

**California Department of Health Care Services  
Proposed May Revision Trailer Bill Legislation**

**Medi-Cal Cost Containment Proposal: Benefit Cap for Selected Optional Benefits**

**FACT SHEET**

**Background:** The federal government requires states that participate in Medicaid (Medi-Cal) to provide certain benefits, referred to as mandatory benefits. States may elect to provide certain additional benefits, referred to as optional benefits. This proposal will cap the maximum annual fiscal year reimbursement for certain optional benefits specifically hearing aids, durable medical equipment (DME), and select medical supplies. The Department of Health Care Services (DHCS) has calculated the annual cap for each category so that most beneficiaries will be unaffected and will apply certain exemptions that are discussed below.

Hearing Aids: Hearing aids were established as an optional benefit prior to 1988, and are provided as monaural (single) or binaural (dual). Medi-Cal has covered hearing aids when supplied by a hearing aid dispenser through the prescription of an otolaryngologist, or attending physician. Effective July 1, 2009, and with certain exceptions, Medi-Cal no longer considers audiology services to be a covered benefit. This proposal will establish a cap of \$1,510 per fiscal year.

Durable Medical Equipment: Durable Medical Equipment (DME) was established as an optional benefit prior to 1988. Medi-Cal requires that DME be ordered by the written prescription of a licensed practitioner within the scope of his/her practice. Examples of DME items include: ambulation devices, bathroom equipment, decubitus care equipment, hospital beds and accessories, patient lifts, traction and trapeze equipment, communication devices, IV equipment, oxygen and respiratory equipment, and wheelchairs and accessories. This proposal will establish a cap of \$1,604 per fiscal year.

Select Medical Supplies: Medical supplies were added as a benefit in 1976. California Code of Regulations, Title 22, section 51320 lists medical supplies as a benefit when prescribed by a physician, and sets reimbursement at estimated acquisition cost plus 23 percent, with the reimbursement not to exceed the price charged to the general public. Welfare and Institutions Code 14105.47 establishes the Maximum Allowable Product Cost and the procedures for establishing it. The select medical supplies include: incontinence supplies with a fiscal year cap of \$1,659; urological supplies with a fiscal year cap of \$6,435; and wound care supplies with a fiscal year cap of \$391.

Similar to the elimination of certain optional benefits that DHCS implemented in FY 2009-10, certain Medi-Cal beneficiaries will be exempt from these reductions and certain benefits in these categories will not count against the cap.

Benefit Cap Exemptions:

- Pregnancy-related benefits and benefits for the treatment of other conditions that might complicate the pregnancy if not treated;
- Beneficiaries under the age of 21;
- Beneficiaries residing in a long-term care nursing facility that is both: (A) A skilled nursing facility or intermediate care facility as defined in subdivisions (c) and (d) of Section 1250 of the Health and Safety Code, and (B) Licensed pursuant to subdivision (k) of Section 1250 of the Health and Safety Code;
- DME items associated with compressed oxygen and respirators; and
- Disposable medical supply items associated with tracheostomy, respiratory care; ostomy care; IV infusion; and diabetic testing; disposable gloves and miscellaneous medical supplies

The proposal shall only be implemented to the extent permitted by federal law.

**Why is this change needed?**

California is facing a multi-billion dollar shortfall, and Medi-Cal, as the second largest state program after education, must be part of the effort to reduce General Fund costs. These actions will reduce the services provided under these programs and will therefore reduce Medi-Cal expenditures.

**Potential for opposition, if yes, why.**

There would be opposition to this proposal by advocates, provider groups, and welfare rights organization. The opposition may result in some beneficiaries going without care in some instances and will have the biggest impact on beneficiaries who utilize services the most.

**Is there a BCP associated with this language (yes or no)?** There is not a BCP associated with this language; this item has been included in the May Estimate.

**Any other brief information that is relevant/important to highlight so that one can fully understand the issue that is being presented.**

Future managed care capitation rates will require adjustment to reflect these benefit caps.