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**Stay informed about the Medi-Cal Targeted Rate Increase (TRI) and changes to Prop 56 Physician Services payments. Understand how payments are calculated, what's required to stay compliant and ensure payments to your downstream providers.**

Pursuant to the 2023 Budget Act and AB 118 (Chaptered 42, Statutes of 2023), effective January 1, 2024, the Department of Health Care Services (DHCS) is increasing reimbursement rates for contracted providers to no less than 87.5% of the lowest California-specific Medicare allowable for certain Medi-Cal covered physician services. You can obtain the TRI fee schedule that shows eligible codes from [DHCS](#).

### **What makes a provider eligible?**

Only contracted providers, as defined in DHCS [All Plan Letter 19-001](#), providing qualifying physician services are eligible to receive the TRI. The TRI is not applicable to any services provided by non-contracted providers.

### **How TRI Impacts Proposition 56 Physician Services Payments (APL 23-019)**

TRI incorporates the Proposition 56 Physician Services payments outlined in APL 23-019. In this letter, we will refer to Proposition 56 Physician Service payments as "Prop 56". All other Proposition 56 programs (dental, family planning, sensitive services) will remain unchanged in 2024.

### **Fee-for-service (FFS) provider payment methodology**

Here is what you need to know.

## FFS TRI payment calculation methodology

If ...	is ...	then
<p><b>The current contracted rate plus Prop 56</b></p> <p>Example: Billed \$60, contract \$40</p> <p>Lesser of = \$40 Prop 56 = \$30 Total = \$70</p>	<p><b>greater</b> than the TRI fee schedule</p> <p>TRI \$50</p>	<p>Health Net pays the current contracted rate + Prop 56.</p> <p>Pay \$70</p>
<p><b>The current contracted rate plus Prop 56</b></p> <p>Example: Billed \$40, contract \$60</p> <p>Lesser of = \$40 Prop 56 = \$30 Total = \$70</p>	<p><b>less</b> than the TRI fee schedule</p> <p>TRI \$100</p>	<p>Health Net pays based on the TRI fee schedule.</p> <p>Pay \$100</p>

## FFS contracting and administration

We will not amend FFS provider contracts because the fee schedule in the contracts is not changing. Instead, the TRI fee schedule, which is the same for all contracted providers performing the eligible services, is applied in addition to the fee schedule in the contract. Health Net is updating our claims systems to include TRI by July 31, 2024, as required by DHCS.

## TRI and Prop 56 – Here is what you need to know

- Prop 56 ends with TRI.** To ensure a seamless transition from Prop 56 payments to TRI payment logic, Health Net will leverage the “greater of” calculation described above.
- FFS Networks:** For contracted providers reimbursed on an FFS basis, Health Net will continue paying Prop 56 until July 31, 2024. After July 31, 2024, our claims system will be updated for TRI to include Prop 56 in the claim processing.
- Capitated Networks:** For providers that are part of capitated participating physician groups (PPGs), Health Net will continue to pay Prop 56 directly to those providers for 2024 dates of service. By December 31, 2024, Health Net will make retroactive TRI add-on capitated payments to PPGs, effective January 1, 2024, exclusive of the Prop 56 value. Health Net will make prospective TRI add-on capitated payments effective January 1, 2025, inclusive of the Prop 56 value.

Refer to *Important dates to remember* section below for additional information.

## Capitated PPGs

Here's what you need to know.

### Methodology to determine TRI payments to capitated PPGs

Health Net will use the methodology described below to ensure:

- **Accurate and transparent payments** to PPGs. This approach reduces the chances of PPGs being underpaid or overpaid, and most closely targets TRI payment amounts that enable PPGs to comply with TRI requirements.
- **Payments linked to services rendered.** Submission and use of encounter data in payment calculations makes it easier for PPGs to align reimbursement calculations to their downstream providers and reinforce the importance of timely and accurate encounter submission.

### Submit your capitated and FFS encounters to Health Net

To calculate TRI rates owed to PPGs, Health Net needs PPGs to submit their capitated encounters and FFS claims to Health Net, through the secure file transfer protocol (SFTP) site, using the [Health Net Data Request - DHCS Medi-Cal TRI \(Targeted Rate Increase\) template](#).

### Why is this data submission needed

PPGs already submit encounter data to Health Net, but the following two elements are missing from existing encounter submissions and necessary to calculate TRI capitation rates:

- **FFS Claims:** Accurate paid amounts for all TRI-eligible services.
- **Sub-capitation:** Sub-capitation payments, and encounter detail of all sub-capitation services.

Follow these instructions to submit encounters.

