



TOBY DOUGLAS
DIRECTOR

Department of Health Care Services



EDMUND G. BROWN JR
GOVERNOR

AUG 07 2014

Hye Sun Lee
Acting, Associate Regional Administrator
Centers for Medicare and Medicaid Services
Division of Medicaid and Children's Health
90 Seventh Street, Suite 5-300 (5W)
San Francisco, CA 94103-6707

Dear Ms. Lee:

STATE PLAN AMENDMENT

The California Department of Health Care Services (Department) is submitting the enclosed State Plan Amendment (SPA) 007-002, which revises Attachment 4.22-C of the State Plan. The requested changes will remove outdated program information and provide necessary clarity to enable the Department to implement and administer the Health Insurance Premium Payment (HIPP) Program consistent with state and federal law. In compliance with state and federal reporting requirements, notice has been given to the tribal organizations regarding this amendment. Revisions to the State Plan were made to:

Delete the cost methodology analysis in Item 1, Section B., Step 3 and replace with "Determine if DHCS's savings exceed the cost of paying the applicant's insurance premiums. If a savings exists, then the payment of the applicant's health insurance premiums will be considered cost-effective."

Note: The HIPP program shall pay the premiums for additional family members, who are not HIPP eligible, if the individual's premium amount is not separable from the family premium amount. Therefore, to determine cost-effectiveness, the entire cost of the premium is calculated against the estimated medical costs.

Add the State's Medi-Cal Managed Care Plan, Covered California subsidized health insurance plans, and employer based health plans where the employee has no net expense or is fully reimbursed for health care premiums, as not cost-effective.

The following parts of the State Plan, Attachment 4.22-C, are being amended; Page 1, Section B, Steps 2 -3, and Section II, re-letter A-G.

If you have any questions, please contact Mr. Jeffrey Blackmon, Chief, Third Party Liability and Recovery Division, at (916) 650-6545.

Sincerely,

ORIGINAL SIGNED

Toby Douglas, Director

Hye Sun Lee
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Enclosures

cc: Jeff Blackmon, Chief
Third Party Liability and Recovery Division
MS 4720
P.O. Box 997425
Sacramento, CA 95899-7425

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**

1. TRANSMITTAL NUMBER:

2. STATE

CA

FOR: HEALTH CARE FINANCING ADMINISTRATION

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE
SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

January 1, 2014

5. TYPE OF PLAN MATERIAL (*Check One*):

NEW STATE PLAN

AMENDMENT TO BE CONSIDERED AS NEW PLAN

AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (*Separate Transmittal for each amendment*)

6. FEDERAL STATUTE/REGULATION CITATION:

Social Security Act 1906, 42 USC 1396b (a)(1), and 42 USC 1396e(a)

7. FEDERAL BUDGET IMPACT:

a. FFY 13-14 \$ 2,471,390

b. FFY 14-15 \$ 2,597,712

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

TN No. 07-002 Page 1 Attachment 4.22-C

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (*If Applicable*):

10. SUBJECT OF AMENDMENT:

State Methodology on Cost-Effectiveness of Individuals and Group Health Plans

11. 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:

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

16. RETURN TO:

**Department of Health Care Services
Attn: State Plan Coordinator
1501 Capitol Avenue, Suite 71.326
P.O. Box 997417
Sacramento, CA 95899-7417**

Toby Douglas

14. TITLE:

Director

15. DATE SUBMITTED:

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

18. DATE APPROVED:

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:

22. TITLE:

23. REMARKS:

State/Territory: California

State Methodology for Determining Cost-Effectiveness of Individual and Group Health Plans

- I. The methodology used by California for determining cost-effectiveness of paying private or employer-related health insurance premiums for existing coverage shall be as follows:
 - A. Any Medi-Cal beneficiary who has an existing, medically confirmed medical condition that has been determined by the Department of Health Care Services (DHCS) to be a cost-effective condition is deemed to meet the cost-effectiveness criteria for the Health Insurance Premium Payment (HIPP) program.
 - B. If A is not applicable, then the following steps will be used to determine cost-effectiveness:
 - Step 1: Use the insurance carrier's evidence of coverage policy to identify that the health care services provided to the individual and/or family covers the specific condition.
 - Step 2: Determine if DHCS's savings exceed the cost of an applicant's insurance premiums. If a savings exists, then the payment of the applicant's health insurance premiums will be considered cost-effective.

