

## **Table of Contents**

**State/Territory Name: CA**

**State Plan Amendment (SPA) #: 23-0003**

his file contains the following documents in the order

- listed:
- 1) Approval Letter
  - 2) CMS 179 Form/Summary Form (with 179-like data)
  - 3) Approved SPA Pages

**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**

June 12, 2023

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 23-0003

Dear Ms. Cooper:

We have reviewed the proposed California State Plan Amendment (SPA) to Attachment 4.19-B, CA-23-0003, which was submitted to the Centers for Medicare & Medicaid Services (CMS) on March 17, 2023. This SPA updates the reimbursement methodology for Durable Medical Equipment.

Based upon the information provided by the State, we have approved the amendment with an effective date of January 1, 2023. 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 303-844-6218 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: TITLE OF THE SOCIAL SECURITY ACT

XIX

XXI

TO: CENTER DIRECTOR  
CENTERS FOR MEDICAID & CHIP SERVICES  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

5. FEDERAL STATUTE/REGULATION CITATION

42 CFR 440.70

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)

a. FFY \_\_\_\_\_ \$ \_\_\_\_\_  
b. FFY \_\_\_\_\_ \$ \_\_\_\_\_

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

3a, 3a.1, 3b, 3c, 3c.1

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 PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable)

3a, 3b, 3c, 3c.1

9. SUBJECT OF AMENDMENT

10. 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:

Please note: The Governor's Office does not wish to review the State Plan Amendment.

11. SIGNATURE OF STATE AGENCY OFFICIAL

15. RETURN TO

12. TYPED NAME

13. TITLE

14. DATE SUBMITTED

March 17, 2023

**FOR CMS USE ONLY**

16. DATE RECEIVED

March 17, 2023

17. DATE APPROVED

June 12, 2023

**PLAN APPROVED - ONE COPY ATTACHED**

18. EFFECTIVE DATE OF APPROVED MATERIAL

January 1, 2023

19. SIGNATURE OF APPROVING OFFICIAL

20. TYPED NAME OF APPROVING OFFICIAL

Todd McMillion

21. TITLE OF APPROVING OFFICIAL

Director, Division of Reimbursement Review

22. REMARKS

4/12/23: State concurrence for pen and ink change to Box 5.  
5/31/2023: State concurrence for pen and ink changes to Boxes 7 and 8.

## 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 Medi-Cal fee-for-service 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 calculated by the Department of Health Care Services (DHCS) using the following methodology:
  - (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) For dates of service on or after January 1, 2023, the rate in effect on the Medi-Cal Fee Schedule for the current calendar year, shall be the lowest of the following:
      - i. The rate in effect on the Medi-Cal Fee Schedule as of December 31 of the preceding calendar year;
      - ii. 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 in the current calendar year. (Refer to Reimbursement Methodology Table at page 3e.)
      - iii. If a Medicare rural rate is not available, 80 percent of the allowable rate for California established by the federal Medicare program for the same or similar service, as provided under the Medicare non-rural fee schedule for Durable Medical Equipment, Prosthetics, Orthotics, and supplies in the current calendar year will be used.
    - (3) Effective January 1, 2023, and on January 1 of each year thereafter, DHCS will adjust rates exceeding 80 percent of the corresponding rate on the Medicare rural fee schedule for Durable Medical Equipment, Prosthetics, Orthotics, and Supplies down to 80 percent of the corresponding rate on the Medicare fee schedule. Any rate that does not exceed 80 percent of the Medicare rate will not be adjusted.

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

State: California

- (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.)
  - (2) For dates of service on or after January 1, 2023, the rate in effect on the Medi-Cal Fee Schedule for the current calendar year, shall be the lowest of the following:
    - i. The rate in effect on the Medi-Cal Fee Schedule as of December 31 of the preceding calendar year;
    - ii. 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 wheelchairs, wheelchair accessories, wheelchair replacement parts, and speech-generating devices and related accessories in the current calendar year. (Refer to Reimbursement Methodology Table at page 3e.)
    - iii. If a Medicare rural rate is not available, 100 percent of the allowable rate for California established by the federal Medicare program for the same or similar service, as provided under the Medicare non-rural fee schedule for Durable Medical Equipment, Prosthetics, Orthotics, and Supplies in the current calendar year will be used.
  - (3) Effective January 1, 2023, and on January 1 of each year thereafter, DHCS will adjust rates exceeding 100 percent of the corresponding rate on the Medicare rural fee schedule for wheelchairs, wheelchair accessories, wheelchair replacement parts, and speech-generating devices and related accessories down to 100 percent of the corresponding rate on the Medicare fee schedule. Any rate that does not exceed 100 percent of the Medicare rate will not be adjusted.

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- (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 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.)

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- (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.)
- (f) Reimbursement for DME considered to be Oxygen and Respiratory equipment, 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.
  - (2) The reimbursement rates in effect, as follows:
    - i. Effective for the dates of service on or after January 1, 2023, reimbursement rates will be established based upon the rates in effect and approved in the State Plan as of December 31, 2022.
    - ii. Effective dates of service on or after January 1, 2024, the reimbursement rates will be the rates in effect on the Medi-Cal Fee schedule for the current calendar year, which shall be the lowest of the following:
      1. The rate in effect of the Medi-Cal Fee schedule as of December 31 of the preceding calendar year; or
      2. 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 in the current calendar year

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3. If a Medicare rural rate is not available, 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 non-rural fee schedule for Durable Medical Equipment, Prosthetics, Orthotics, and Supplies in the current calendar year will be used.
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."

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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), (a)(3)	January 1, 2023, and on January 1 of each year thereafter	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 Any rate that does not exceed 80 percent of the Medicare rate will not be adjusted.	California Welfare and Institutions Code section 14105.48
1(b)(2), (b)(3)	January 1, 2023, and on January 1 of each year thereafter	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 wheelchairs, wheelchair accessories, wheelchair replacement parts, and speech-generating devices and related accessories. Any rate that does not exceed 100 percent of the Medicare rate will not be adjusted.	California 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