

**California Department of Health Care Services  
Proposed Trailer Bill Legislation**

**Medi-Cal Provider Rate Increase**

**FACT SHEET**

**Issue Title: Medi-Cal Provider Rate Increases.** The Department of Health Care Services (DHCS) proposes to increase rates for primary care (inclusive of nurse practitioners and physician assistants), maternal care (inclusive of OB/GYN and doulas), and non-specialty mental health services, to at least 87.5% of Medicare effective no sooner than January 1, 2024.

**Background:** The 2023-24 Governor's Budget included a new Managed Care Organization (MCO) Tax to provide revenue for the Medi-Cal program and highlighted the Administration would continue to evaluate the need for targeted provider rate increases at May Revision. As part of May Revision, the Administration proposes to increase the MCO Tax initially proposed at Governor's Budget, now with an effective date of April 1, 2023. The MCO Tax will continue to help maintain the Medi-Cal program and support investments to maintain and expand access and quality care in the Medi-Cal program, while minimizing the need for reductions in the program. Revenue from the MCO Tax will fund the Medi-Cal provider rate increases in this proposal.

**Justification for the Change:** The proposed provider payment increases, effective no sooner than January 1, 2024, are intended to support access to primary and preventive health care, maternal care, and non-specialty mental health care. These investments advance the department's Comprehensive Quality Strategy and its clinical focus on children's preventive care, maternal care and birth equity, and behavioral health integration – aligning efforts toward upstream preventive and primary care interventions. Adequate access to these services is foundational to provide care in the right settings, at the right time and at the highest quality.

This proposal works to secure that access and long-term growth in provider participation in Medi-Cal through higher provider reimbursement that is more stable, more equitable, and more streamlined. These rate increases will be made to the FFS base and not as supplemental payments, allowing the increases to be passed on directly, efficiently, and consistently to providers. DHCS will enforce payment of rates at least at this level within the Medi-Cal managed care delivery system. This approach will broadly raise the reimbursement level for the applicable services to be closer to Medicare standards, assure providers of consistency in reimbursement over the long term, and create uniformity in reimbursement levels across codes within the applicable service areas.

Specifically, the trailer bill language will:

- No sooner than January 1, 2024, set Medi-Cal FFS reimbursement rates for primary care services and non-physician professional services, obstetric care and doula services, and outpatient mental health services that are not the financial responsibility of the county mental health plans, as determined by DHCS, equal to the greater of 87.5 percent of the Medicare rate for the same or similar services, or the current Medi-Cal rate accounting for the elimination of any AB 97 reductions and treating any applicable Proposition 56 supplemental payments as included in the base rate. Exempt primary care services and non-physician professional services, obstetric care services, and outpatient mental health services that are not the financial responsibility of county mental health plans from AB 97 (Chapter 3, Statutes of 2011) provider payment reductions (W&I Code Section 14105.192(h)(15)).
- Require DHCS to annually review and revise the FFS reimbursement rates for the applicable services based on changes in Medicare rates (proposed W&I Code Section 14105.198(a)(2)).
- Require Medi-Cal managed care plans to reimburse network providers of applicable services at least the FFS reimbursement rate and to ensure network providers reimbursed on a capitated basis receive reimbursement that is, or is projected to be, equal to the same for the applicable services (W&I Code Section 14105.198(b)).
- Authorize these payments be supported by the MCO Tax, Proposition 56 funds, or other state funds as the state share for the specified payment increases (W&I Code Section 14105.198(c)).
  - For services that will receive increased rates in accordance with this trailer bill, discontinue all applicable Proposition 56-funded FFS supplemental payments and managed care directed payments. The Proposition 56 funds that would have been spent on supplemental payments will support the increased base rates at the same level in accordance with this trailer bill to the extent Proposition 56 revenues are available.
- Direct DHCS to implement the specified payment increases only to the extent that any necessary federal approvals are obtained and federal financial participation is available and not otherwise jeopardized (W&I Code Section 14105.198(d)).
- Authorize DHCS to implement this section by means of all-county letters, plan letters, provider bulletins, information notices, or other similar instructions, without taking any further regulatory action (W&I Code Section 14105.198(e)).

- Direct DHCS to develop, and revise as necessary, the methodologies and parameters for the specified payment increases (W&I Code Section 14105.198(f)).

**Summary of Arguments in Support:**

- Institutes targeted funding increases for specific services aimed at supporting improved access to health care services in core clinical focus areas aligned with the Comprehensive Quality Strategy.
- Supports efforts to improve member health and wellness, advance quality outcomes, and address health equity.

**BCP or Estimate Issue # and Title:**

PC 262 Medi-Cal Provider Rate Increase