



October 29, 2008

Dear Pharmacy Provider,

Subject: Reprocessing of Pharmacy Claims

EDS has been directed to reprocess paid pharmacy claims that may have been underpaid or overpaid for dates of service July 1, 2005 through June 30, 2008. Due to the volume of claims, the reprocessing will take at least eight weeks. Overall, the payout is expected to be more than triple the recovery, although the effect for individual providers will vary. Causes for the reprocessing include:

- Assembly Bill 131 (2005) mandated weekly formulary updates. Claims processed from July 19, 2005 through January 2, 2006 used pricing that was based on monthly rather than weekly updates.
- Claims paid using Average Wholesale Pricing (AWP) minus a percentage versus the mandated Federal Upper Limit pricing.
- Two audit findings by the Bureau of State Audits: a percentage calculation error when the AWP changed from minus five percent to minus 10 percent, as well as a rounding calculation error.

No action is required on your part. EDS will adjust the affected claims. These adjustments will appear on RADs beginning November 20, 2008 with RAD code **820: Drug formulary file**.

This action is 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 the Department of Health Care Services (DHCS) to enter into repayment agreements with providers or offset overpayments against amounts due. If a provider's total warrant amount is insufficient to offset the recovery, the negative balance will be converted to an accounts receivable transaction and subtracted from future Medi-Cal payments.

If you disagree with any of the adjustments, you may submit a *Claims Inquiry Form* (CIF) within six months of the new RAD date. For CIF completion instructions, please refer to the *CIF Completion* and *CIF Special Billing Instructions* sections in the appropriate Part 2 manual or on the Medi-Cal Web site (www.medi-cal.ca.gov).

If you have questions, please call the Telephone Service Center (TSC) at 1-800-541-5555, option 11, then option 18.

Sincerely,

A handwritten signature in cursive script that reads "Nona Carpenter".

Nona Carpenter
Provider Relations Director
Reference Number: P4650

EDS, an HP company
3215 Prospect Park Drive
Rancho Cordova, CA 95670-6017