DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services

Administrator
Washington, DC 20201

Toby Douglas
Director of Health Care Programs
California Department of Health Care Services
P.O. Box 997413, MS 0000
Sacramento, CA 95899-7413

OCT 27 2011

Dear Mr. Douglas:

I am responding to the pending request for reconsideration of the decision to disapprove the California State plan amendments (SPAs) 08-009A; 08-009B1; 08-009B2; 08-009D, which were submitted on September 30, 2008, and SPA 08-019, which was submitted on December 31, 2008. The SPAs proposed to reduce the reimbursement rates for certain services furnished under the approved State plan.

On November 18, 2010, the Centers for Medicare & Medicaid Services (CMS) disapproved these amendments because the State did not provide sufficient information concerning the impact of the proposed reimbursement reductions on beneficiary access to services as required by section 1902(a)(30)(A) of the Social Security Act (the Act). Section 1902(a)(30)(A) of the Act requires that care and services are available to Medicaid beneficiaries at least to the extent that care and services are available to the general population in the geographic area. In addition, CMS was concerned that, given the time that had elapsed since the above SPAs had been submitted, the cumulative effect of approval of and subsequent implementation of these reimbursement reductions would exacerbate beneficiary access concerns. On November 19, 2010, the State requested that CMS reconsider the disapproval of the above amendments.

On March 25, 2011, the State submitted documentation to support a demonstration of compliance with section 1902(a)(30)(A) of the Act, as it specifically relates to reimbursement rates that are sufficient to enlist enough providers so that care and services are available at least to the extent that care and services are available to the general population in the geographic area. From March 25, 2011, through approximately September 30, 2011, CMS has been working with the State to refine the information initially submitted and, as a result of this collaborative process, the State was able to provide metrics that adequately demonstrated beneficiary access. In general, these metrics included data which provided:

- Total number of providers by type and geographic location and participating Medi-Cal providers by type and geographic area
- Total number of Medi-Cal beneficiaries by eligibility type
- Utilization of services by eligibility type over time
- Analysis of benchmark service utilization where available

Data concerning these metrics were submitted for State Fiscal Years (SFYs) 2008, 2009 and 2010.

Based on the analysis described above, the State has requested that CMS approve SPAs 08-009A, 08-009B1, 08-009D. As part of the reconsideration of the above SPAs, the State has modified the SPAs to reflect that the reductions prior to 2011 will only be authorized under the plan in those years, and for those periods, during which the State actually implemented the reduction. This targeting addresses the issue we had raised earlier of retroactively implementing rate cuts which might potentially affect current access. As noted in our original letter denying the 2008 SPAs, recoupment of retroactive reductions might create access problems going forward. The amendments to the 2008 State plan largely resolve this concern for periods prior to 2011.

Because the State implemented some reductions, CMS was able to study the correlation between the reduction to the reimbursement of those services and the change in the above metrics from SFY 2008 – SFY 2010. Based on this analysis, including a period of rate reductions, CMS was able to conclude that the implementation of the above reimbursement reductions complied with section 1902(a)(30)(A) of the Act so that care and services are available at least to the extent that care and services are available to the general population in the geographic area. As modified, the SPAs also implement payment reductions for certain services in 2011. The retroactive implementation of rate cuts for a short time in 2011 is of far less concern than the retroactive implementation of rate cuts for several years. Nevertheless, the State demonstrated beneficiary access for SFY 2010, and also submitted a monitoring plan as part of SPA 08-009B1 by which beneficiary access will be monitored on a service-by-service basis for all the services at issue in these three SPAs. We believe that the proposed monitoring process will allow California to ensure that payment rates for 2011 are consistent with section 1902(a)(30)(A) of the Act or to promptly take corrective action if the rates prove to be insufficient. The State will monitor predetermined metrics on a quarterly or annual basis in order to ensure that beneficiary access is comparable to services available to the general population in the geographic area.

In light of the data CMS reviewed, the monitoring plan, and our consideration of stakeholder input, we have determined that these amendments comply with section 1902(a)(30)(A) of the Act and all other applicable requirements of the Act, therefore, SPAs 08-009A; 08-009B1; 08-009D have been approved, effective July 1, 2008. This approval does not affect SPA 08-009B-2 and SPA 08-019. The State has chosen not to pursue the reductions proposed via SPA 08-009B-2, therefore, we understand that the State will withdraw its formal request for reconsideration of this amendment. With regard to SPA 08-019, the State incorporated the reductions initially proposed via SPA 08-019 into the reductions proposed via SPA 08-009A, therefore, we understand that the State will also withdraw its formal request for reconsideration of SPA 08-019. The revised approved plan pages and the HCFA-179 are enclosed.

