DHCS

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Department of Health Care Services

ARNOLD SCHWARZENEGGER
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DATE: June 18, 2008

MMCD All Plan Letter No. 08-005

TO: ALL MEDI-CAL MANAGED CARE HEALTH PLANS

SUBJECT: MANAGED CARE RATE REDUCTIONS FOR FY 2008-09; TECHNICAL CLARIFICATION TO MMCD ALL PLAN LETTER NO. 08-004

This letter provides technical clarification to MMCD All Plan Letter (APL) No. 08-004 dated May 12, 2008, for the following two items concerning managed care capitation rate reductions for fiscal year 2008-09:

1. Acute hospital inpatient services.
2. Federally Qualified Health Center (FQHC) services.

Acute Hospital Inpatient Services

APL No. 08-004 indicated that in determining capitation rates for months of service beginning July 2008, the Department's consulting actuaries have made an adjustment for inpatient services using a statewide average of inpatient costs, rather than an allocation based upon hospitals' participation in the Selective Provider Contracting Program (SPCP).

Due to a number of inquiries received concerning this statement, **the following information is also provided:**

In determining capitation rates for months of service beginning July 2008, the Department's consulting actuaries have made a program wide adjustment for inpatient services based upon the total bed day ratio between SPCP and non SPCP hospitals, residing exclusively in Medi-Cal managed care counties. The reduction factor developed on a program-wide basis is 2.95 percent.

FQHC services

APL No. 08-004 indicates that a method similar to the one used for determining reductions for acute hospital inpatient services was used when developing payment reductions for FQHC services.

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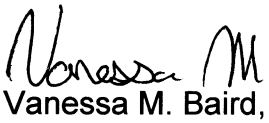
To clarify the FQHC rate reduction calculation **the following information is provided:**

For FQHC services a straight 10 percent reduction was applied to this category of service for each health plan rather than the application of a statewide average. This reduction is consistent with the reduction made for providers that furnish the same scope of services as FQHCs. If the health plans reduce payments to FQHCs, the FQHC providers will be made whole through the wrap around payment made by the Medi-Cal Fee-For-Service (FFS) program. Attached to this APL is a description of the FQHC FFS reimbursement process for services provided to Medi-Cal managed care enrollees. A contact for further information or questions on this subject is also provided in the attachment.

If you have further questions regarding these technical clarifications, please contact Russ Hart, Chief of the MMCD Policy and Financial Management Branch at (916) 449-5000.

Sincerely,



Vanessa M. Baird, MPPA, Chief
Medi-Cal Managed Care Division

Attachment

Attachment

FQHC/RHC
Managed Care (Code 18) Reconciliation Process

The Federally Qualified Health Centers and Rural Health Clinics (FQHC/RHC) have an individual prospective payment systems (PPS) rate for their Medi-Cal clinic visits (billing code 01).

For the FQHC/RHC that have managed care visits, an interim rate (code 18) is established in order for the clinic to be reimbursed the difference between the Medi-Cal PPS rate and the payments received from the managed care plans. This differential code 18 rate was originally designed to make the provider whole and avoid any cash flow issues.

Since the managed care reimbursement is not an exact figure, the code 18 rate does not reflect the exact payment owed to the FQHC/RHC at the time of payment. In order to reconcile the difference between the differential rate (code 18) and managed care plan payments, an annual reconciliation request is filed by the provider which includes: managed care visits, managed care plan payments, Medicare managed care payments and Medi-Cal code 18 payments. The purpose of the reconciliation requests is to ensure that the amounts paid for Medi-Cal managed care visits are equal to the full PPS rate (Code 01).

The 10 percent reduction to the managed care plans have become a concern for the providers. However, the Department will make up for the 10 percent reduction to the managed care plans through the reconciliation request process explained above. Yet, the providers have pointed out that the reconciliation requests are filed annually which has caused a delay in current payments for the FQHC/RHC. As a result, the Department will increase the provider's differential rate code (code 18) by 10 percent for those providers that receive a 10 percent cutback by the managed care plans, at the provider's request. A copy of the managed care plan letter stating that a 10 percent reduction in payments will be made must be provided to the Department at the time of the request.

All questions regarding this issue should be directed to Ralph Zavala, Audit Manager for the Department of Health Care Services, Audit Review and Analysis Section at (916) 650-6696.