



State of California-Health and Human Services Agency
Department of Health Services



ARNOLD SCHWARZENEGGER
Governor

March 3, 2004

CMS Information Notice No.: 04-03

TO: ALL COUNTY CALIFORNIA CHILDREN'S SERVICES (CCS) PROGRAM
ADMINISTRATORS AND CHILDREN'S MEDICAL SERVICES (CMS)
BRANCH STAFF

SUBJECT: FIVE PERCENT RATE REDUCTION FOR NON-MEDI-CAL CCS AND
GENETICALLY HANDICAPPED PERSONS PROGRAM (GHPP)
SERVICES AND EXEMPTIONS FROM THE REDUCTION

The 2003 Budget Act health trailer bill (Statutes 2003, chapter 230 (AB 1762)) enacted Section 14105.19 of the Welfare and Institutions (W&I) Code. Subsection 14105.19(a) reduces specified Medi-Cal program reimbursement rates five percent (5%). Subsection 14105.19(b) provides for a 5% rate reduction for the services listed in W&I Code Section 14105.18, which includes CCS and GHPP services. These rate reductions are effective for dates of service on or after January 1, 2004.

Subsection 14105.19 (c) lists the following exemptions from the 5% rate reduction: (1) acute hospital inpatient services; (2) federally qualified health clinic services; (3) rural health clinic services; (4) outpatient services billed by a hospital; (5) payments to long-term care facilities as defined by the department, including, but not limited to, freestanding nursing facilities, distinct-part nursing facilities, intermediate care facilities for developmentally disabled individuals, sub-acute care units of skilled nursing facilities, rural swing beds, ventilator weaning services, special treatment program services, adult day health care centers, and hospice room and board services; (6) clinical laboratory or laboratory services as defined in 22 CCR 51137.2; and (7) contract services as designated by the Director of Health Services. You will be notified if the Director designates certain contract services as exempt. (Copies of W&I Code sections 14105.18 and 14105.19; and, 22 CCR 51137.2 are enclosed.)

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On December 23, 2003, the United States District Court for the Eastern District of California, in Sacramento, enjoined the Department of Health Services from implementing the 5% reduction for certain Medi-Cal fee-for-service rates. The injunction does not apply to the reduction of rates for non-Medi-Cal CCS or GHPP services.

In conformance with Section 14105.19 and consistent with the Court's order, reimbursement rates for non-Medi-Cal, non-exempt services provided to CCS and GHPP clients with dates of service on or after January 1, 2004, billed with a CCS/GHPP provider number (i.e., a provider number with the prefix "CGP"), will be reduced by 5%.

Original Signed By Erin M. Whitsell for

Maridee A. Gregory, M.D., Chief
Children's Medical Services Branch

Enclosures

Welfare and Institutions Code

14105.18. (a) Notwithstanding any other provision of law, provider rates of payment for services rendered in all of the following programs shall be identical to the rates of payment for the same service performed by the same provider type pursuant to the Medi-Cal program.

(1) The California Children's Services Program established pursuant to Article 5 (commencing with Section 123800) of Chapter 3 of Part 2 of Division 106 of the Health and Safety Code.

(2) The Genetically Handicapped Person's Program established pursuant to Article 1 (commencing with Section 125125) of Chapter 2 of Part 5 of Division 106 of the Health and Safety Code.

(3) The Breast and Cervical Cancer Early Detection Program established pursuant to Article 1.5 (commencing with Section 104150) of Chapter 2 of Part 1 of Division 103 of the Health and Safety Code and the breast cancer programs specified in Section 30461.6 of the Revenue and Taxation Code.

(4) The State-Only Family Planning Program established pursuant to Division 24 (commencing with Section 24000).

(5) The Family Planning, Access, Care, and Treatment (Family PACT) Waiver Program established pursuant to subdivision (aa) of Section 14132.

