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Hospital Network Rate Increases Effective 6/1/2025

Dear provider,

Last year, the Health Plan of San Mateo's (HPSM's) Commission approved specific investments to address critical access gaps and support our providers through provider rate increases. As part of HPSM's five-year strategic plan, the health plan remains firmly committed to improving health outcomes, access and experience, and equity for members. Even (and perhaps especially) during times of uncertainty regarding the future for Medi-Cal, HPSM recognizes how critical it is to thoughtfully invest in the long-term sustainability of the provider network.

As the safety-net payor of last resort in San Mateo County, efficient and effective deployment of our publicly-funded resources is essential to our organization's ability to continue to serve this community. Therefore to determine our new network rates, HPSM undertook a rigorous analysis of our prior network rates in relation to Medicare and other reimbursement, and reviewed extensive member access data to identify areas with the most pressing access needs. One significant priority that emerged from this analysis was supporting our longstanding hospital partners with rate increases to outpatient rates. As a result, HPSM is making a historic investment of financial reserves to implement the changes below, in addition to other rate changes.

Starting June 1, 2025, HPSM will be significantly increasing its standard network outpatient rates for hospitals contracted with HPSM through the Medi-Cal and HealthWorx lines of business. The following changes effectively double HPSM network reimbursement, for this long-standing area of rate discrepancy between Medi-Cal and Medicare payments.

[What are the detailed changes for hospitals?](#)

1. **Room charges are now paid at 250% of Medi-Cal (increased from 123% of Medi-Cal):** This markup is in addition to 43.44% payment augmentation for services provided in a hospital outpatient department as directed by DHCS.

Eligible codes:

Code	Description
Z7500	Use of hospital examination or treatment room
Z7502	Use of emergency room
Z7504	Use of cast room
Z7506	Use of operating room, first hour
Z7508	Use of operating room, first subsequent half hour
Z7510	Use of operating room, second subsequent half hour
Z7512	Use of recovery room
Z7514	Room and board and general nursing care

Source fee schedule: <https://mcweb.apps.prd.cammis.medi-cal.ca.gov/rates?tab=rates>

2. **UB/UA modifier fee schedules are now paid at 250% of Medi-Cal :** To review a summary of changes to surgery supplies and drugs, see the bottom of this page:
<https://mcweb.apps.prd.cammis.medi-cal.ca.gov/rates?tab=rates>.

You can read more about the context behind these investments and HPSM's Strategic Plan, online here: <https://www.hpsm.org/about-us/mission/our-strategic-plan>

Please direct questions about these specific rate increases to HPSM's Provider Services team at PSInquiries@hpsm.org.

Thank you,
The Health Plan of San Mateo