

Implementation of AB 97 Reductions

The Department of Health Care Services (DHCS) is announcing today the implementation plan for the provider payment reductions required pursuant to Assembly Bill 97 (Chapter 3, Statutes of 2011). AB 97 requires DHCS to implement 10% provider payment reductions to most categories of services in Medi-Cal fee-for-service (FFS) as well as actuarially equivalent reductions in Medi-Cal managed care.

DHCS received federal approval for the reductions, effective June 1, 2011, but has been prevented from implementing many of these reductions due to a court injunction in the *Managed Pharmacy Care, et al v. Kathleen Sebelius, et al* case. On June 14, 2013, the United States Court of Appeals for the Ninth Circuit denied the plaintiffs' motion for a stay of mandate in this case, allowing the implementation of all of the AB 97 Medi-Cal provider 10% payment reductions.

Providers affected by the earlier court injunction that blocked the payment reductions will soon have a 10% prospective payment reduction applied to all claims they submit for services. The chart below shows the date on which providers will begin to see the reductions.

Provider Categories	Date
Medical Transportation	9/5/2013
Dental	9/5/2013
Durable Medical Equipment/Medical Supplies	10/24/2013
Pharmacy	1/9/2014
Physician/Clinic	1/9/2014
Distinct Part Nursing Facility Level B (PT 17 & AC 1,2,3)	1/9/2014

Additionally, since the 10% payment reduction is effective for services provided on or after June 1, 2011, DHCS will also begin recouping a percentage of provider payments to recover overpaid funds during this retroactive period. These retroactive payment recoveries will not occur until after the prospective 10% payment reductions are implemented. DHCS will provide at least sixty (60) day advanced notification of scheduled recoveries.

FFS Payments

In order to preserve and protect access to care for Medi-Cal members, DHCS is also announcing the following provider payment reduction exemptions, subject to federal approval of State Plan Amendments (SPA):

- Nonprofit dental pediatric surgery centers that provide at least 99% of their services under general anesthesia to children with severe dental disease under age 21 will be exempted prospectively from the 10% payment reduction. After required public notice, the effective date of this prospective exemption will be in the near future.
- Distinct part nursing facilities, Level B, classified as rural or frontier, based upon the California Medical Service Study Area's definitions, will be exempted prospectively from the 10% payment reductions and will not be subject to the rate freeze at the 2008-09 levels on a prospective basis. After required public notice, the effective date of this prospective exemption will also be in the near future.

- Certain prescription drugs (or categories of drugs) that are generally high-cost drugs used to treat extremely serious conditions, such as hemophilia, multiple sclerosis, hepatitis and others will be exempt from the 10% payment reduction. DHCS has submitted a SPA (SPA 12-014) to exempt these categories of drugs, with an effective date for the exemption of March 31, 2012.

Managed Care

As noted above, DHCS is required to make actuarially equivalent reductions to Medi-Cal managed care. Such reductions will be effective on October 1, 2013, on a prospective basis only. DHCS previously announced that given the differences between managed care and FFS, reductions to pharmacy would not be applied in managed care. DHCS is now announcing that specialty physician services in Medi-Cal managed care will not be subject to a reduction. Guidance on the Medi-Cal managed care implementation will be issued soon in an All Plan Letter.

Future information may be found at www.medi-cal.ca.gov.