(b) The director may identify in regulations other programs not listed in subdivision (a) in which providers shall be paid rates of payment that are identical to the rates of payments in the Medi-Cal program pursuant to subdivision (a).

(c) Notwithstanding subdivision (a), services provided under any of the programs described in subdivisions (a) and (b) may be reimbursed at rates greater than the Medi-Cal rate that would otherwise be applicable if those rates are adopted by the director in regulations.

Welfare and Institutions Code

14105.19. (a) Due to the significant state budget deficit projected for the 2003-04 fiscal year, and in order to implement changes in the level of funding for health care services, the Director of Health Services shall reduce provider payments as specified in this section.

(b) (1) Payments shall be reduced by 5 percent for Medi-Cal program services for dates of service on and after January 1, 2004.

(2) Payments shall be reduced by 5 percent for non-Medi-Cal programs described in Section 14105.18, for dates of service on and after January 1, 2004.

(3) The payments made to managed health care plans shall be reduced by the actuarial equivalent amount of 5 percent at the time of the plan's next rate determination.

(4) Reductions to payments for durable medical equipment shall be made at the discretion of the director. If any reduction is made pursuant to this paragraph, the reduction may not exceed 5 percent.

(c) The services listed below shall be exempt from the payment reductions specified in subdivision (b):

(1) Acute hospital inpatient services.

(2) Federally qualified health clinic services.

(3) Rural health clinic services.

(4) Outpatient services billed by a hospital.

(5) Payments to state hospitals or developmental centers.

(6) Payments to long-term care facilities as defined by the department, including, but not limited to, freestanding nursing facilities, distinct-part nursing facilities, intermediate care facilities for developmentally disabled individuals, subacute care units of skilled nursing facilities, rural swing beds, ventilator weaning services, special treatment program services, adult day health care centers, and hospice room and board services.

(7) Clinical laboratory or laboratory services as defined in Section 51137.2 of Title 22 of the California Code of Regulations.

(8) Contract services as designated by the Director of Health

Services pursuant to subdivision (e).

(9) Supplemental reimbursement provided pursuant to Sections 14105.27, 14105.95, and 14105.96.

(d) Subject to the exception for services listed in subdivision (c), the payment reductions required by subdivision (b) shall apply to the services rendered by any provider who may be authorized to bill for the service, including, but not limited to, physicians, podiatrists, nurse practitioners, certified nurse midwives, nurse anesthetists, and organized outpatient clinics.

(e) Notwithstanding Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, the department may implement this section by means of provider bulletin, or similar instruction, without taking regulatory action.

(f) The department shall promptly seek all necessary federal approvals in order to implement this section, including necessary amendments to the state plan.

(g) This section shall remain in effect only until January 1, 2007, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2007, deletes or extends that date.

TITLE 22. Social Security

Division 3. Health Care Services

Subdivision 1. California Medical Assistance Program*

Chapter 3. Health Care Services

Article 2. Definitions

§51137.2. Clinical Laboratory or Laboratory Services.

§51137.2. Clinical Laboratory or Laboratory Services.

“Clinical laboratory or laboratory services” include the biological, microbiological, serological, chemical, immunohematological, hematological, biophysical, cytological, pathological, or other types of examination of materials derived from the human body, for purposes of diagnosis, prevention, or treatment of any disease or impairment of, or the assessment of the health of, human beings.

NOTE

Authority cited: Sections 10725, 14105 and 14124.5, Welfare and Institutions Code. Reference: Section 14132, Welfare and Institutions Code; Section 1206, Business and Professions Code; and Title 42 United States Code, Section 263a.

HISTORY

1. New section filed 1-20-94 as an emergency; operative 1-20-94 (Register 94, No. 3). A Certificate of Compliance must be transmitted to OAL by 5-20-94 or emergency language will be repealed by operation of law on the following day.
2. Certificate of Compliance as to 1-20-94 order transmitted to OAL 5-19-94 and filed 7-1-94 (Register 94, No. 26)