DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop, S3-14-28
Baltimore, Maryland 21244-1850

Financial Management Group / Division of Reimbursement Review

February 25, 2020

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 19-0005

Dear Ms. Cooper:

Enclosed is an approved copy of California State Plan Amendment (SPA) 19-0005, which was submitted to the Centers for Medicare & Medicaid Services on November 13, 2019. This SPA adjusts the Medi-Cal Fee-for-Service (FFS) reimbursement rates for Durable Medical Equipment (DME) services using the Medicare rural fee schedule for DME, Prosthetics, Orthotics, and Supplies. This SPA ensures that DME, per state law, cannot exceed 80 percent of the corresponding Medicare rate, or 100 percent for wheelchairs, wheelchair accessories, and speech-generating device and related accessories of the corresponding Medicare rate.

This SPA was approved by CMS on February 24, 2020, with an effective date of January 1, 2019, as requested by the state. Enclosed are the following approved SPA pages that should be incorporated into your approved state plan:

- Attachment 4.19-B, pages 1, 3a, 3b, 3c, 3e and 3f
- Supplement 17 to Attachment 4.19-B, pages 1, 2 and 3

If you have any questions, please contact Cheryl Young at (415) 744-3598 or via email at Cheryl.Young@cms.hhs.gov.

Sincerely,

Todd McMillion
Acting Director

Enclosure

cc:
Jacey Cooper, California Department of Health Care Services (DHCS)
Lindy Harrington, DHCS
Connie Florez, DHCS
Michelle Tamai, DHCS
Angeli Lee, DHCS
Amanda Font, DHCS

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

FORM APPROVED
OMB No. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES

1. TRANSMITTAL NUMBER: 1 9 — 0 0 05

2. STATE: California

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SSA (MEDICAID)

TO: REGIONAL ADMINISTRATOR
CENTERS FOR MEDICARE & MEDICAID SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE: January 1, 2019

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 2019 $ 1,639,426 (553,309)
b. FFY 2020 $ 546,475 (737,745)

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT
~~Attachment 4.19-B page 3a-f~~
Supplement 17 to Attachment 4.19-B, page 1-3
Attachment 4.19-B page 1, 3a, 3b, 3c, 3e, 3f

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*
~~Attachment 4.19-B page 3a-f~~
Supplement 17 to Attachment 4.19-B, pages 1-3
Attachment 4.19-B page 1, 3a, 3b, 3c, 3e, 3f

10. SUBJECT OF AMENDMENT
Medi-Cal reimbursement rates for Durable Medical Equipment

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

12. SIGNATURE OF STATE AGENCY OFFICIAL
[redacted]

13. TYPED NAME
Mari Cantwell

14. TITLE
State Medicaid Director

15. DATE SUBMITTED
March 29, 2019

16. RETURN TO
Department of Health Care Services
Attn: Director's Office
P.O. Box 997413, MS 0000
Sacramento, CA 95899-7413

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED
March 29, 2019

18. DATE APPROVED
February 24, 2020

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL
January 1, 2019

20. SIGNATURE OF REGIONAL OFFICIAL
[redacted]

21. TYPED NAME
Todd McMillion

22. TITLE
Acting Director, Division of Reimbursement Review

23. REMARKS
For Box 11 "Other, As Specified," Please note: The Governor's Office does not wish to review the State Plan Amendment.

10/9/19: The state updated the federal budget impact amounts.
10/25/19: CMS pen and ink changes to boxes 8-9 per email to CA dated 10/25/19.

Instructions on Back

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

A. Non- institutional services for governmental and private providers listed in Supplement 17 of Attachment 4. 19- Bare reimbursed the same using the methodology set forth in paragraph (C).

B. The State Agency's rates for the services listed in Supplement 17 were posted as of January 1, 2019, and are effective for dates of services on or after that date. The rates for these services are posted on the Medi-Cal Rates website at: http://files.medi-cal.ca.gov/pubsdoco/rates/rateshome.asp

C. The policy of the State Agency is that reimbursement for each of the other types of care or service listed in Section 1905(a) of the Act that are included in the program under the plan will be at the lesser of usual charges or the limits specified in the California Code of Regulations (CCR), Title 22, Division 3, Chapter 3, Article 7 (commencing with Section 51501) and CCR, Title 17, Chapter 4, Subchapter 13, Sections 6800-6874, for EPSDT health assessment services, or as specified by any other means authorized by state law.