If you have any questions, please have your staff contact Dianne Heffron at (410) 786-3247.

Sincerely,

Donald M. Berwick, M.D.

Enclosures

DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH CARE FINANCING ADMINISTRATION

FORM APPROVED
OMB NO. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER: 08-009 B1

2. STATE: California

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
July 1, 2008

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

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN X AMENDMENT

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

6. FEDERAL STATUTE/REGULATION CITATION:

7. FEDERAL BUDGET IMPACT: (SAVINGS)
a. FFY 07-08 (3 mos) ~~(-$107.4 million)~~ ~~(-$14.1M)~~ (-$19.8M)
b. FFY 08-09 ~~(-$527.2 million)~~ ~~(-$69.6M)~~ (-$85.5M)

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
ADD NEW ATTACHMENT 4.19-F
~~Attachment 4.19-A: amend pages 2 and 5 and add page 3.2~~
~~Attachment 4.19-B: amend page 3 and add page 3.1~~
~~Supplement 2 to Attachment 4.19-B: amend pages 1 and 2~~
~~Attachment 4.19-D: amend page 15.4 and add page 15.4a~~
Attachment 4.19-B: Add pages 3.1-3.4, 64
Add Supplement 15

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*:
FFY 09-10 (-$32.4M)
FFY 10-11 (-$39.5M)
~~Attachment 4.19-A, pages 2, and 5~~
~~Attachment 4.19-B, page 3~~
Supplement 2 to Attachment 4.19-B, pages 1 and 2
~~Attachment 4.19-D, page 15.4~~
Att. 4.19-B - 3.1 NEW PAGES
Att. 4.19-F - NEW

10. SUBJECT OF AMENDMENT:

IMPLEMENT 10% PROVIDER PAYMENT REDUCTION FOR SPECIFIED PROVIDERS AND SERVICES

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
X OTHER, AS SPECIFIED:
Governor's Office does not wish to Review State Plan Amendments

12. SIGNATURE OF STATE AGENCY OFFICIAL: 9/30/08

13. TYPED NAME:
Stan Rosenstein

14. TITLE:
Chief Deputy Director, Health Care Programs

15. DATE SUBMITTED:

16. RETURN TO:

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

18. DATE APPROVED: OCT 27 2011

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL: JUL 1 2008

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME: CINDY MANN

22. TITLE: DIRECTOR, CMCS

23. REMARKS:

FORM HCFA-179 (07-92)

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
STATE: California

6) For dates of service on or after July 1, 2008, through and including February 28, 2009, reimbursement for the following outpatient services described on page 1, paragraph (2), otherwise payable in accordance with the methods and standards described on page 1, paragraph (1), in this Attachment 4.19-B are reduced by ten percent:

- Outpatient hospital services rendered in and billed by hospital outpatient departments, as described in Attachment 3.1-A, section 2a.
- Emergency medical transportation, as described in Attachment 3.1-A, section 24a, and in Attachment 3.1-B, section 23a.
- Non-drug services provided by a pharmacy, as described in Attachment 3.1-A, including but not limited to sections 7c.1 through 7c.4.
- Providers and services included in Supplement 15 to this Attachment.

The outpatient provider types and services specified below are exempt from the ten percent reduction:

- Services provided and billed by Physicians, as described in Attachment 3.1-A, section 5a.
- Services provided and billed by Clinics, as described in Attachment 3.1-A, section 9.
- Services provided and billed by Optometrists, as described in Attachment 3.1-A, section 6b.
- Services provided and billed by Dentists, as described in Attachment 3.1-A, section 10.

(7) For dates of service on or after July 1, 2008, through and including November 16, 2008, reimbursement for the following outpatient services described on page 1, paragraph (2), otherwise payable in accordance with the methods and standards described on page 1, paragraph (1), in this Attachment 4.19-B are reduced by ten percent:

- Nonemergency medical transportation services, as described in Attachment 3.1-A, section 24a, and in Attachment 3.1-B, section 23a.
- Home health services, as described in Attachment 3.1-A, section 7 (refer to rates on page 20a in this Attachment).

