

**DEPARTMENT OF HEALTH & HUMAN SERVICES**

Centers for Medicare & Medicaid Services  
Center for Medicaid & CHIP Services  
233 North Michigan Ave., Suite 600  
Chicago, Illinois 60601



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**Financial Management Group**

January 12, 2021

Jacey Cooper  
Chief Deputy Director, Health Care Programs  
California Department of Health Care Services  
P.O. Box 997413, MS 0000  
Sacramento, CA 95899-7413

RE: TN 20-0010

Dear Ms. Cooper:

We have reviewed the proposed California State Plan Amendment (SPA) to Attachment 4.19-B, CA-20-0010, which was submitted to the Centers for Medicare & Medicaid Services (CMS) on September 22, 2020. This SPA, effective July 1, 2020, adjusts the Medi-Cal Fee-for-Service (FFS) outpatient provider rates for Clinical Laboratory Services to no more than 80 percent of the lowest maximum allowance established by the federal Medicare program for the same or similar service and adds an additional criterion for an amount calculated based on a weighted average of the lowest amount that third-party payers are paying for the same or similar services, excluding all rates paid over 150 percent of the Medicare maximum allowance for California.

Based upon the information provided by the State, we have approved the amendment with an effective date of July 1, 2020. We are enclosing the approved CMS-179 and a copy of the new state plan pages.

If you have any additional questions or need further assistance, please contact Blake Holt at 415-744-3754 or [blake.holt@cms.hhs.gov](mailto:blake.holt@cms.hhs.gov).

Sincerely,

A solid black rectangular box redacting the signature of Todd McMillion.

Todd McMillion  
Director  
Division of Reimbursement Review

Enclosures

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL  
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES**

1. TRANSMITTAL NUMBER _____	2. STATE
3. PROGRAM IDENTIFICATION:	
4. PROPOSED EFFECTIVE DATE	

TO: REGIONAL ADMINISTRATOR  
CENTERS FOR MEDICARE & MEDICAID SERVICES  
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*)

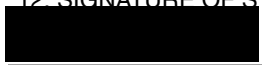
6. FEDERAL STATUTE/REGULATION CITATION	7. FEDERAL BUDGET IMPACT <b>a. (107,243) b. (428,970)</b> a. FFY _____ \$ _____ b. FFY _____ \$ _____
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8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT ( <i>If Applicable</i> )
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10. SUBJECT OF AMENDMENT

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

GOVERNOR'S OFFICE REPORTED NO COMMENT                      OTHER, AS SPECIFIED  
COMMENTS OF GOVERNOR'S OFFICE ENCLOSED  
NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

12. SIGNATURE OF STATE AGENCY OFFICIAL 	16. RETURN TO
13. TYPED NAME	
14. TITLE	
15. DATE SUBMITTED <b>September 22, 2020</b>	

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED 9/22/2020	18. DATE APPROVED    01/12/2021
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**PLAN APPROVED - ONE COPY ATTACHED**

19. EFFECTIVE DATE OF APPROVED MATERIAL 7/1/2020	20. SIGNATURE OF REGIONAL OFFICIAL 
21. TYPED NAME Todd McMillion	22. TITLE Director, Division of Reimbursement Review

23. REMARKS

**12/15/20: The state updated the fiscal impact amounts within Box 7 to FY 20 (107,243) and FY 21 (428,970).**

## STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State: California

4. Reimbursement rates for clinical laboratory or laboratory services as described in State Plan Attachment 3.1-A, page 1, paragraph 3, entitled "Other Laboratory and X-ray services," will be developed by the Department of Health Care Services (DHCS) using the following methodology:
- a) Reimbursement for clinical laboratory or laboratory services shall not exceed the lowest of the following:
    - (1) the amount billed,
    - (2) the charge to the general public,
    - (3) 80% of the lowest maximum allowance established by the federal Medicare Clinical Laboratory fee schedule and Medicare Physician fee schedule effective January 1<sup>st</sup>, 2020 for the same or similar services
    - (4) An amount calculated based on a weighted average of the lowest amount that third-party payers are paying for the same or similar services, excluding all rates paid over 150 percent of the Medicare maximum allowance for California.
  - b) 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.
  - c) The Department's fee schedule rates are set as of July 1, 2020 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/rates/RatesHome.aspx>

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT  
State: California

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 3c, Paragraph Number 3	California Welfare and Institutions Code section 14105.21
4	July 1, 2020	Reimbursement for clinical laboratory or laboratory services shall not exceed the lowest of the following: (1) the amount billed, (2) the charge to the general public, (3) 80% of the lowest maximum allowance established by the federal Medicare Clinical Laboratory fee schedule and Medicare Physician fee schedule effective January 1st, 2020 for the same or similar services, (4) an amount calculated based on a weighted average of the lowest amount that third-party payers are paying for the same or similar services, excluding all rates paid over 150 percent of the Medicare maximum allowance for California.	California Welfare and Institutions Code section 14105.22