1. The methodology utilized by the State Agency in establishing payment rates will be as follows:

a) The development of an evidentiary base or rate study resulting in the determination of a proposed rate.

b) To the extent required by State or Federal law or regulations, the presentation of the proposed rate at public hearing to gather public input to the rate determination process.

c) The determination of a payment rate based on an evidentiary base, including pertinent input from the public.

d) The establishment of the payment rate through the State Agency's adoption of regulations specifying such rate in the CCR, Title 22, Division 3, Chapter 3, Article 7 (commencing with Section 51501), and CCR, Title 17, Chapter 4, Subchapter 13, commencing with Section 6868, Schedule of Maximum Allowances for EPSDT health assessment, or through any other means authorized by State law.

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

REIMBURSEMENT METHODOLOGY FOR ESTABLISHING REIMBURSEMENT RATES FOR DURABLE MEDICAL EQUIPMENT, ORTHOTIC AND PROSTHETIC APPLIANCES, AND LABORATORY 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) Effective January 1, 2019, reimbursement rates will not exceed 80 percent of the allowable rate for California established by the federal Medicare program for the same or similar item or service, as provided under the Medicare rural fee schedule for Durable Medical Equipment, Prosthetics, Orthotics, and Supplies. (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), plus no more than 100 percent mark-up. (Refer to Reimbursement Methodology Table at page 3e.)

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

(2) Effective January 1, 2019, reimbursement rates will not exceed 100 percent of the allowable rate for California established by the federal Medicare program for the same or similar item or service, as provided under the Medicare rural fee schedule for Durable Medical Equipment, Prosthetics, Orthotics, and Supplies. (Refer to Reimbursement Methodology Table at page 3e.)

(c) Reimbursement for the rental or purchase of all durable medical equipment billed to the Medi-Cal program utilizing HCPCS codes with no specified maximum allowable rate (either non-covered by Medicare or Medicare did not establish a reimbursement rate), except wheelchairs, wheelchair accessories, and wheelchair replacement parts, 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) plus no more than 100 percent mark-up. (Refer to Reimbursement Methodology Table at page 3e.)

(2) The actual acquisition cost plus a markup to be established by the State Agency based on rate studies and periodic reviews to provide a reasonable reimbursement and maintain adequate access to care. (Refer to Reimbursement Methodology Table at page 3e.)

(3) The manufacturer's suggested retail purchase price, documented by a printed catalog or hard copy of an electronic catalog page published on a date defined by Welfare and Institution Code section 14105.48, reduced by a percentage discount of 20 percent. (Refer to Reimbursement Methodology Table at page 3e.)

(d) Reimbursement for the rental or purchase of wheelchairs, wheelchair accessories, and wheelchair replacement parts billed to the Medi-Cal program utilizing codes with no specified maximum allowable rate (either non-covered by Medicare or Medicare did not establish a reimbursement rate) 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

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

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 100 percent mark-up. (Refer to Reimbursement Methodology Table at page 3e.)

(2) The actual acquisition cost plus a markup to be established by the State Agency based on rate studies and periodic review to assure adequate reimbursement and access to care. (Refer to Reimbursement Methodology Table at page 3e.)

(3) The manufacturer's suggested retail purchase price, documented by a printed catalog or a hard copy of an electronic catalog page published on a date defined by Welfare and Institutions Code section 14105.48, reduced by a percentage discount of 20 percent, or by 15 percent if the provider employs or contracts with a qualified rehabilitation professional. (Refer to Reimbursement Methodology at page 3f.)

(e) Reimbursement for the purchase of all durable medical equipment supplies and accessories without a specified maximum allowable rate (either non-covered by Medicare or Medicare did not establish a reimbursement rate), and which are not described in subparagraphs (a)-(d) above, 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 100 percent mark-up. (Refer to Reimbursement Methodology Table at page 3e.)

(2) The acquisition cost for the item, plus a 23 percent markup. (Refer to Reimbursement Methodology Table at page 3f.)

2. Except as otherwise noted in the State Plan, state-developed fee schedule rates established in accordance with Attachment 4.19-B, beginning on page 3a, are the same for both governmental and private providers of DME and the fee schedule.

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 3.1-A, paragraph 12c, entitled "Prosthetic and Orthotic Appliances."