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
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(8) For dates of service on or after March 1, 2009, reimbursement for the following outpatient services described on page 1, paragraph (2), otherwise payable in accordance with the methods and standards described on page 1, paragraph (1), in this Attachment 4.19-B are reduced by one percent:

- Any and all services provided and billed by Physicians and Clinics to beneficiaries less than age 21, as described in Attachment 3.1-A, sections 5a and 9.
- Home health services, as described in Attachment 3.1-A, section 7 (refer to rates on page 20a in this Attachment).

(9) For dates of service on or after March 1, 2009, through and including May 31, 2011, reimbursement for outpatient services described on page 1, paragraph (2), otherwise payable in accordance with the methods and standards described on page 1, paragraph (1), in this Attachment 4.19-B will be reduced by one percent. Providers and services subject to this reduction include:

- Any and all services provided and billed by Physicians and Clinics to beneficiaries aged 21 and older, as described in Attachment 3.1-A, sections 5a and 9.
- Medical transportation (emergency and nonemergency), as described in Attachment 3.1-A, section 24a, and in Attachment 3.1-B, section 23a.
- Services provided and billed by Optometrists, as described in Attachment 3.1-A, section 6b.
- Services provided and billed by Dentists, as described in Attachment 3.1-A, section 10.
- Providers and services included in Supplement 15 of this Attachment.

(10) For dates of service on or after March 1, 2009, through and including April 5, 2009, and dates of service on or after January 1, 2011, through and including April 12, 2011, reimbursement for outpatient hospital services set forth in Attachment 3.1-A, section 2a, rendered in and billed by a hospital outpatient department, described on page 1, paragraph (2), otherwise payable in accordance with the methods and standards described on page 1, paragraph (1), in this Attachment 4.19-B, are reduced by one percent.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
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(11) For dates of service on or after March 1, 2009, through and including May 31, 2011, reimbursement for non-drug services provided by a pharmacy, set forth in Attachment 3.1-A, including but not limited to sections 7c.1 through 7c.4, otherwise payable in accordance with the methods and standards described on page 1 in this Attachment 4.19-B, are reduced by five percent.

(12) The payment reductions provided in paragraphs (6) and (10) to hospital outpatient department services set forth in Attachment 3.1-A, section 2a, provided and billed by small and rural hospitals, as defined in Section 124840 of California's Health and Safety Code, will be implemented as follows:

- For dates of service provided on or after July 1, 2008, through and including October 31, 2008, a ten percent payment reduction will apply.
- For dates of service provided on or after November 1, 2008, through and including December 31, 2010, no payment reduction will apply.
- For dates of service provided on or after January 1, 2011, through and including April 12, 2011, a one percent payment reduction will apply.
- For dates of service provided on or after April 13, 2011, no payment reduction will apply.

(13) The payment reductions specified in paragraphs (6) through (12) do not apply to supplemental payments and only apply to the basic Medi-Cal reimbursement rate.

(14) The payment reductions specified in paragraphs (6) through (12) apply only to those services described in Attachment 3.1-A entitled, Amount, Duration, and Scope of Medical and Remedial Care and Service Provided to the Categorically Needy and Attachment 3.1-B entitled, Amount, Duration and Scope of Services Provided Medically Needy Group(s), which are billed to the Department directly by the provider that rendered the service.

(15) The payment reductions specified in paragraphs (6) through (12), set forth on pages 3.1 through 3.4 do not apply to the following provider types and services:

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
STATE: California

- Federally qualified health center services, described in Attachment 3.1-A, sections 2c and 2d, including those facilities deemed to have federally qualified health center status pursuant to a waiver under subdivision (a) of Section 1115 of the federal Social Security Act.
- Rural health clinic services, as described in Attachment 3.1-A, section 2b.
- Payments to facilities owned or operated by the State Department of Mental Health for psychology services, as defined in Attachment 3.1-A, section 6d.1 or to the State Department of Developmental Services for targeted case management services, as defined in Attachment 3.1-A, section 19.
- Services provided by local education agencies, as described in Attachment 3.1-A, section 24g, and Attachment 3.1-B, section 23g.
- Breast and cervical cancer treatment services, including but not limited to diagnostic, screening, and treatment services related to breast and cervical cancer, as described in Attachment 3.1-A, sections 2a and 5a.
- Family planning services and supplies, as described in Attachment 3.1-A, item 4c, provided by the Family Planning, Access, Care, and Treatment (Family PACT) Program.
- Hospice services, as described in Attachment 3.1-A, section 18.

