#) or future updates), when patients become ineligible for Medi-Cal during the DMC treatment episode, or other reasons including those outlined in the [DHCS DMC Billing Manual](#) (or future updates) unless more flexible county rules prevail per the Provider Manual.

STATE RECOUPMENT TIMELINE

SAPC is in the process of loading State denials into Sage for Fiscal Year (FY) 18-19 and FY 19-20, which will trigger recoupments and enable to make corrections and submit replacement claims, if allowable. Denied claims from FY 17-18 will not be loaded and recouped. SAPC will begin and titrate the recoupment process in a strategic manner to reduce the financial impact on providers and to allow for the resolution and resubmission process. SAPC will also be communicating with Network Providers on an ongoing basis as part of this recoupment process.

COST REPORTING TIMELINE

SAPC is developing a plan to resolve FY 17-18, FY 18-19 and FY 19-20 as soon as possible with the goal of closing out these three terms by June 30, 2021. This would enable SAPC and its Provider Network to return to timely submission of cost reports and reconciliation beginning with FY 20-21. Achieving this timeline, however, will require timely SAPC posting of pending 835s and the ability of the Provider Network to resolve any outstanding State or local denials (if applicable) according to the submission dates to be provided. Providers that do not correct and replace claims by the submission dates will experience financial losses that were potentially avoidable. This is because only approved State and local claims, excluding any unresolved denials, can be included under the units of service to justify the lesser of costs or charges (with the exception of March through June 2020 which will be settled at cost up to the prorated contract amount due to temporary measures to mitigate negative financial consequences of the COVID-19 pandemic).

ADDITIONAL INFORMATION

If you have any questions or need additional information, please contact the Finance Services at (626) 299-4591.

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Attachment