

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

1. TRANSMITTAL NUMBER: 10-020	2. STATE California
3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
4. PROPOSED EFFECTIVE DATE October, 1, 2010	

**FOR: HEALTH CARE FINANCING ADMINISTRATION**

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

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

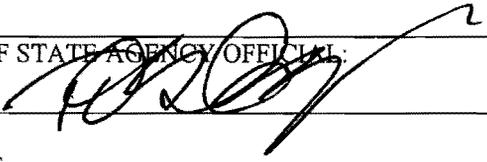
- NEW STATE PLAN       AMENDMENT TO BE CONSIDERED AS NEW PLAN       AMENDMENT  
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (*Separate Transmittal for each amendment*)

6. FEDERAL STATUTE/REGULATION CITATION:  <b>42 CFR 435.831</b>	7. FEDERAL BUDGET IMPACT: a. FFY 2011: -\$27.46 million (savings) b. FFY 2012: -\$24.17 million (savings)
--	---

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:  Attachment 4.19B - Amend pages 3a, 3d and 3f	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT ( <i>If Applicable</i> ):  Attachment 4.19B, pages 3a, 3d and 3f
---	---

10. SUBJECT OF AMENDMENT:  
  
Medi-Cal Reimbursement Methodology for Radiology Services

11. GOVERNOR'S REVIEW (*Check One*):
- GOVERNOR'S OFFICE REPORTED NO COMMENT       OTHER, AS SPECIFIED:  
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED      Governor's Office does not wish to Review  
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL      State Plan Amendments

12. SIGNATURE OF STATE AGENCY OFFICIAL: 

13. TYPED NAME:  
Toby Douglas

14. TITLE:  
Chief Deputy Director, Health Care Programs

15. DATE SUBMITTED: **12-22-2010**

16. RETURN TO:

**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:

23. REMARKS:



DAVID MAXWELL-JOLLY  
Director

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



ARNOLD SCHWARZENEGGER  
Governor

DEC 22 2010

Ms. Gloria Nagle  
Associate Regional Administrator  
Centers for Medicare & Medicaid Services  
Division of Medicaid and Children's Health  
90 7<sup>th</sup> Street, Suite 5-300 (5W)  
San Francisco, CA 94103-6707

STATE PLAN AMENDMENT 10-020: Medi-Cal Reimbursement Methodology for  
Radiology Services

Dear Ms. Nagle,

The California Department of Health Care Services (DHCS) is submitting the following  
State Plan Amendment (SPA) 10-020 documents for your review and approval:

- Attachment 4.19B (amends pages 3a, 3d and 3f)
- CMS form 179 - Transmittal and Notice of Approval of State Plan Material
- SPA Impact form

Senate Bill 853 (Chapter 717, Statutes of 2010) added Welfare & Institutions Code  
section 14105.08, which mandates that, effective October 1, 2010, Medi-Cal  
reimbursement rates for radiology services may not exceed 80 percent of the  
corresponding Medicare rate. This SPA amends pages 3a, 3d and 3f of Attachment  
4.19-B to add this new rate methodology.

A Notice of General Public Interest, explaining the proposed change to the rate  
methodology for radiology services, was published in the June 25, 2010 California State  
Notice Register.

DHCS notified Indian Health Programs and Urban Indian Organizations of the reduction  
to Medi-Cal reimbursement rates for radiology services in a letter dated November 19,  
2010. On November 22, 2010, DHCS hosted a Webinar and presented additional  
information related to various SPAs, including SPA 10-022 (see enclosed). To date,  
DHCS has not received any comments to these changes from providers, beneficiaries  
or other interested parties.

---

Director's Office  
1501 Capitol Ave., MS 0000, P.O. Box 997413, Sacramento, CA 95899-7413  
(916) 440-7400, (916) 440-7404 fax  
Internet Address: [www.dhcs.ca.gov](http://www.dhcs.ca.gov)

If you have questions or need additional information, please contact Ms. Vickie Orlich, Chief, Benefits, Waiver Analysis, and Rates Division, at (916) 552-9400.

Sincerely,

A handwritten signature in black ink, appearing to read 'Toby Douglas', written in a cursive style.

Toby Douglas  
Chief Deputy Director  
Health Care Programs

Enclosures

REIMBURSEMENT METHODOLOGY FOR ESTABLISHING  
REIMBURSEMENT RATES FOR DURABLE MEDICAL EQUIPMENT,  
ORTHOTIC AND PROSTHETIC APPLIANCES, LABORATORY,  
AND RADIOLOGY SERVICES