(16) The effect of the payment reductions in paragraphs (6) through (12) will be monitored in accordance with the monitoring plan at Attachment 4.19-F, entitled "Monitoring Access to Medi-Cal Covered Healthcare Services".

OTHER OUTPATIENT PROVIDERS
SUBJECT TO PROVIDER PAYMENT REDUCTIONS

The providers and services included in this Supplement are subject to the payment reductions described on pages 3.1-3.4 of Attachment 4.19-B when billed to the Department by the provider who rendered the service. The services are described in Attachment 3.1-A entitled, "Amount Duration and Scope of Medical and Remedial Care and Service Provided to the Categorically Needy".

Provider Type	Allowable Services	Limitations on Attachment 3.1-A	
Assistive Device and Sick Room Supply Dealers (Durable Medical Equipment)	Durable Medical Equipment	7c.2	Page 14
	Medical Supplies	7c.1	Page 13
	Eye Appliances	12d	Page 18
	Hearing Aids	7c.3	Page 14
Audiologists	Audiological Services	2a	Page 2
	Speech Pathology Services	2a	Page 2
	Hearing Aids	7c.3	Page 14
Blood Banks	Blood and Blood Derivatives	2a	Page 2
Certified Nurse Midwife	Nurse Midwife Services	17	Page 22
	Family Planning Services	4c	Page 9d
	Laboratory Services	3	Page 4
	Extended Services for Pregnant Women	20	Page 24
Chiropractors	Chiropractic Services	6c	Page 11
Certified Nurse Practitioner, Certified Nurse Practitioner Family, and Certified Nurse Practitioner Pediatric	Certified Pediatric or Family Nurse Practitioner Services	23	
	Family Planning Services	4c	Page 9d
	Laboratory Services	3	Page 4
	Extended Services for Pregnant Women	20	Page 24
Clinical Laboratories	Laboratory and Pathology Services	3	Page 4
	Radiology/Nuclear Medicine Services	3	Page 4
Group Certified Nurse Practitioner, Group Certified Nurse Practitioner Family, and Group Certified Nurse Practitioner Pediatric	Certified Pediatric or Family Nurse Practitioner Services	23	
	Family Planning Services	4c	Page 9d
	Laboratory Services	3	Page 4
	Extended Services for Pregnant Women	20	Page 24
Fabricating Optical Laboratory/ Prison Industry Authority	Lenses and Frames	12d	See Eyeglasses and Other Eye Appliances Page 18
Dispensing Opticians	Eye Appliances	12d	Page 18

Hearing Aid Dispensers	Hearing Aids	7c.3	Page 14
	Audiological Services	2a	Page 2
Nurse Anesthetists	Nurse Anesthetists Services	6d.2	Page 11B
	Laboratory Services	3	Page 4
Occupational Therapists	Occupational Therapy	11	Page 16
Orthotists	Orthotic Appliances	12c	Page 18
	Medical Supplies	7c.1	Page 13
	Durable Medical Equipment	7c.2	Page 14
Physical Therapists	Physical Therapy	11	Page 16
Podiatrists	Podiatry	6a	Page 10b
	Laboratory Services	3	Page 4
	Durable Medical Equipment	7c.2	Page 14
	Orthotic Appliances	12c	Page 18
Portable X-Ray	Radiology/Nuclear Medicine Services	3	Page 4
Prosthetists	Prosthetic Appliances	12c	Page 18
	Medical Supplies	7c.1	Page 13
	Durable Medical Equipment	7c.2	Page 14
	Orthotic Appliances	12c	Page 18
Psychologists	Psychology Services	6d.1	Page 11A
Certified Acupuncturist	Acupuncture Services	6d3	Page 12
Genetic Disease Testing	Expanded Alpha Feto-Protein Screening Services	3	See Laboratory Services Page 4
Speech Therapists	Speech Pathology Services	11	Page 16
	Audiological Services	2a	Page 2
Certified Hospice Service	Hospice Services	18	Page 22
Outpatient Heroin Detoxification Center	Outpatient Heroin Detox. Services	13d.3	Page 19
Respiratory Care Practitioners	Respiratory Care Practitioner Services	22	
Health Access Program	Extended Services for Pregnant Women	20	Page 24
	Outpatient Clinic Services	2a, 9	Page(s) 2 and 15
Group Respiratory Care Practitioners	Respiratory Care Practitioner Services	22	
Individual Nurse Providers	EPSDT Supplemental Services	4b	Page 9a
California Children's Services/Genetically Handicapped Person Program (CCS/GHPP) Non-Institutional	CCS/GHPP Services Including Physicians, Clinic and Case Management Services	5a, 9	See Physician and Clinic Services Page(s) 9d and 15
Licensed Midwife (LMW)	Physician and Clinic Services Related to Obstetrics, Gynecology, and Maternal Care Services	5a, 9	See Physician and Clinic Services Page(s) 9d and 15

