



JENNIFER KENT
DIRECTOR

State of California—Health and Human Services Agency
Department of Health Care Services



EDMUND G. BROWN JR.
GOVERNOR

Hye Sun Lee, M.P.H
Acting Associate Regional Administrator
Division of Medicaid and Children's Health Operations
Centers for Medicare & Medicaid Services
San Francisco Regional Office
90 Seventh Street, Suite 5-300 (5W)
San Francisco, CA 94103-6707

STATE PLAN AMENDMENT 15-015

Dear Ms. Lee:

The Department of Health Services (DHCS) is submitting State Plan Amendment (SPA) 15-015, to develop a new rate-setting reimbursement methodology for clinical laboratory or laboratory services as defined in Section 51137.2 of Title 22 of the California Code of Regulations, for your review and approval. Assembly Bill 1494 (Chapter 28, Statutes of 2012) amended Welfare and Institution Code 14105.22 (b)(5), mandating DHCS to develop a new rate-setting reimbursement methodology for clinical laboratory or laboratory services. DHCS is submitting SPA 14-036 to implement this new rate-setting methodology; in addition to several non-substantive language amendments in regards to "Prosthetic and Orthotic Appliances" for clarification, along with new state fee schedule references. This SPA is effective for dates of services on or after July 1, 2015.

DHCS is submitting the following revised SPA documents:

- Attachment 4.19-B, Page 3d
- Attachment 4.19-B, Page 3f
- Attachment 4.19-B, Page 3h

If you have any questions regarding this SPA, please contact Ms. Connie Florez, Chief, Fee-For-Service Rates Development Division, at (916) 552-9600.

Sincerely,

ORIGINAL SIGNED

Mari Cantwell
California Medicaid Director

Enclosures

cc: Mr. Tom Schenck/Ms. Cheryl Young
Division of Medicaid & Children's Health Operations
San Francisco Regional Office
Center of Medicare and Medicaid Services
90 Seventh Street, San Francisco, CA. 94103

Ms. Connie Florez, Chief
Fee-For-Service Rates Development Division
1501 Capitol Avenue, MS 4600
Sacramento, CA 95814

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**

1. TRANSMITTAL NUMBER:
15-015

2. STATE
California

FOR: HEALTH CARE FINANCING ADMINISTRATION

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE
SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
July 1, 2015

5. TYPE OF PLAN MATERIAL (*Check One*):

NEW STATE PLAN AMENDMENT TO BE CONSIDERED AS NEW PLAN AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (*Separate Transmittal for each amendment*)

6. FEDERAL STATUTE/REGULATION CITATION:
42 CFR 447 Subpart F

7. FEDERAL BUDGET IMPACT:
a. FFY 2015 - \$3,136,193
b. FFY 2016 - \$9,408,580

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

- Attachment 4.19-B, Page 3d
- Attachment 4.19-B, Page 3f
- Attachment 4.19-B, Page 3h

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (*If Applicable*):

10. SUBJECT OF AMENDMENT:

11. GOVERNOR'S REVIEW (*Check One*):

- GOVERNOR'S OFFICE REPORTED NO COMMENT
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

OTHER, AS SPECIFIED:
The Governor's Office does not
wish to review the State Plan Amendment.

12. SIGNATURE OF STATE AGENCY OFFICIAL:
ORIGINAL SIGNED

13. TYPED NAME:
Mari Cantwell

14. TITLE:
Medicaid Director

15. DATE SUBMITTED:

16. RETURN TO:

**Department of Health Care Services
Attn: State Plan Coordinator
1501 Capitol Avenue, Suite 71.326
P.O. Box 997417
Sacramento, CA 95899-7417**

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

18. DATE APPROVED:

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:

