

February 20, 2025

RE: Important Update - Provider Payment Reductions and Billing Guidelines

Dear Valued Provider,

We would like to share important updates regarding payment reductions, exempted services, and billing guidelines for contracted providers with L.A. Care Health Plan (L.A. Care).

Payment Reduction Policy

Our claims system automatically applies a 1% payment reduction as mandated by Welfare and Institution Code 14105.191.

However, several services are exempt from this reduction, including:

- Free-standing sub-acute facilities
- Family planning services
- Free-standing pediatric sub-acute facilities
- Services covered under the Targeted Rate Increase (TRI) Fee Schedule

Targeted Rate Increases (TRI) Fee Schedule

The Department of Health Care Services (DHCS) has recently implemented significant changes through the 2023 Budget Act and AB 118:

- Service rates have been increased to a minimum of 87.5% of the lowest California-specific Medicare locality rate.
- Certain provider payment reductions have been eliminated.
- Proposition 56 physician services supplemental payments have been incorporated into the fee schedule.

If you have any questions on TRI, please email LACareTRI@lacare.org.

Provider Administered Drugs (PADs) - Important Billing Guidelines

Please note the following billing requirements for PADs:

1. Medi-Cal Rx Coverage - PADs may be billed as pharmacy claims if they appear on either:

- The Contract Drugs List
- The Medi-Cal Rx Pharmacy Reimbursable Physician Administered Drugs list

2. Medical Claims - PADs not listed on the above documents must be billed as medical claims and may be subject to California Welfare and Institutions (W&I) Code, W&I 14105.191 reductions.

Key Reminders:

- Previous coverage under the L.A. Care pharmacy network (prior to January 1, 2022) does not guarantee current Medi-Cal Rx coverage.
- It is your responsibility to verify current coverage policies and determine the appropriate billing entity.
- The February 27, 2009, U.S. District Court preliminary injunction regarding 5% pharmacy reductions applies to prescription and OTC drugs, but not necessarily to PADs.

For additional information about the TRI Fee Schedule, please visit: www.dhcs.ca.gov/TRI.

If you have any questions, please contact your L.A. Care Direct Network Account Manager or email DirectNetwork@lacare.org.

Thank you for your continued partnership in serving our members.

Sincerely,

L.A. Care Health Plan