

Department of Health Care Services Medi-Cal Provider Moratoriums

The Department of Health Care Services' (DHCS) moratoriums on clinical laboratories, pharmacy, and durable medical equipment providers have proven to be effective tools to curtail fraud, waste, and abuse in the Medi-Cal program. However, the Patient Protection and Affordable Care Act (ACA), enacted in 2010, established new program integrity protections and requirements to automate provider enrollment. As these new requirements are either in place or in current development, and as requested at the February 18, 2015 Joint Senate and Assembly Health Committee Hearing on Provider Moratoriums, DHCS has evaluated the existing moratoriums to determine whether it is advisable to lift the moratoriums in the near future, and if so, what program integrity protections or other requirements must be in place before the existing moratoriums could be lifted. Below summarizes the result of the evaluation.

Background

Provisions of the ACA created new Medi-Cal screening level requirements for provider enrollment under 42 Code of Federal Regulations, Section 455.450. This section, in part, requires that applicants subject to a moratorium be designated as "high" categorical risk for six months following the lifting of the moratorium. Provider types designated as high risk receive a more rigorous review at the time of enrollment, including criminal background checks of applicants and their owners or managing employees, and mandatory onsite inspections of the service location. After the initial six month period, DHCS also has the ability to designate provider types as high risk on an ongoing basis.

Currently, the provider enrollment process consists of a manual application review and verification of the federal and state required documentation (i.e., licensing, business permits, disclosure statement) required for the specific type of provider. Some providers are also subject to an onsite inspection based on risk criteria. The current process is labor intensive and requires staff to manually review various data sources to verify applicant information including business license, Federal Employee Tax Identification Number, Social Security Number, and verify the officers/owners or managing employees identified on the application have not been excluded from participation in Medicaid.

DHCS is developing an online provider enrollment and monitoring system called the Provider Application and Validation for Enrollment (PAVE). PAVE is being designed to meet all state and federal enrollment requirements including those requirements most recently added as part of the ACA. PAVE will allow online enrollment and will perform enhanced validation of provider information by interfacing the information submitted by providers in the online application with multiple data sources, such as the federal List of Excluded Individuals and Entities, to determine if providers are eligible to participate in Medi-Cal. In addition, PAVE will provide more effective and ongoing monitoring of all enrolled provider types and will be essential for continuing fraud prevention efforts. At this time, DHCS anticipates full implementation of PAVE by March 2016.

Feasibility of Lifting Medi-Cal Provider Moratoriums

As a result of the ACA provisions, described above, that impose increased oversight requirements associated with lifting a provider enrollment moratorium, and the need to carefully monitor the results of lifting each moratorium, DHCS would recommend a phased approach to lifting the moratoriums. Based on the most recent information in the DHCS 2011 Medical Payment Error Study ([2011 MPES Report](#)), which indicates a continued reduction in error rates for laboratory providers, DHCS recommends first taking action to lift the Clinical Laboratory Provider Moratorium.

Clinical Laboratory Moratorium

As background, it is important to note that in October 2014, DHCS added another exemption to the clinical laboratory moratorium to address concerns expressed by the California Children's Hospital Association (CCHA) regarding access to genetic testing services for children. The new exemption allows additional clinical laboratories that conduct unique tests to enroll in Medi-Cal and provide their unique test to Medi-Cal beneficiaries. DHCS is committed to continuing to work closely with CCHA to identify providers of unique tests to ensure access to appropriate genetic testing services. This joint effort will help to identify potential providers of unique services that could now be eligible to apply under this new exemption.

Prior to taking action to lift any moratorium, it is critical for the PAVE system to be fully operational. For this reason, the clinical laboratory moratorium should not be lifted until July 1, 2016 assuming PAVE is fully implemented by March 2016.

DHCS assumes that a lifting of the clinical laboratory moratorium would likely create an increase in the number of applications submitted by clinical laboratories which would result in a workload increase. There are currently 1,656 licensed independent clinical laboratories statewide which would be newly eligible to apply for enrollment. In addition, there are 478 currently enrolled Medi-Cal clinical laboratories that would potentially submit provider applications or supplemental change requests to add locations and/or expand their services. Although having the PAVE system operational for this provider type would allow DHCS to absorb some of this workload, DHCS would be required to review the results of criminal background checks and conduct the onsite visits required by the high risk designation that would be required to be in place for at least six months following the lifting of the moratorium. If a large volume of new applications are submitted, DHCS would require additional resources to complete thorough and timely application reviews.

Pharmacy and Durable Medical Equipment Moratoriums

As noted above, given the ACA required workload associated with lifting each moratorium and the need to carefully monitor the outcomes of lifting each moratorium, DHCS would defer determining the viability of lifting either the pharmacy or durable medical equipment moratoriums until 12 months after the Clinical Laboratory Moratorium has been lifted.