

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
San Francisco Regional Office  
90 Seventh Street, Suite 5-300 (5W)  
San Francisco, CA 94103-6706



**DIVISION OF MEDICAID & CHILDREN'S HEALTH OPERATIONS**

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July 14, 2015

Mari Cantwell  
Chief Deputy Director, Health Care Programs  
California Department of Health Care Services  
P.O. Box 997413, MS 0000  
Sacramento, CA 95899-7413

Dear Ms. Cantwell:

Enclosed is an approved copy of California State Plan Amendment (SPA) 15-015. This SPA was submitted to my office on April 20, 2015 to comply with the California Assembly Bill (AB) 1494 requirement that the Department of Health Care Services implement a new rate-setting reimbursement methodology for clinical laboratory or laboratory services that is more market-based and uses the lowest amounts that other payers (excluding Medicare and Medicaid) are paying for similar clinical laboratory services.

The effective date of this SPA is July 1, 2015 as requested. Enclosed are the following approved SPA pages that should be incorporated into your approved State Plan:

- Attachment 4.19-B, pages 3d and 3f

If you have any questions, please contact Cheryl Young by phone at 415-744-3598 or by email at [cheryl.young@cms.hhs.gov](mailto:cheryl.young@cms.hhs.gov).

Sincerely,

/s/

Hye Sun Lee  
Acting Associate Regional Administrator  
Division of Medicaid & Children's Health Operations

Enclosure

cc: Nathaniel Emery, California Department of Health Care Services  
Connie Florez, California Department of Health Care Services

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b>	1. TRANSMITTAL NUMBER: <b>15-015</b>	2. STATE California
	3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
FOR: HEALTH CARE FINANCING ADMINISTRATION		4. PROPOSED EFFECTIVE DATE July 1, 2015
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES		

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 2015      - \$3,136,193 b. FFY 2016      - \$9,408,580
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8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: <ul style="list-style-type: none"> <li>• Attachment 4.19-B, Page 3d</li> <li>• Attachment 4.19-B, Page 3f</li> <li>• Attachment 4.19-B, Page 3h</li> </ul>	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):
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10. SUBJECT OF AMENDMENT:

11. GOVERNOR'S REVIEW (Check One):

GOVERNOR'S OFFICE REPORTED NO COMMENT       OTHER, AS SPECIFIED:  
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED      The Governor's Office does not  
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL      wish to review the State Plan Amendment.

12. SIGNATURE OF STATE AGENCY OFFICIAL: 	16. RETURN TO:  <b>Department of Health Care Services Attn: State Plan Coordinator 1501 Capitol Avenue, Suite 71.326 P.O. Box 997417 Sacramento, CA 95899-7417</b>
13. TYPED NAME: <b>Mari Cantwell</b>	
14. TITLE: <b>Medicaid Director</b>	
15. DATE SUBMITTED: <b>APR 20 2015</b>	

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:	

schedule and any annual or periodic adjustments to the fee schedule are published in the provider manual and on the California Department of Health Services Medi-Cal website published at:

<http://files.medi-cal.ca.gov/pubsdoco/rates/rateshome.asp>

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. I-A, paragraph 12c, entitled "Prosthetic and Orthotic Appliances." The agency's fee schedule rates are set as of July 1, 2015 for services provided on or after that date. (Refer to Reimbursement Methodology Table at page 3f.) All rates for prosthetic and orthotic appliances are published at:

<http://files.medi-cal.ca.gov/pubsdoco/rates/rateshome.asp>

4. Reimbursement rates for clinical laboratory or laboratory services as described in State Plan Attachment 3.1-A, paragraph 3, entitled "Laboratory, Radiological, and Radioisotope Services," will be developed by the Department of Health Care services (DHCS) using the following methodology:

- a) Request and compile: (1) the lowest rates that other third-party payers, other than Medicaid and Medicare, are paying excluding all rates paid over 80 percent of the Medicare maximum allowable for California; and (2) the associated third-party payer utilization data for clinical laboratories and laboratory services.
- b) Calculate rates using a weighted average, based on the submitted third-party payer rate and utilization data referenced in 4a, on a per test basis.
- c) 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.
- d) The agency's fee schedule rates are set as of July 1, 2015 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/pubsdoco/rates/rateshome.asp>

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 3d, 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