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SB-339 Medi-Cal: laboratory rates. (2025-2026)

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AMENDED IN SENATE APRIL 09, 2025

CALIFORNIA LEGISLATURE— 2025–2026 REGULAR SESSION

SENATE BILL

NO. 339

Introduced by Senator Cabaldon

February 12, 2025

An act to amend Section 14105.22 of the Welfare and Institutions Code, relating to Medi-Cal.

LEGISLATIVE COUNSEL'S DIGEST

SB 339, as amended, Cabaldon. Medi-Cal: laboratory rates.

Existing law establishes the Medi-Cal program, which is administered by the State Department of Health Care Services and under which qualified low-income individuals receive health care services. The Medi-Cal program is, in part, governed and funded by federal Medicaid program provisions.

Existing law prohibits Medi-Cal reimbursement to providers for clinical laboratory or laboratory services from exceeding the lowest of the following: (1) the amount billed; (2) the charge to the general public; (3) 100% of the lowest maximum allowance established by the federal Medicare Program; or (4) a reimbursement rate based on an average of the lowest amount that other payers and other state Medicaid programs are paying.

This bill would *instead require the above-described Medi-Cal reimbursement to equal the lowest of those metrics. The bill would carve out, from the above-described provision, for dates of service on or after July 1, 2027, or when funding is appropriated to implement this provision, whichever is sooner*, Medi-Cal reimbursement to providers for clinical laboratory or laboratory services related to the diagnosis and treatment of sexually transmitted infections, and would apply ~~the above-described~~ *that* threshold but excluding the reimbursement rate described in ~~paragraph (4). The clause (4) above.~~

The bill would exempt data on those services *related to the diagnosis and treatment of sexually transmitted infections* from certain data-reporting requirements that are applicable to the reimbursement rate described in ~~paragraph (4). clause (4), for dates of service on or after January 1, 2027, or when funding is appropriated to implement the above-described provision, whichever is sooner.~~

Under existing law, data reports provided to the department pursuant to those data-reporting requirements are confidential and exempt from disclosure under the California Public Records Act.

This bill would require the department to make available to the public a dataset, as specified, of the deidentified raw data reported pursuant to the above-described data-reporting requirements by any applicable laboratory service providers that reported a volume greater than 10 tests for the data-collection period. The bill would require the department to publish the associated dataset coincident with publishing updated reimbursement rates.

Existing law requires, with ~~exceptions~~, *exemptions*, that payments be reduced by up to 10% for clinical laboratory or laboratory services, in addition to other specified payment reductions under other existing law.

This bill would delete that 10% payment reduction.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 14105.22 of the Welfare and Institutions Code is amended to read:

14105.22. (a) (1) It is the intent of the Legislature that the department develop reimbursement rates for clinical laboratory or laboratory services that are comparable to the payment amounts received from other payers for clinical laboratory or laboratory services. Development of these rates will enable the department to reimburse clinical laboratory or laboratory service providers in compliance with state and federal law.

(2) (A) The requirements specified in subdivision (a) of Section 51501 of Title 22 of the California Code of Regulations shall not apply to laboratory providers reimbursed under the new rate methodology developed for clinical laboratories or laboratory services pursuant to this subdivision.

(B) In addition to subparagraph (A), laboratory providers reimbursed under any payment reductions implemented pursuant to this section shall not be subject to the requirements specified in subdivision (a) of Section 51501 of Title 22 of the California Code of Regulations until July 1, 2015.

~~(3) (A) Reimbursement to providers for clinical laboratory or laboratory services, except those clinical laboratory or laboratory services related to the diagnosis and treatment of sexually transmitted infections, shall not exceed the lowest of the following:~~

(3) (A) Except as described in subparagraph (B), reimbursement to providers for clinical laboratory or laboratory services shall equal the lowest of the following:

(i) The amount billed.

(ii) The charge to the general public.

(iii) One hundred percent of the lowest maximum allowance established by the federal Medicare Program for the same or similar services.

(iv) A reimbursement rate based on an average of the lowest amount that other payers and other state Medicaid programs are paying for similar clinical laboratory or laboratory services.

~~(B) Reimbursement~~ *Notwithstanding subparagraph (A), for dates of service on or after July 1, 2027, or when funding is appropriated to implement this subparagraph, whichever is sooner, reimbursement* to providers for clinical laboratory or laboratory services related to the diagnosis and treatment of sexually transmitted infections shall ~~not exceed~~ *equal* the lowest of the following:

(i) The amount billed.

(ii) The charge to the general public.

(iii) One hundred percent of the lowest maximum allowance established by the federal Medicare Program for the same or similar services.