22. TITLE:

Reimbursement Methodology Table

Paragraph	Effective Date	Percentage/Methodology	Authority
1(d)(3)	January 1, 2004	The manufacturer's suggested retail purchase price reduced by a percentage discount of 20%, or by 15% if the provider employs or contracts with a qualified rehabilitation professional	California Welfare and Institutions Code section 14105.48
1(e)(2)	October 1, 2003	The acquisition cost plus a 23% markup	California Welfare and Institutions Code section 14105.48
3	July 1, 2015	As referenced in Attachment 4.19-B, Page 3d, Paragraph Number 3	California Welfare and Institutions Code section 14105.21
4	July 1, 2015	Rates calculated using a weighted average, based on submitted third-party payer rate and utilization data. The new rate calculated above shall not exceed 80% of the lowest maximum allowance for California established by Medicare for the same or similar services.	California Welfare and Institutions Code section 14105.22

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Supersedes Approval Date _____ Effective Date July 1, 2015

TN No. 06-015

Reimbursement Methodology Table

Paragraph	Effective Date	Percentage/ <u>Methodology</u>	Authority
1(d)(3)	January 1, 2004	The manufacturer's suggested retail purchase price reduced by a percentage discount of 20%, or by 15% if the provider employs or contracts with a qualified rehabilitation professional	California Welfare and Institutions Code section 14105.48
1(e)(2)	October 1, 2003	The acquisition cost plus a 23% markup	California Welfare and Institutions Code section 14105.48
3	October 1, 2003 <u>July 1, 2015</u>	May not exceed 80% of the lowest maximum allowance for California established by the federal Medicare program for the same or similar services <u>As referenced in Attachment 4.19-B, Page 3d, Paragraph Number 3</u>	California Welfare and Institutions Code section 14105.21
4	October 1, 2003 <u>July 1, 2015</u>	May not exceed 80% of the lowest maximum allowance for California established by the federal Medicare program for the same or similar services <u>Rates calculated using a weighted average,</u>	California Welfare and Institutions Code section 14105.22

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Reimbursement Methodology Table

		<u>based on submitted third-party payer rate and utilization data. The new rate calculated above shall not exceed 80% of the lowest maximum allowance for California established by Medicare for the same or similar services.</u>	
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Approval Date _____ Effective Date July 1, 2015

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schedule and any annual or periodic adjustments to the fee schedule are published in the provider manual and on the California Department of Health Services Medi-Cal website published at:

<http://files.medi-cal.ca.gov/pubsdoco/rates/rateshome.asp>

3. Except as otherwise noted in the State Plan, state-developed fee schedules are the same for both governmental and private providers of prosthetic and orthotic appliances as described in State Plan Attachment 3. I-A, paragraph 12c, entitled "Prosthetic and Orthotic Appliances." The agency's fee schedule rates are set as of July 1, 2015 for services provided on or after that date. (Refer to Reimbursement Methodology Table at page 3f.) All rates for prosthetic and orthotic appliances are published at:

<http://files.medi-cal.ca.gov/pubsdoco/rates/rateshome.asp>

4. Reimbursement rates for clinical laboratory or laboratory services as described in State Plan Attachment 3.1-A, paragraph 3, entitled "Laboratory, Radiological, and Radioisotope Services," will be developed by the Department of Health Care services (DHCS) using the following methodology:

- a) Request and compile: (1) the lowest rates that other third-party payers, other than Medicaid and Medicare, are paying excluding all rates paid over 80 percent of the Medicare maximum allowable for California; and (2) the associated third-party payer utilization data for clinical laboratories and laboratory services.
- b) Calculate rates using a weighted average, based on the submitted third-party payer rate and utilization data referenced in 4a, on a per test basis.
- c) The ten percent payment reduction included in 4.19-B, page 3.3, paragraph (13) shall apply to the new rates calculated using the methodology described in this paragraph.
- d) The agency's fee schedule rates are set as of July 1, 2015 and are effective for services provided on or after that date. All rates for clinical laboratories and laboratory services are published at:

<http://files.medi-cal.ca.gov/pubsdoco/rates/rateshome.asp>

schedule and any annual or periodic adjustments to the fee schedule are published in the provider manual and on the California Department of Health Services Medi-Cal website published at:
<http://files.medi-cal.ca.gov/pubsdoco/rates/rateshome.asp>