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

Reimbursement Methodology Table

Paragraph	Effective Date	Percentage/Methodology	Authority
1(a)(1), (b)(1), (c)(1), (d)(1), (e)(1)	August 28, 2013	No more than 100 percent markup	California Code of Regulations, title 22, section 51008.1
1(a)(2)	January 1, 2019	Does not exceed 80% of the allowable rate for California established by the federal Medicare program for the same or similar item or service, as provided under the Medicare rural fee schedule for Durable Medical Equipment, Prosthetics, Orthotics, and Supplies	California Welfare and Institutions Code section 14105.48
1(b)(2)	January 1, 2019	Does not exceed 100% of the allowable rate for California established by the federal Medicare program for the same or similar item or service, as provided under the Medicare rural fee schedule for Durable Medical Equipment, Prosthetics, Orthotics, and Supplies	California of Welfare and Institutions Code section 14105.48
1(c)(2)	November 1, 2003	The acquisition cost plus a 67% markup	Rate Study
1(c)(3)	November 1, 2003	The manufacturer's suggested retail purchase price reduced by percentage discount of 20%	California Welfare and Institutions Code section 14105.48
1(d)(2)	January 1, 2004	The acquisition cost plus a 67% markup	Rate Study

Reimbursement Methodology Table

Paragraph	Effective Date	Percentage/Methodology	Authority
l (d)(3)	January l, 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
l (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, 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

State Plan Under Title XIX of the Social Security Act
State: California

NON-INSTITUTIONAL SERVICES

The following is a list of the non-institutional services set forth in Section 1905(a) of the Social Security Act that are reimbursed using the methodology set forth in Attachment 4.19-B, page 1, paragraph C. The numbering of the list below is taken from the list provided in Attachment 3.1-A entitled, Amount, Duration, and Scope of Medical and Remedial Care and Services Provided to the Categorically Needy:

2.a. Outpatient hospital services, including durable medical equipment as described in Attachment 4.19-B, pages 3a-3f, other than the supplemental payment reimbursement methodologies for hospital outpatient services that are identified and described in Attachment 4.19-B, pages 46-50; Attachment 4.19-B, pages 51-51c; and Supplement 14 to Attachment 4.19-B.

3. Other Laboratory and X-Ray Services

4.b. Early and periodic screening, diagnostic and treatment services, which include services for Pediatric Day Health Centers, for individuals under 21 years of age, and treatment of conditions found.

4.c Family planning services and supplies for individuals of child-bearing age and for individuals eligible pursuant to Att. 2.2-A, B, if this eligibility option is elected by the State.

4.c.1 Family planning-related services provided under the above State Eligibility Option.

5.a. Physicians' services, billed separately, whether furnished in the office, the patient's home, a hospital, a nursing facility, or provided anywhere else necessary.

6. Medical care and any other type of remedial care recognized under State law, furnished by licensed practitioners within the scope of their practice as defined by State law, as referenced in Attachment 3.1-A and 3.1-B.

a. Podiatrists' services.

c. Chiropractors' services.

State Plan Under Title XIX of the Social Security Act
State: California

NON-INSTITUTIONAL SERVICES

d. Other practitioners' services.

- Licensed Pharmacist Services are reimbursed at 85 percent of the current fee schedule for physician services. Payment for Licensed Pharmacist Services does not include dispensing services outlined in Supplement 2 to Attachment 4.19-B.

7. Home health services.

c.2. Durable medical equipment reimbursed as described in Attachment 4.19-B, pages 3a-3f.

9. Clinic services, other than those specific clinic services that are identified and described in Supplements 5, 9 and 10 to Attachment 4.19-B.

11. Physical therapy and related services.

a. Physical therapy.

b. Occupational therapy.

c. Services for individuals with speech, hearing, and language disorders (provided by or under the supervision of a speech pathologist or audiologist).

12. Prosthetic devices; hearing aids; and eyeglasses prescribed by a physician skilled in diseases of the eye or by an optometrist.

c. Prosthetic devices and hearing aids.

d. Eye glasses.

13. Other preventive services, i.e., other than those provided elsewhere in the plan, as referenced in Attachment 3.1-A and 3.1-B. Excludes substance abuse services provided under Drug Medi-Cal.

c. Preventive services.

17. Nurse-midwife services.

State Plan Under Title XIX of the Social Security Act
State: California

NON-INSTITUTIONAL SERVICES

18. Hospice care.

20. Extended services for pregnant women.

    a. Pregnancy-related and postpartum services for a 60-day period after the pregnancy ends and any remaining days in the month in which the 60th day fall.

    b. Services for any other medical conditions that may complicate pregnancy.

21. Ambulatory prenatal care for pregnant woman furnished during a presumptive eligibility period by an eligible provider.

23. Certified pediatric or family nurse practitioners' services.

24. Any other medical care and any other type of remedial care recognized under State law, specified by the Secretary.

    a. Transportation.

    e. Emergency outpatient hospital services.