



HP Enterprise Services
3215 Prospect Park Drive
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October 26, 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 with tax, and some taxable items were reimbursed without tax. HP adjusted affected claims in September and October 2010, recovering tax paid previously for non-taxable items (as stated in an EPC letter with reference number P14353/P14386/P14477). Further investigation found that tax information in the system for disposable briefs was incorrect at the time of recovery (for product codes 9906Q, 9907K, 9907L, 9907M and 9907R). HP corrected the system on October 13, 2010. The problem affected claims billed for the previously listed codes for dates of service from June 1, 2007 – October 13, 2010. We apologize for the inconvenience.

No action is required on your part. HP is adjusting the affected claims. Adjustments will appear on *Remittance Advice Details* (RADs) beginning October 28, 2010, with RAD code **0823: Sales tax adjustment**, and can be identified by Claim Control Number (CCN) prefix **0295-78**. Providers will see payout for taxable items as well as recovery 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 these 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 website (www.medi-cal.ca.gov).

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

Sincerely,

Nona Carpenter
Provider Relations Director
Reference Number: P15490