Step	Date	Action
Step 1	Within <b>seven</b> days of receiving this letter	<ol style="list-style-type: none"> <li>1. Assign a designated individual, on behalf of your PPG, to submit the requested data to Health Net.</li> <li>2. Submit the designated individual’s contact information, including their name, email and phone to <a href="mailto:regulatory_and_legislative_implementation_intake@centene.com">regulatory_and_legislative_implementation_intake@centene.com</a>.</li> <li>3. Your designated individual will be emailed and given a temporary password to log in to the SFTP site. Once logged in, they can change the temporary password.</li> </ol>
Step 2	No later than <b>June 30, 2024</b>	Your designated individual must submit the data to the SFTP site using the attached template.
Step 3	In August 2024	Health Net will send a proposed amendment to your contract, inclusive of the TRI capitation rates. Note, this timing is contingent on timely data submission by PPGs in Step 2 above.

Once you submit the data as described above, Health Net will apply the following process to determine TRI capitation per member per month (TRI capitation rates) due to the PPG.

Step	Action
Step 1	For FFS encounters, the exact TRI add-on is calculated using the paid amount. For capitated encounters, the capitated encounters will be analyzed to determine how much additional capitation is needed to support TRI.
Step 2	<p>The 2024 TRI capitation rate is the total add-on from the FFS encounters plus total capitated encounters, minus Prop 56.</p> <p><b>Note:</b> Health Net will pay Prop 56 in 2024. As a result, you will receive two sets of TRI capitation rates:</p> <ul style="list-style-type: none"> <li>• 2024 TRI capitation rates: which do not include the value of Prop 56.</li> <li>• 2025 TRI capitation rates: which will include the value of Prop 56.</li> </ul>

Health Net will retroactively pay PPGs the TRI capitation rates back to January 1, 2024. The PPGs are responsible for paying their downstream providers the TRI add-on for 2024, while Health Net will continue to pay Prop 56 through 2024.

Health Net will stop paying Prop 56 payments starting with 2025 dates of service, and will communicate to all physicians to work directly with PPGs for the full payment, inclusive of

Prop 56. Health Net will share the Prop 56 payment data for 2024 with PPGs using the same SFTP process described above.

### Amendments to capitation agreements

Your capitated agreements must be amended to address TRI and compliance. As mentioned above, the amendments must include TRI capitation rates for 2024, and separately for 2025. Amended contracts must also include language related to compliance with TRI requirements. Additionally, we will send a communication directly to your downstream providers to alert them of these new requirements.

### PPG attestations will be required to demonstrate compliance with TRI requirements

DHCS requires health plans to attest that rendering providers are being paid in a manner that is compliant with TRI. Health Net will also require PPGs attest to complying with TRI requirements, including confirmation that rendering providers are paid in accordance with the APL.

We will implement an attestation process and provide an attestation form to be signed by the PPG's finance executive and submitted along with the accounting documentation that TRI funds received from Health Net were distributed to PPGs' downstream providers. Health Net reserves the right to audit PPGs for compliance with TRI requirements.

Additional information on the attestation form will be provided with your contract amendment once available.

### Important dates to remember

Date <sup>1</sup>	Action
January 1, 2024	TRI effective date
Within seven days of this letter	Submit your designated individual's contact information, including name, email address and phone number, to <a href="mailto:regulatory_and_legislative_implementation_intake@centene.com">regulatory_and_legislative_implementation_intake@centene.com</a> .
No later than June 30, 2024	Ensure your designated individual submits the data to the SFTP site using the attached template.
July 31, 2024	Deadline for PPGs and health plans to start paying at TRI rates for any new FFS claims.
October 31, 2024	All claims with dates of service January 1, 2024, to July 31, 2024, that were previously processed must be adjusted to pay at the new TRI rates.
December 31, 2024	Deadline for PPGs and health plans to update their capitation rates to include TRI rates. Health Net is targeting to include TRI capitation rates no later than the December 2024 capitation payment.

<sup>1</sup> Dates are subject to change based on DHCS finalized All Plan Letter. DHCS has indicated verbally that July 31, 2024 and October 31, 2024, dates will be moved to December 31, 2024, but as of distribution of this letter we have not received the APL formally indicating so.

### **Additional information**

If you have questions regarding TRI rates, refer to the [2024 DHCS Targeted Rate Increase For Select Medi-Cal Services](#) dedicated provider landing page. You may also contact the Provider Relations team via [email](#). Please be on the look-out for an invitation to a webinar where we will review the information above, plus any FAQs.

Sincerely,

A handwritten signature in black ink, appearing to read 'Paul Pakuckas', written in a cursive style.

Paul Pakuckas  
Health Plan Development & Contracting Officer