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
STATE: CALIFORNIA

REIMBURSEMENT FOR ADULT DAY HEALTH CARE CENTERS

(1) Reimbursement for services provided in an Adult Day Health Care (ADHC) Center shall be equal to 90 percent of the rate established for Nursing Facilities – Level A for the corresponding rate year, pursuant to the methodology described in Attachment 4.19-D, beginning on page 10.

(2) For dates of service on or after March 1, 2009, through and including March 8, 2009, payments for services provided in an ADHC Center shall be the rate as calculated in paragraph (1), less 5 percent

(3) For dates of service March 1, 2011, through and including May 31, 2011, payments for services provided in ADHC Centers located within specified Medical Service Study Areas (MSSAs) in Alameda, Contra Costa, Los Angeles, Marin, Orange, Riverside, San Bernardino, San Diego, San Francisco, San Mateo, Santa Clara, Santa Cruz and Ventura counties shall be the rate as calculated in paragraph (1), less 5 percent.

MSSAs are the defined geographic analysis unit for the California Office of Statewide Health Planning and Development (OSHPD). They are composed of one or more complete U.S. Census Bureau census tracts. and are reproduced on the decadal census. The boundaries are approved by the Health Manpower Policy Commission and the U.S. Department of Health and Human Services, Health Resources Service and Administration (HRSA), formally recognizes California MSSAs as the Rational Service Area for medical service for California. MSSAs are published at on the OSHPD website at: http://www.oshpd.ca.gov/General_Info/MSSA/AtoC.html.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
STATE: CALIFORNIA

REIMBURSEMENT FOR ADULT DAY HEALTH CARE CENTERS

(1) Reimbursement for services provided in an Adult Day Health Care (ADHC) Center shall be equal to 90 percent of the rate established for Nursing Facilities – Level A for the corresponding rate year, pursuant to the methodology described in Attachment 4.19-D, beginning on page 10.

(2) For dates of service on or after March 1, 2009, through and including March 8, 2009, payments for services provided in an ADHC Center shall be the rate as calculated in paragraph (1), less 5 percent

(3) For dates of service March 1, 2011, through and including May 31, 2011, payments for services provided in ADHC Centers located within specified Medical Service Study Areas (MSSAs) in Alameda, Contra Costa, Los Angeles, Marin, Orange, Riverside, San Bernardino, San Diego, San Francisco, San Mateo, Santa Clara, Santa Cruz and Ventura counties shall be the rate as calculated in paragraph (1), less 5 percent.

MSSAs are the defined geographic analysis unit for the California Office of Statewide Health Planning and Development (OSHPD). They are composed of one or more complete U.S. Census Bureau census tracts. and are reproduced on the decadal census. The boundaries are approved by the Health Manpower Policy Commission and the U.S. Department of Health and Human Services, Health Resources Service and Administration (HRSA), formally recognizes California MSSAs as the Rational Service Area for medical service for California. MSSAs are published at on the OSHPD website at: http://www.oshpd.ca.gov/General_Info/MSSA/AtoC.html.

2. A skilled nursing facility that is a distinct part of a general acute care hospital as defined in Section 72041 of Title 22 of the California Code of Regulations.

3. A subacute care program, as described in Section 14132.25 or subacute care unit, as described in Sections 51215.5 and 51215.8 of Title 22 of the California Code of Regulations.