(4) (A) For purposes of establishing reimbursement rates for clinical laboratory or laboratory services pursuant to clause (iv) of subparagraph (A) of paragraph (3), laboratory service providers shall submit data reports according to the following schedule:

(i) The data initially provided shall be for the 2018 calendar year. For each subsequent reporting year, the data shall be based on the previous calendar year.

(ii) For purposes of clause (i), "reporting year" means 2019 and every third year thereafter.

(B) ~~In accordance with subparagraph (B) of paragraph (3), data~~ Data on clinical laboratory or laboratory services related to the diagnosis and treatment of sexually transmitted infections shall be exempt from the data reporting specified in this ~~section: paragraph, for dates of service on or after January 1, 2027, or when funding is appropriated to implement subparagraph (B) of paragraph (3), whichever is sooner.~~

(C) A data report submitted pursuant to subparagraph (A) shall specify the provider's lowest amounts other payers are paying, including other state Medicaid programs and private insurance, minus discounts and rebates. The specific data required for submission under this subparagraph and the format for the data submission shall be determined and specified by the department after receiving stakeholder input pursuant to paragraph (6).

(D) The data submitted pursuant to subparagraph (A) may be used to determine reimbursement rates by procedure code based on an average of the lowest amount other payers are paying providers for similar clinical laboratory or laboratory services, excluding significant deviations of cost or volume factors and with consideration to geographical areas. The department shall have the discretion to determine the specific methodology and factors used in the development of the lowest average amount under this subparagraph to ensure compliance with federal Medicaid law and regulations as specified in paragraph (8).

(E) For purposes of subparagraph (D), the department may contract with a vendor for the purposes of collecting payment data reports from clinical laboratories, analyzing payment information, and calculating a proposed rate.

(F) The proposed rates calculated by the vendor, as described in subparagraph (E), may be used in determining the lowest reimbursement rate for clinical laboratories or laboratory services in accordance with subparagraph (A) of paragraph (3).

(G) Data reports submitted to the department shall be certified by the provider's certified financial officer or an authorized individual.

(H) Clinical laboratory providers that fail to submit data reports within 30 working days from the time requested by the department shall be subject to the suspension standards of subdivisions (a) and (c) of Section 14123.

(5) (A) Data reports provided to the department pursuant to this section shall be confidential and shall be exempt from disclosure under the California Public Records Act (Division 10 (commencing with Section 7920.000) of Title 1 of the Government Code).

(B) Notwithstanding subparagraph (A), the department shall make available to the public a dataset of the deidentified raw data reported pursuant to subparagraph (A) of paragraph (4) by any applicable laboratory service providers that reported a volume greater than 10 tests for the data-collection period. The dataset shall include Healthcare Common Procedure Coding System (HCPCS) codes, third-party payer rates, and associated volumes of tests furnished. The department shall publish the associated dataset coincident with publishing updated reimbursement rates pursuant to paragraph (3).

(6) The department shall seek stakeholder input on the ratesetting methodology.

(7) Notwithstanding Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, the department may implement this section, in whole or in part, by means of provider bulletins or notices, policy letters, or other similar instructions, without taking any further regulatory action.

(8) (A) The department shall implement this section in a manner that is consistent with federal Medicaid law and regulations. The director shall seek any necessary federal approvals for the implementation of this section. This section shall be implemented only to the extent that federal approvals are obtained and federal financial participation is available and is not otherwise jeopardized.

(B) In determining whether federal financial participation is available, the director shall determine whether the rates and payments comply with applicable federal Medicaid requirements, including those set forth in Section 1396a(a)(30)(A) of Title 42 of the United States Code.

(C) To the extent that the director determines that the rates and payments do not comply with applicable federal Medicaid requirements or that federal financial participation is not available with respect to any reimbursement rate, the director retains the discretion not to implement that rate or payment and may revise the rate or payment as necessary to comply with federal Medicaid requirements. The department shall notify the Joint Legislative Budget Committee 10 days prior to revising the rate or payment to comply with federal Medicaid requirements.

(b) Reimbursement rates developed pursuant to clause (iv) of subparagraph (A) of paragraph (3) of subdivision (a) and the changes made by the act that added this subdivision shall be effective beginning on July 1, 2020, and on July 1 of every third year thereafter.

(c) Notwithstanding subdivisions (a) and (b), for dates of service from July 1, 2021, to June 30, 2022, inclusive, the department shall establish the reimbursement rates for clinical laboratory or laboratory services at the rates in effect and approved in the Medi-Cal State Plan as of December 31, 2019, pursuant to Section 14105.222.