Formatted: Font color: Blue

1. The methodology utilized by the State Agency in establishing reimbursement rates for durable medical equipment as described in State Plan Attachment 3.1-A, paragraph 2a, entitled “Hospital Outpatient Department Services and Organized Outpatient Clinic Services”, and Paragraph 7c.2, entitled “Home Health Services Durable Medical Equipment”, will be as follows:
  - (a) Reimbursement for the rental or purchase of durable medical equipment with a specified maximum allowable rate established by Medicare, except wheelchairs, wheelchair accessories, wheelchair replacement parts, and speech-generating devices and related accessories, shall be the lesser of the following:
    - (1) The amount billed in accordance with California Code of Regulations, Title 22, section 51008.1, entitled “Upper Billing Limit”, that states that bills submitted shall not exceed an amount that is the lesser of the usual charges made to the general public or the net purchase price of the item (as documented in the provider’s books and records), plus no more than a 100 percent mark-up. (Refer to Reimbursement Methodology table at page 3e.)
    - (2) An amount that does not exceed 80 percent of the lowest maximum allowance for California established by the federal Medicare program for the same or similar item or service. (Refer to Reimbursement Methodology Table at page 3e.)
  - (b) Reimbursement for the rental or purchase of a wheelchair, wheelchair accessories, wheelchair replacement parts, and speech-generating devices and related accessories, with a specified maximum allowable rate established by Medicare shall be the lowest of the following:
    - (1) The amount billed in accordance with California Code of Regulations, Title 22, Section 51008.1 entitled “Upper Billing Limit”, that states that bills submitted shall not exceed an amount that is the lesser of the usual charges made to the general public, or the net purchase price of the

TN No. 10-020  
Supersedes  
TN No. 06-015

Approval Date \_\_\_\_\_ Effective Date OCT 01 2010

item (as documented in the provider's books and records),

---

TN No. 10-020  
Supersedes  
TN No. 06-015

Approval Date \_\_\_\_\_

Effective Date Oct 1, 2010

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.

3. Reimbursement rates for orthotic and prosthetic 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. (Refer to Reimbursement Methodology Table at page 3f.)
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.)
5. Reimbursement rates for radiology 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 services. (Refer to Reimbursement Methodology Table at page 3f.)

Formatted: Underline, Font color: Blue

**Reimbursement Methodology Table**

Paragraph	Effective Date	Percentage	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	May not exceed 80% of the lowest maximum allowance for California established by the federal Medicare program for the same or similar services	California Welfare and Institutions Code section 14105.21
4	October 1, 2003	May not exceed 80% of the lowest maximum allowance established by the federal Medicare program for the same or similar services	California Welfare and Institutions Code section 14105.22
<u>5</u>	<u>October 1, 2010</u>	<u>May not exceed 80% of the lowest maximum allowance established by the federal Medicare program for the same or similar services</u>	<u>California Welfare and Institutions Code section 14105.08</u>

Formatted: Underline, Font color: Blue

TN No. 10-020  
Supersedes  
TN No. 06-015

Approval Date \_\_\_\_\_ Effective Date Oct 1, 2010

---

TN No. 10-020  
Supersedes  
TN No. 06-015

Approval Date \_\_\_\_\_

Effective Date Oct 1, 2010

REIMBURSEMENT METHODOLOGY FOR ESTABLISHING  
REIMBURSEMENT RATES FOR DURABLE MEDICAL EQUIPMENT,  
ORTHOTIC AND PROSTHETIC APPLIANCES, LABORATORY,  
AND RADIOLOGY SERVICES

---

1. The methodology utilized by the State Agency in establishing reimbursement rates for durable medical equipment as described in State Plan Attachment 3.1-A, paragraph 2a, entitled “Hospital Outpatient Department Services and Organized Outpatient Clinic Services”, and Paragraph 7c.2, entitled “Home Health Services Durable Medical Equipment”, will be as follows:
  - (a) Reimbursement for the rental or purchase of durable medical equipment with a specified maximum allowable rate established by Medicare, except wheelchairs, wheelchair accessories, wheelchair replacement parts, and speech-generating devices and related accessories, shall be the lesser of the following:
    - (1) The amount billed in accordance with California Code of Regulations, Title 22, section 51008.1, entitled “Upper Billing Limit”, that states that bills submitted shall not exceed an amount that is the lesser of the usual charges made to the general public or the net purchase price of the item (as documented in the provider’s books and records), plus no more than a 100 percent mark-up. (Refer to Reimbursement Methodology table at page 3e.)
    - (2) An amount that does not exceed 80 percent of the lowest maximum allowance for California established by the federal Medicare program for the same or similar item or service. (Refer to Reimbursement Methodology Table at page 3e.)
  - (b) Reimbursement for the rental or purchase of a wheelchair, wheelchair accessories, wheelchair replacement parts, and speech-generating devices and related accessories, with a specified maximum allowable rate established by Medicare shall be the lowest of the following:
    - (1) The amount billed in accordance with California Code of Regulations, Title 22, Section 51008.1 entitled “Upper Billing Limit”, that states that bills submitted shall not exceed an amount that is the lesser of the usual charges made to the general public, or the net purchase price of the item (as documented in the provider’s books and records),

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.

3. Reimbursement rates for orthotic and prosthetic 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. (Refer to Reimbursement Methodology Table at page 3f.)
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.)
5. Reimbursement rates for radiology 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.)

**Reimbursement Methodology Table**

Paragraph	Effective Date	Percentage	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	May not exceed 80% of the lowest maximum allowance for California established by the federal Medicare program for the same or similar services	California Welfare and Institutions Code section 14105.21
4	October 1, 2003	May not exceed 80% of the lowest maximum allowance established by the federal Medicare program for the same or similar services	California Welfare and Institutions Code section 14105.22
5	October 1, 2010	May not exceed 80% of the lowest maximum allowance established by the federal Medicare program for the same or similar services	California Welfare and Institutions Code section 14105.08