



HP Enterprise Services  
3215 Prospect Park Drive  
Rancho Cordova, CA 95670-6017  
+1 800.541.5555

September 13, 2010

Dear Provider,

Subject: Adjustment of Claims for Taxable and Non-Taxable Medical Supplies

The Medi-Cal program is required by law to reimburse providers appropriate sales tax on supplies and equipment deemed to be taxable according to the California sales and use tax regulations. The Department of Health Care Services (DHCS) and HP Enterprise Services found inconsistencies where some non-taxable items were reimbursed including tax and some taxable items were reimbursed without tax. The problem affected claims billed for dates of service from June 1, 2007, processed through April 26, 2010, when the system was fixed.

No action is required on your part. HP is adjusting the affected claims. Adjustments will appear on *Remittance Advice Details* (RADs) beginning September 30, 2010, with RAD code **0823: Sales tax adjustment**. Providers will see payouts for taxable items as well as recoveries of tax for non-taxable items.

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. If the total warrant amount is not sufficient to offset the recovery, the negative balance will be converted to an accounts-receivable transaction and subtracted from future Medi-Cal reimbursements.

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 or appeal 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 website ([www.medi-cal.ca.gov](http://www.medi-cal.ca.gov)).

If you have questions, please call the Telephone Service Center (TSC) at 1-800-541-5555, select option 11 and then option 17.

Sincerely,

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

Nona Carpenter

Provider Relations Director

Reference Number: P14353/P14386/P14477