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Memorandum

Date: April 14, 2008

To: Alliance Providers

From: Provider Services Department

Re: Outpatient litigation rates in comparison to the Medicare Fee schedule

For dates of service on or after July 01, 2008:

In accordance with the Orthopaedic lawsuit settlement, the Alliance will be modifying the reimbursement rate for clinical laboratory services. Currently, rates are reimbursed at the higher outpatient litigation rate. The Alliance will be implementing the following rate changes for our Medi-Cal members. New rates for clinical laboratory services will be reimbursed at the lower of the outpatient litigation rate or the Medicare maximum allowable.

Please note, rates for dates of service prior to July 01, 2008 will remain the same and no take backs will be initiated.

Please call your Provider Services Representative if you have any questions.