

August 8, 2006

**THE DEFICIT REDUCTION ACT OF 2005 IMPOSES NEW OBLIGATIONS
ON MEDICAID PROVIDERS BY JANUARY 1, 2007**

Under the Deficit Reduction Act of 2005 (“DRA”), Medicaid providers who receive more than \$5 million in Medicaid payments annually are required to establish written policies that provide employees with “detailed information” concerning the organization’s policies and procedures for detecting and preventing fraud and abuse. Furthermore, the DRA requires that a specific discussion of the False Claims Act (“FCA”), the protections afforded whistleblowers under the FCA, and the organization’s policies and procedures for detecting fraud and abuse be included in its employee handbook.

The DRA makes compliance a “condition of receiving” Medicaid payments. These new provisions go into effect on January 1, 2007.

All affected providers should review **NOW** their existing policies, procedures and employee handbook to determine what modifications should be made to conform to the DRA before the January 1 effective date. While many providers may believe they have addressed these issues as part of adopting “best practices” and corporate compliance programs, the DRA requires more specificity, particularly with regard to the FCA. In some cases, the DRA will necessitate new policies and procedures.

If you have any questions regarding this new obligation imposed by the DRA, please contact John Washlick at 215-665-2134 or jwashlick@cozen.com

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