Note: The HIPP program shall pay the premiums for additional family members, who are not HIPP eligible, if the individual's premium amount is not separable from the family premium amount. Therefore, to determine cost-effectiveness, the entire cost of the premium is calculated against the estimated medical costs associated with the Medi-Cal eligible beneficiary.
- II. Purchasing or paying for health insurance coverage is deemed NOT cost-effective when:
 - A. A Medi-Cal beneficiary is also enrolled in Medicare.
 - B. A Medi-Cal beneficiary has not yet met his/her share of cost.
 - C. A Medi-Cal beneficiary's insurance is provided through the Managed Risk Medical Insurance Board (MRMIB).
 - D. A Medi-Cal beneficiary is enrolled in a Medi-Cal managed care plan.
 - E. A Medi-Cal beneficiary is enrolled in a subsidized health insurance plan sponsored through Covered California.

- F. A non-custodial parent has been court-ordered to provide medical insurance.
- G. An employee or individual has been fully reimbursed for his/her payment of health care premiums.

State/Territory: California

**State Methodology on Cost-Effectiveness of Individual and
Group Health Plans**

- I. The methodology used by California for determining cost-effectiveness of paying private or employer related health insurance premiums for existing coverage shall be as follows:
- A. Any Medi-Cal beneficiary who has an existing, medically confirmed, medical condition that has been determined by the Department of Health Care Services (DHCS) to be a cost-effective condition is deemed to meet the cost-effectiveness criteria for the Health Insurance Premium Payment (HIPP) program.
 - B. If A is not applicable, then the following steps are used to determine cost-effectiveness:
 - Step 1. Use the insurance carrier evidence of coverage policy booklet to identify that health care services provided to the individual and/or family is covered for the specific condition.
 - Step 2. Calculate cost-effectiveness by using the amount Medi-Cal would pay for the specific condition annually, deduct the individual's and/or family's Share of Cost (SOC), then divide by the annual insurance premium cost.
 - Step 3. If the result is 1.1 or more, it is cost-effective to pay the premiums for an individual and/or family.

NOTE: The HIPP program shall pay the premiums for additional family members, who are not HIPP eligible, if the individual's premium amount cannot be separated from the family premium amount. In determining cost-effectiveness, the entire cost of the premium will be calculated against the estimated medical costs associated with the Medi-Cal eligible beneficiary.

- II. Purchasing or paying for health insurance coverage is deemed NOT cost-effective when:
- A. A Medi-Cal/Medicare beneficiary is enrolled in Medicare.
 - B. A Medi-Cal beneficiary's insurance is provided through the Major Risk Medical Insurance Board or the Managed Risk Medical Insurance Program.
 - C. A non-custodial parent has been ordered by the court to provide medical support.

TN No. 07-002 Approval Date MAR 4 2008 Effective Date 01/01/2008
Supersedes
TN No. 96-002

DHCS is formally requesting CMS approval to not complete the tribal/designee notification process for the following State Plan Amendments (SPA):

SPA #	Background of Proposal	Justification
SPA 07-002: State Methodology on Cost- Effectiveness of Individual and Group Health Plans	SPA 07-002 amends the following in the State Plan: Updates the cost-effectiveness methodology for program enrollment and identifies criteria for health insurance plans deemed not cost-effective, as shown below: <ul style="list-style-type: none"> • Medicaid plans offered through Medi-Cal Managed Care Division (MMCD), • Covered CA subsidized health plans, • Individuals enrolled in Medi-Cal and Medicare, • Individuals without net expenses for employer group health premiums. 	DHCS does not believe a tribal/designee notice is required because the proposal does not negatively impact Indian/Tribal health programs.

SPA Impact Form

State/Title/Plan Number: California/ State Methodology on Cost-Effectiveness of Individual and Group Health Plans

Federal Fiscal Impact: \$1,223,193 FY 2013-2014

Number of People Affected by Enhanced Coverage, Benefits or Retained Eligibility: 290

Number of Potential Newly Eligible People: 0

or

Eligibility Simplification: Not Applicable

Number of People Losing Medicaid Eligibility: 0

Reduces Benefits: No

Provider Payment Increase: No

Delivery System Innovation: No

The requested changes update the SPA language to revise the cost-effective methodology to determine DHCS's cost savings for program applicants, deem Medi-Cal beneficiaries enrolled in subsidized Covered CA health plans, Managed Care or Medicare, and/ or employer based health plans where the employee has no net expense or is fully reimbursed for health care premiums, as not cost effective.

DHS Contact:

Carol Rogers

Date:

May 5, 2014