



April 8, 2024

Under federal Medicaid law, States are permitted to require managed care organizations (MCOs) to “adopt a minimum fee schedule for network providers that provide a particular service under the contract using State plan approved rates.” 42 C.F.R. section 438.6(c)(1)(iii)(A). Pursuant to Welfare and Institutions Code Section 14105.201 (Section 14105.201), the Department of Health Care Services (DHCS) established minimum fee-for-service reimbursement rates for certain qualifying services. The new targeted provider rate increases are outlined in the Targeted Rate Increases (TRI) Fee Schedule. Both the rates and the qualifying services can be found on DHCS’s website ([TRI Rates](#)) and are separate from the legacy Medi-Cal fee-for-service schedule. The TRI Fee Schedule rates were approved by the Center for Medicare and Medicaid Services (CMS) and will constitute payment in full for the qualifying services.

Beginning January 1, 2024, individual Prop 56 supplemental payments were discontinued, and the value of such supplemental payments were built into the TRI Fee Schedule rates. Pursuant to Section 14105.201(b), MCOs are required to begin using the TRI Fee Schedule rates as the minimum fee schedule for network providers for the services listed.

- Beginning January 1, 2024, KHS is obligated to pay no less than the TRI Fee Schedule rates as payment in full for qualifying services.
- No amendments to network agreements will be necessary.
- Providers will no longer receive Prop 56 payments as separate payments.
- If the TRI Fee Schedule rate for a particular code is higher than the provider’s contract rate for the same code, KHS will pay the TRI Fee Schedule rate.
- If the provider’s contract rate for a particular code is higher than the TRI Fee Schedule rate for the same code, KHS will pay the contract rate.
- All payment rates (including TRI rates) are subject to Medi-Cal NCCI edit reductions as appropriate.
- Neither the TRI Fee Schedule nor Section 14105.201 requires MCOs to maintain or increase total provider compensation across all services.
- Neither the TRI Fee Schedule nor Section 14105.201 requires MCOs historically paying at a set percentage of the legacy Medi-Cal fee schedule rates to continue to pay the same percentage of the TRI Fee Schedule rates.

Providers should understand that in some circumstances the payment amount a provider receives in total for a particular code (i.e., the contract rate or the TRI Fee Schedule rate) might be less than the total amount the provider received in 2023 for the same code (i.e., the contract rate plus the Prop 56 supplemental payment). The information above is subject to change upon release of the final All Plan Letter (APL) from the DHCS. However, KHS is beginning to implement the TRI on a going forward basis and will process retroactive dates of service once there is a final APL.