

## **Table of Contents**

**State/Territory Name: California**

**State Plan Amendment (SPA) #: 24-0054**

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS Form 179
- 3) Approved SPA Pages

**DEPARTMENT OF HEALTH & HUMAN SERVICES**

Centers for Medicare & Medicaid Services  
601 E. 12th St., Room 355  
Kansas City, Missouri 64106



Medicaid and CHIP Operations Group

---

February 27, 2025

Tyler Sadwith, State Medicaid Director  
Department of Health Care Services  
Attn: Director's Office  
P.O. Box 997413, MS 0000  
Sacramento, CA 95899-7413

Re: California State Plan Amendment (SPA) 24-0054

Dear Director Sadwith:

The Centers for Medicare & Medicaid Services (CMS) reviewed your Medicaid State Plan Amendment (SPA) submitted under transmittal number (TN) 24-0054. This SPA proposes to establish guidelines for the medical allocation for unallocated settlements, judgments, and/or awards to avoid unnecessary costs associated with litigation over the medical allocation of an unallocated settlement, judgment, and/or award.

We conducted our review of your submittal according to statutory requirements in Title XIX of the Social Security Act (the Act) and in implementing regulations at 42 Code of Federal Regulations (CFR) Part 433, Subpart D, Third Party Liability. This letter is to inform you that California Medicaid SPA 24-0054 was approved on February 27, 2025, with an effective date of January 1, 2025.

Enclosed are copies of CMS Form 179 and approved SPA pages to be incorporated into the California State Plan.

If you have any questions, please contact Cheryl Young at 415-744-3598 or via email at [Cheryl.Young@cms.hhs.gov](mailto:Cheryl.Young@cms.hhs.gov).

Sincerely,

A large black rectangular box redacting the signature of Ruth A. Hughes.

Ruth A. Hughes, Acting Director  
Division of Program Operations

Enclosures

cc:     Lindy Harrington, DHCS  
          Bill Otterbeck, DHCS  
          Oksana Hill, DHCS  
          Aaron Goff, DHCS  
          Saralyn Ang-Olson, DHCS  
          Angeli Lee, DHCS  
          Farrah Samimi, DHCS  
          Shanna Haysbert, DHCS

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL  
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES**

1. TRANSMITTAL NUMBER

2 4 — 0 0 5 4

2. STATE

CA3. PROGRAM IDENTIFICATION: TITLE OF THE SOCIAL  
SECURITY ACT

XIX



XXI

TO: CENTER DIRECTOR

CENTERS FOR MEDICAID &amp; CHIP SERVICES

DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

January 1, 2025

5. FEDERAL STATUTE/REGULATION CITATION

42 U.S.C.A. §§ 1396a(a)(25), 1396p(1), and 1396k(a); and Arkansas Dep't of Health  
& Hum. Servs. v. Ahlborn, 547 U.S. 268 (2006)

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)

a. FFY 2025 \$ (5,800,000)b. FFY 2026 \$ 0

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

Attachment 4.22-B, pages 3 and 4

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  
OR ATTACHMENT (If Applicable)

Attachment 4.22-B, pages 3 and 4

9. SUBJECT OF AMENDMENT

Medical Allocation Recovery

10. GOVERNOR'S REVIEW (Check One)



GOVERNOR'S OFFICE REPORTED NO COMMENT



COMMENTS OF GOVERNOR'S OFFICE ENCLOSED



NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL



OTHER, AS SPECIFIED:

Please note: The Governor's Office does not wish to review  
the State Plan Amendment.

