



NOTICE OF GENERAL PUBLIC INTEREST

RELEASE DATE: JUNE 30, 2023

PROPOSED STATE PLAN AMENDMENT TO ADJUST MEDI-CAL FEE-FOR-SERVICE REIMBURSEMENT RATES FOR CLINICAL LABORATORY OR LABORATORY SERVICE CODES

This notice is to provide information of public interest about a proposed State Plan Amendment (SPA) by the Department of Health Care Services (DHCS). The proposed SPA 23-0019 is seeking federal authority to adjust certain Medi-Cal Fee-For-Service (FFS) reimbursement rates for clinical laboratory or laboratory services, effective July 1, 2023. DHCS requests input from beneficiaries, providers, and other interested stakeholders concerning proposed SPA 23-0019, which is attached below.

SPA 23-0019 proposes to establish a reimbursement methodology to conduct an annual rate review and adjust Medi-Cal FFS rates for certain clinical laboratory or laboratory services in accordance with Welfare and Institutions Code section 14105.22.

The reimbursement methodology will adjust rates for certain clinical laboratory or laboratory services based upon the lowest of four factors, including: (1) the amount billed; (2) the charge to the general public; (3) the rate in effect on the Medi-Cal Fee schedule for the current state fiscal year; and (4) every three years, beginning on July 1, 2023, the average of the lowest prices third-party payers (excluding Medicare and Medicaid) are paying for similar services. DHCS collected third-party payer rate and utilization data for calendar year 2021 to determine the average third-party payer rate.

DHCS estimates that the annual aggregate Medi-Cal expenditures for Clinical Laboratory or Laboratory Services will decrease by approximately \$9.1 million annually in total funds.

The effective date of the proposed SPA is July 1, 2023. All proposed SPAs are subject to approval by the Centers for Medicare and Medicaid Services (CMS).



Public Review and Comments

Upon submission to CMS, a copy of proposed SPA #23-0019 will be published at www.dhcs.ca.gov/formsandpubs/laws/Pages/Pending-2023.aspx.

If you would like to view the SPA in person once it becomes available, please visit your local county welfare department. You may also request a copy of proposed SPA #23-0019 or a copy of submitted public comments related to SPA #23-0019 by requesting it in writing to the mailing or email address listed below. Please indicate SPA #23-0019 in the subject line or message.

Written comments may be sent to the following address:

Department of Health Care Services
Fee-for-Service Rates Development Division
Attn: Alek Klimek
P.O. Box 997413, MS 46600
Sacramento, California 95899-7417

Comments may also be emailed to PublicInput@dhcs.ca.gov. Please indicate SPA #23-0019 in the subject line or message.

To be assured consideration prior to submission of the SPA to CMS, comments must be received no later than July 31, 2023. Please note that comments will continue to be accepted after July 31, 2023, but DHCS may not be able to consider those comments prior to the initial submission of SPA #23-0019 to CMS.

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

4. Effective for dates of service on or after July 1, 2023, 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 established using the following methodology:
- a) Effective for dates of service on or after July 1, 2023, the reimbursement rate for clinical laboratory or laboratory services shall be the lowest of the following:
 - (1) the amount billed;
 - (2) the charge to the general public;
 - (3) the rate in effect on the Medi-Cal fee schedule for the current state fiscal year, which shall be the lowest of the following:
 - i. the rate in effect on the Medi-Cal fee schedule as of June 30 of the previous state fiscal year; or
 - ii. 100 percent of the lowest maximum allowance established by the federal Medicare Clinical Laboratory fee schedule and Medicare Physician fee schedule effective January 1 of the previous state fiscal year for the same or similar service.
 - (4) beginning on July 1, 2023, and every three years thereafter, the weighted average of the lowest amount that third-party payers are paying for the same or similar services, but no less than 70 percent of the Medicare Clinical Laboratory rate and Medicare Physician rate effective January 1 of the previous state fiscal year for the same or similar service.
 - b) The ten percent payment reductions included in Attachment 4.19-B, page 3.3, paragraph (13), shall apply to the new rates established using the methodology described paragraph (a).
 - (1) For dates of services on or after July 1, 2022, clinical laboratory services that are 2019 novel coronavirus disease (COVID-19) diagnostic testing or specimen collection services are exempt from the ten percent payment reductions described in paragraph (13) on page 3.3 of this Attachment.
 - c) Except as otherwise noted in the State Plan, state-developed fee schedules are the same for both governmental and private providers of radiological services. All Medi-Cal Fee-for-Service rates 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 |
|-----------|----------------|---|--|
| 4 | July 1, 2023 | The reimbursement rate shall be the lowest of the following: (1) the amount billed; (2) the charge to the general public; (3) the rate in effect on the Medi-Cal fee schedule for the current state fiscal year, which shall be the lowest of the following: (i) the rate in effect on the Medi-Cal fee schedule as of June 30 of the previous state fiscal year. (ii) 100% of the lowest maximum allowance established by the federal Medicare Clinical Laboratory fee schedule and Medicare Physician fee schedule effective January 1 of the previous state fiscal year for the same or similar service; (4) beginning on July 1, 2023, and every three years thereafter, the weighted average of the lowest amount that third-party payers are paying for the same or similar services, but no less than 70 percent of the Medicare Clinical Laboratory rate and Medicare Physician rate effective January 1 of the previous state fiscal year for the same or similar service. | California Welfare and Institutions Code sections 14105.22 and 14105.222 |

TN No. 23-0019
Supersedes
TN No. 22-0073

Approval Date: _____

Effective Date: July 1, 2023

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

Reimbursement Methodology Table

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|---------|-----------------|--|---|
| 1(f)(2) | 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. | California Welfare and Institutions Code section 14105.48 |
| 1(f)(2) | January 1, 2024 | <p>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:</p> <ul style="list-style-type: none"> i) The rate in effect on the Medi-Cal Fee Schedule as of December 31 of the preceding calendar year; or 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 Durable Medical Equipment, Prosthetics, Orthotics, and Supplies in the current calendar year | California Welfare and Institutions Code section 14105.48 |