



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



GAVIN NEWSOM
GOVERNOR

September 22, 2020

Mr. James G. Scott, Director
Centers for Medicare & Medicaid Services
Medicaid and CHIP Operations Group
Division of Program Operations
601 East 12th Street, Suite 0300
Kansas City, MO 64106-2898

STATE PLAN AMENDMENT 20-0010: MEDI-CAL REIMBURSEMENT RATES FOR
CLINICAL LABORATORY SERVICES

Dear Mr. Scott:

The California Department of Health Care Services (DHCS) is submitting the enclosed State Plan Amendment (SPA) 20-0010 documents for your review and approval. SPA 20-0010 seeks federal authority to adjust Medi-Cal Fee-for-Service (FFS) outpatient provider rates for Clinical Laboratory Services, effective July 1, 2020.

In accordance with Welfare and Institutions Code Section 14105.22, Medi-Cal reimbursement rates for clinical laboratory or laboratory services shall not exceed the lowest of four factors: (1) the amount billed; (2) the charge to the general public; (3) 80 percent of the lowest maximum allowance established by Medicare; and (4) the weighted average of the lowest amount that other payers are paying for similar clinical laboratory or laboratory services. This SPA will allow DHCS to add and take into account the fourth factor and adjust Medi-Cal rates that exceed the lesser of 80 percent of the Medicare rate or the average of the lowest amount that other payers are paying for these services. This SPA proposes changes to pages 3d and 3f of Attachment 4.19-B of the California Medicaid State Plan.

DHCS is submitting the following SPA documents for your review and approval:

- CMS 179 - Transmittal and Notice of Approval of State Plan Material
- Pages 3d and 3f of Attachment 4.19-B (Clean)
- Pages 3d and 3f of Attachment 4.19-B (Redline)
- Clinical Laboratory Services Access Study
- Budget Impact Explanation
- CMS Funding Questions

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A Notice of Public Interest and Request for Public Input for SPA 20-0010 was published on June 26, 2020, on the DHCS website. On February 21, 2020, CMS informed DHCS that a tribal notice is not required for this SPA.

If you have any questions, or need additional information, please contact Ms. Connie Florez, Chief, Fee-for-Service Rates Development Division, at (916) 552-9600.

Sincerely,



Jacey Cooper
Chief Deputy Director
Health Care Programs
State Medicaid Director

Enclosures

cc: Ms. Lindy Harrington
Deputy Director
Health Care Financing
Department of Health Care Services
Lindy.Harrington@dhcs.ca.gov

Ms. Connie Florez, Chief
Fee-For-Service Rates Development Division
Department of Health Care Services
Connie.Florez@dhcs.ca.gov

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

1. TRANSMITTAL NUMBER

2 0 — 0 0 10

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

July 1, 2020

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

Title 42 CFR 447 Subpart F

7. FEDERAL BUDGET IMPACT

a. FFY 2020 \$ (1,415) (in thousands)

b. FFY 2021 \$ (5,662) (in thousands)

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

Attachment 4.19-B pages 3d and 3f

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (*If Applicable*)

Attachment 4.19-B pages 3d and 3f

10. SUBJECT OF AMENDMENT

Medi-Cal reimbursement rates for Clinical Laboratory Services

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

13. TYPED NAME

Jacey Cooper

14. TITLE

State Medicaid Director

15. DATE SUBMITTED

September 22, 2020

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

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

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

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 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.
 - 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