11. SIGNATURE OF STATE AGENCY OFFICIAL

12. TYPED NAME

Tyler Sadwith

13. TITLE

State Medicaid Director

14. DATE SUBMITTED

December 17, 2024

15. RETURN TO

Department of Health Care Services

Attn: Director's Office

P.O. Box 997413, MS 0000

Sacramento, CA 95899-7413

**FOR CMS USE ONLY**

16. DATE RECEIVED

December 17, 2024

17. DATE APPROVED

February 27, 2025

**PLAN APPROVED - ONE COPY ATTACHED**

18. EFFECTIVE DATE OF APPROVED MATERIAL

January 1, 2025

19. SIGNATURE OF APPROVING OFFICIAL

20. TYPED NAME OF APPROVING OFFICIAL

Ruth A. Hughes

21. TITLE OF APPROVING OFFICIAL

Acting Director, Division of Program Operations

22. REMARKS

STATE PLAN UNDER TITLE OF XIX OF THE SOCIAL SECURITY ACT  
State: California

there is no attorney, this reduction does not apply.

- a) Ascertain the amount of Medicaid expenditures related to the injury and the amount of the potential gross settlement, judgment, and/or award. The Department is limited to the portion of the settlement, judgment, and/or award that is designated for medical expenses. If undesignated, the allocation for medical expenses shall be deemed to be no more than 50 percent of the settlement, judgment, and/or award after deducting attorney's fees and litigation costs. The Department shall reimburse CMS based on the recovered amount and the applicable Federal Financial Participation (FFP) rate.
- b) Determine whether the full Medicaid lien, plus attorney's fees and costs, does or is likely to exhaust or exceed the settlement, judgment, and/or award.
- c) The Department shall consider cost-effectiveness to the State in determining the estimated net recovery amount to be pursued, based on the likelihood of collections.

In determining the estimated net recovery amount, the following factors shall be considered:

- 1) Settlement as may be affected by insurance coverage, policy limits, or other factors relating to the liable party;
- 2) The attorney's fees and litigation costs paid for by the Medicaid recipient;
- 3) Factual and legal issues of liability as may exist between the Medicaid recipient and third party;
- 4) Problems of proof faced in obtaining the settlement, judgment, and/or award;
- 5) The estimated attorney's fees and costs required for the Department to pursue the claim;
- 6) The amount of the settlement, judgment, and/or award allocated to, or expected to be allocated to, medical expenses or medical care; and

## STATE PLAN UNDER TITLE OF XIX OF THE SOCIAL SECURITY ACT

State: California

- 7) The extensive administrative burden that would be placed on the Department to pursue claims.
  - d) To ensure the highest potential recovery, the Department will first consider the above factors and then, on a case-by-case basis, determine if a recovery of a lesser amount is still cost-effective.
  - e) Barring cases resolved for cost-effectiveness, if the medical allocation of a designated settlement, judgment, and/or award, after deducting attorney's fees and litigation costs, exceeds 50 percent, the Department will credit CMS with its full federal share based on the medical allocation.
- (5) The State Medicaid Agency shall ensure that the provider furnishing a service for which a third party is liable follows the restrictions specified in 42 CFR 447.20.
- (6) The State Medicaid has and shall maintain written cooperative agreements for the enforcement of rights to and the collection of third party benefits assigned to the State as a condition of eligibility for medical assistance with the State IV-D agency to meet the requirements of 42 CFR 433.152 (b).
- (7) The State Medicaid agency assures that the State has in effect laws relating to medical child support under section 1908A of the act (1902 (a)(60) of the SSA).
- (8) State laws are in effect that require third parties to comply with the provisions of 1902(a)(25)(I) of the Social Security Act in the Consolidated Appropriations Act of 2022. (CAA), California Senate Bill 1511 (Committee on Health, Chapter 492, Statutes of 2024) modifying section 10022 of California Welfare and Institutions Code requires that if a responsible third party requires prior authorization for an item or service furnished to a Medicaid eligible individual, the responsible third party must accept the authorization provided by the State that the item or service is covered under the State Plan (or waiver of such Plan) for such individual, as if such authorization was made by the third party for such item or service. As further provided by the CAA, State law also requires third party payers to respond to a State inquiry within 60 days of receiving the inquiry.