

Hearing Overview

The Assembly Health Committee and the Assembly Accountability and Administrative Review Committee will convene a joint oversight hearing to review the Drug Medi-Cal (DMC) program on Thursday, September 26, 2013, from 10am to 1pm in Room 4202 of the State Capitol.

The DMC program provides substance abuse treatment services to beneficiaries in Medi-Cal, the state's health care services program for the poor.

These services are delivered through counties, which contract with community-based providers, usually outpatient clinics, to provide treatment directly to clients. Each provider is required to be certified by the State in order to participate in the DMC program. As part of the 2011-2012 State Budget, administration of the DMC program was recently transferred to the Department of Health Care Services (DHCS) from the Department of Alcohol and Drug Programs, which was eliminated.

In July 2013, an investigation by the Center for Investigative Reporting and CNN uncovered allegations of widespread fraud in the DMC program. The investigative report alleged that, over the past two fiscal years, the DMC program paid \$94 million to 56 drug and alcohol rehabilitation clinics in Southern California that have shown signs of deception or questionable billing. Many examples of the alleged fraud occurred in Los Angeles County.

The allegations outlined in the investigative report include:

- overbilling the State for the number of clients seen;
- providing incentives of cash, food, and cigarettes to get clients to show up;
- clinics operated by individuals with prior fraud convictions; and,
- billing for clients who were either in prison or dead.

In July and August 2013, DHCS ordered temporary suspensions against 48 alcohol and drug treatment programs at 132 sites suspected of violating DMC laws. According to DHCS, these actions are the first phase of an ongoing review of the DMC program by the department's Audits and Investigations Division.

The purposes of the joint hearing will be to: 1) examine the provider certification and claims payment structure; 2) determine the extent to which state officials knew or should have known about the potential for fraud in the DMC program; 3) evaluate DHCS' response; and, 4) identify accountability measures and other reforms that are needed to strengthen the integrity and effectiveness of the program going forward.

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