3. ~~Reimbursement rates for orthotic and prosthetic~~ Except as otherwise noted in the State Plan, state-developed fee schedules are the same for both governmental and private providers of prosthetic and orthotic appliances as described in State Plan Attachment 3.1-A, paragraph 12c, entitled "Prosthetic and Orthotic Appliances." ~~shall not exceed 80 percent of the lowest maximum allowance for California established by the federal Medicare program for the same or similar item. The agency's fee schedule rates are set as of July 1, 2015 for services provided on or after that date.~~ (Refer to Reimbursement Methodology Table at page 3f.) All rates for prosthetic and orthotic appliances are published at:
<http://files.medi-cal.ca.gov/pubsdoco/rates/rateshome.asp>

4. Reimbursement rates for clinical laboratory or laboratory services as described in State Plan Attachment 3.1-A, paragraph 3, entitled "Laboratory, Radiological, and Radioisotope Services," ~~shall not exceed 80 percent of the lowest maximum allowance for California established by the federal Medicare program for the same or similar service. (Refer to Reimbursement Methodology Table at page 3f.)~~ will be developed by the Department of Health Care services (DHCS) using the following methodology:
 - a) Request and compile: (1) the lowest rates that other third-party payers, other than Medicaid and Medicare, are paying excluding all rates paid over 80 percent of the Medicare maximum allowable for California; and (2) the associated third-party payer utilization data for clinical laboratories and laboratory services.
 - b) Calculate rates using a weighted average, based on the submitted third-party payer rate and utilization data referenced in 4a, on a per test basis.
 - c) The ten percent payment reduction included in 4.19-B, page 3.3, paragraph (13) shall apply to the new rates calculated using the methodology described in this paragraph.
 - d) The agency's fee schedule rates are set as of July 1, 2015 and are effective for services provided on or after that date. All rates for- clinical laboratories and laboratory services are published at:
<http://files.medi-cal.ca.gov/pubsdoco/rates/rateshome.asp>

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
STATE: CALIFORNIA

REIMBURSEMENT FOR CLINICAL LABORATORY OR LABORATORY SERVICES

- (1) For dates of service on and after July 1, 2012, payments for clinical laboratory or laboratory services will be reduced by ten percent. This payment reduction is in addition to the ten percent payment reductions included in 4.19B, page 3.3, paragraph (13).
- (2) The payment reduction specified in paragraph (1) set forth on this page 3h does not apply to the following:
 - Family planning services and supplies, as described in Attachment 3.1-A, item 4c, provided by the Family Planning, Access, Care, and Treatment (Family PACT) Program.
 - Outpatient Hospital Services, as described in Attachment 3.1-A, item 2a (further defined in California Code of Regulations, Title 22, section 51112.)
- (3) The Payment reduction specified in the first sentence of paragraph (1) set forth on this page 3h will expire effective June 30, 2015. The ten percent payment reductions included in 4.19-B, page 3.3, paragraph (13) will continue to apply.

TN No 15-015
Supersedes
TN No 12-028

Approval Date _____ Effective Date July 1, 2015

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
STATE: CALIFORNIA

REIMBURSEMENT FOR CLINICAL LABORATORY OR LABORATORY SERVICES

- (1) For dates of service on and after July 1, 2012, payments for clinical laboratory or laboratory services will be reduced by ten percent. This payment reduction is in addition to the ten percent payment reductions included in 4.19B, page 3.3, paragraph (13).
- (2) The payment reduction specified in paragraph (1) set forth on this page 3h does not apply to the following:
- Family planning services and supplies, as described in Attachment 3.1-A, item 4c, provided by the Family Planning, Access, Care, and Treatment (Family PACT) Program.
 - Outpatient Hospital Services, as described in Attachment 3.1-A, item 2a (further defined in California Code of Regulations, Title 22, section 51112.)

(3) The Payment reduction specified in the first sentence of paragraph (1) set forth on this page 3h will expire effective June 30, 2015. The ten percent payment reductions included in 4.19-B, page 3.3, paragraph (13) will continue to apply.

TN No [15-015](#)
Supersedes
TN No [12-028](#)

Approval Date _____ Effective Date [July 1, 2015](#)