

DEPARTMENT OF HEALTH CARE SERVICES

NOTICE OF GENERAL PUBLIC INTEREST

THE DEPARTMENT OF HEALTH CARE SERVICES IS IMPLEMENTING A RATE FREEZE FOR RATES PAID TO HOSPITALS FOR INPATIENT SERVICES PROVIDED TO MEDI-CAL BENEFICIARIES

This notice is to provide information of public interest with respect to freezing Medi-Cal inpatient services rates paid to all hospitals except Designated Public Hospitals. The Department of Health Care Services (DHCS) has imposed a freeze on reimbursement rates paid to contract and non-contract hospitals for inpatient hospital services. A previous notice was published on June 25, 2010. This notice provides additional detail regarding Senate Bill (SB) 853 (2010) that enacted the rate freeze. SB 853 requires that Medi-Cal inpatient hospital rates be frozen to allow the development and implementation of a payment system based on diagnosis-related groups (DRGs).

DHCS is in the process of developing a payment methodology based on DRGs that reflects the costs and staffing levels associated with quality of care for patients in general acute care hospitals. The DRG payment system will be implemented after the related DRG system changes have been integrated into the Medicaid Management Information System (MMIS) and are fully operational, but no later than June 30, 2014.

DRG based payments will apply to all claims, except claims for psychiatric inpatient days, rehabilitation inpatient days, managed care inpatient days, and swing bed stays for long-term care services. Psychiatric and rehabilitation inpatient days will be excluded regardless of whether or not the stay was in a distinct-part unit. DHCS may exclude or include other claims and services as may be determined during the development of the payment methodology.

The rate freeze will continue in effect for reimbursements for inpatient hospital services provided to Medi-Cal beneficiaries for dates of service beginning July 1, 2010, through the date that the DRG-based payment system is implemented. Agreements between the State and a hospital for rate adjustments are nullified to the extent that they are inconsistent with applicable provisions of SB 853; other provisions of such agreements will remain unchanged. If a contract hospital becomes a non-contract hospital, or a non-contract hospital becomes a contracting hospital, the hospital will continue to receive the lesser of the rate(s) received on January 1, 2010, or July 1, 2010.

DHCS will implement a reconciliation process by June 30, 2012, to reconcile the amounts paid to those hospitals (that were subject to the freeze) to the amounts that they would have received had the DRG-based payment system been in effect. The reconciliation process will apply to payments made for dates of service on and after July 1, 2010.

DHCS will develop and provide to all hospitals the methodology that will be utilized to implement the rate freeze for non-contracting hospitals by January 17, 2011.

PUBLIC REVIEW AND COMMENTS

Copies of the sections of SB 853 referred to in this notice and a detailed description of those provisions are available for public review at local county welfare offices throughout the State. Copies of those documents may also be requested, in writing, from Ms. Jalyne Callori, Department Of Health Care Services, Safety Net Financing Division, MS 4504, P.O. Box 997436, Sacramento, CA 95899-7436.

DHCS is also seeking comment on the rate freeze applicable to inpatient hospital services as described above. Written comments must be mailed to Ms. Callori at the above address and must be received on or before December 10, 2010.