



JENNIFER KENT  
DIRECTOR

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



EDMUND G. BROWN JR.  
GOVERNOR

June 18, 2018

The Honorable Richard Pan, Chair  
Senate Health Committee  
State Capitol, Room 2191  
Sacramento, CA 95814

Dear Senator Pan:

ASSEMBLY BILL 349 (AS AMENDED JUNE 7, 2018) – SUPPORT

The Department of Health Care Services (DHCS) is pleased to support Assembly Bill (AB) 349. AB 349 would allow DHCS to establish the reimbursement rate setting methodology for all providers in the Drug Medi-Cal (DMC) program by promulgating regulations, and would allow DHCS to annually establish and update the statewide maximum allowable reimbursement rates by way of information notice.

DMC is the name of Medi-Cal's specialty services program "carved out" of the traditional provider coverage offered to beneficiaries. This program has been in its current form since the late 1970's. Under California's Medicaid State Plan, DMC beneficiaries can receive: Outpatient Drug Free Treatment, Intensive Outpatient Treatment, Naltrexone Treatment, Peri-Natal Residential Substance Use Disorder Services, Detoxification Hospitalization, and Narcotic Treatment Program services.

Under existing law, DMC rates are updated annually through regulations based on the cumulative growth in the implicit price deflator for the costs of goods and services to governmental agencies. The annual rates are based either on the developed rates for use in the next fiscal year or the 2009-10 Budget Act rates adjusted for the deflator, whichever is lower.

AB 349 would streamline the lengthy rate setting process by allowing DHCS to publish the new rate more expeditiously in order to reduce administrative inefficiencies (Welfare and Institutions Code Section 14021.6 (f)). While DHCS would establish the reimbursement rate setting methodology for all providers in the DMC program by promulgating regulations, the bill would allow DHCS to publish proposed rates by way of information notice rather than in emergency regulations. In doing so, AB 349 would

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improve administrative efficiencies and permit more timely notification of rate adjustments.

For these reasons, DHCS supports AB 349.

If you have any questions, please contact me at 440-7500.

Sincerely,

*o/s/by: CG*

Carol Gallegos  
Deputy Director

cc: The Honorable Assembly Member Kevin McCarty  
State Capitol, Room 2136  
Sacramento, CA 95814

Co-Chair and Members, Senate Health Committee  
Senate Republican Caucus  
Senate Floor Analysis  
Department of Finance  
CHHS Legislative Unit  
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