



Assembly Bill 1327: Keeping Laboratories Based in California

SUMMARY

Legislation is needed in order to retain laboratory jobs, keep lab services based in California and enable us to meet the statewide demand for COVID-19 testing. Existing California law establishes a market-based method to determine the fee-for-service Medi-Cal reimbursement rate for laboratory services. Historically, California has had an 80 percent of Medicare cap on lab reimbursements. Due to recent federal legislation that established new Medicare rates for lab services in 2018, when the Department of Health Care Services (DHCS) applies California's existing cap, the result is an automatic cut to our carefully calculated Medi-Cal lab rates. These new rates are often below the cost of service and laboratories will be unable to offer these critical services. AB 1327 would repeal the 80 percent of Medicare cap to remedy this and maintain adequate service levels for our Medi-Cal population.

BACKGROUND

California's Budget Act of 2012 adopted a market-based method of determining fee-for-service Medi-Cal rates for lab services. In 2018, the federal government implemented the Protecting Access to Medicare Act (PAMA). Congress directed the Centers for Medicare and Medicaid Services (CMS) to replicate California's rate determination process for Medicare, which establishes new Medicare rates for clinical lab services based on national commercial market rates.

NEED FOR THE BILL

PAMA's replication of California's rate setting process reduces reimbursement to labs for most Medicare clinical lab tests. This Federal modification was unforeseen in 2012, as a result, when DHCS applies California's existing 80 percent of Medicare cap, the resulting Medi-Cal rates are lower than the California market-based rates developed by DHCS. Laboratory testing in California involves capital and personnel costs that are significantly higher than the national average. If not corrected, our current law will force California labs to be reimbursed at 80 percent of the National Market Rate for Medicare. This change to federal law now makes these

services underwater for California labs. Without addressing this, the state will lose laboratory businesses, jobs and testing capacity. Clinical laboratories represent the backbone of California's COVID-19 testing response with a growing testing capacity for both molecular and serologic tests. Laboratory staff are working around the clock to deliver accurate, reliable test results to those in need and must have the resources they need to do so. This strain on laboratories is coming at a time the industry has endured year-over-year cuts to Medi-Cal reimbursement for common lab tests. We cannot allow federal action to undermine the most commonly ordered laboratory tests in California. Laboratories are not asking for a rate increase, they are simply asking that their rates not be automatically cut by federal action. AB 1327 will prevent automatically triggered cuts from being implemented during a global pandemic when clinical laboratories are providing critical testing.

SOLUTION

By eliminating the 80 percent cap, AB 1327 will prevent recent federal legislation from destabilizing Medi-Cal fee-for-service rates, thus protecting California jobs and laboratory testing capacity in the era of COVID-19.

SUPPORT

California Clinical Laboratory Association (Sponsor)
Ascend
California Association of Public Health Laboratory Directors
California Society of Pathologists
Laboratory Corporation of America
Planned Parenthood Affiliates of California
Quest Diagnostics
Spectra Laboratories
Veracyte, Inc.

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