K. Unless otherwise specified in this Section K, the facility types listed below will be reimbursed at the prospective rate for services provided in the particular rate year. The tables below reflect rate reductions at specified percentages (or rates that remain unchanged) with respect to the prospective rate applicable for the particular time period. "Prospective rate" means the prospective rate established for a given rate year in accordance with this Part IV (and other provisions of this Attachment, as applicable). Reductions specified below will only be applied for the dates listed.

1. Nursing Facilities – Level A (NF-A)

Nursing Facilities Level A		
Period	Reduction	With Respect to:
07/01/08 - 07/31/08	10%	Prospective rate for 2007/08
08/01/08 - 02/28/09	10%	Prospective rate for 2008/09
03/01/09 - Present	5%	Prospective rate for 2008/09

2. Skilled Nursing Facilities that are Distinct parts of General Acute Care Hospitals – Level B (DP/NF–B)

Distinct Part Nursing Facilities Level B		
Period	Reduction	With Respect to:
07/01/08 - 07/31/08	10%	Prospective rate for 2007/08
08/01/08 - 02/28/09	10%	Prospective rate for 2008/09
03/01/09 - 04/05/09	5%	Prospective rate for 2008/09
08/01/09 - 02/23/10	Set at Prospective rate for 2008/09	
03/01/11 - Present	5%	Prospective rate for 2008/09

3. Subacute Care Units that are, or are parts of, Distinct Parts of General Acute Care Hospitals (DP/NF Subacute)

Distinct Part Adult Subacute		
Period	Reduction	With Respect to:
07/01/08 - 07/31/08	10%	Prospective rate for 2007/08
08/01/08 - 02/28/09	10%	Prospective rate for 2008/09
03/01/09 - 04/05/09	5%	Prospective rate for 2008/09
08/01/09 - 02/23/10	Set at Prospective rate for 2008/09	

4. Freestanding Pediatric Subacute Care Unit

Freestanding Pediatric Subacute		
Period	Reduction	With Respect to:
08/01/09 - Present	Set at Prospective rate for 2008/09	

5. Pediatric Subacute Care Units that are, or are parts of, Distinct Parts of General Acute Hospitals (DP/NF Pediatric Subacute)

Distinct Part Pediatric Subacute		
Period	Reduction	With Respect to:
07/01/08 - 07/31/08	10%	Prospective rate for 2007/08
08/01/08 - 02/28/09	10%	Prospective rate for 2008/09
03/01/09 - 04/05/09	5%	Prospective rate for 2008/09
08/01/09 - 02/23/10	Set at Prospective rate for 2008/09	

6. Intermediate Care Facilities for the Developmentally Disabled (ICF/DD)

ICF/DD		
Period	Reduction	With Respect to:
08/01/09 - Present	Set at Prospective rate for 2008/09	

7. Intermediate Care Facilities for the Developmentally Disabled – Habilitative (ICF/DD-H)

ICF/DD - H		
Period	Reduction	With Respect to:
08/01/09 - Present	Set at Prospective rate for 2008/09	

8. Intermediate Care Facilities for the Developmentally Disabled – Nursing (ICF/DD-N)

ICF/DD - N		
Period	Reduction	With Respect to:
08/01/09 - Present	Set at Prospective rate for 2008/09	

9. Rural Swing Bed

Rural Swing Bed		
Period	Reduction	With Respect to:
07/01/08 - 07/31/08	10%	Prospective rate for 2007/08
08/01/08 - 10/31/08	10%	Prospective rate for 2008/09
08/01/09 - 02/23/10	Set at Prospective rate for 2008/09	
03/01/11 - Present	Set at Prospective rate for 2008/09	

L. The payment reductions in boxes (1) through (9) will be monitored in accordance with the monitoring plan at Attachment 4.19-F, entitled "Monitoring Access to Medi-Cal Covered Healthcare Services".

V. DETERMINATION OF RATES FOR NEW OR REVISED PROGRAMS

A. When State adopts a new service or significantly revises an existing service, the rate of reimbursement shall be based upon comparable and appropriate cost information which is available. Comparable rate and cost data shall be selected and combined in such a manner that the rate is reasonably expected to approximate median audited facility costs, had accurate cost reports been available for the particular class of facility. Such factors as mandated staffing levels and salary levels in comparable facilities shall be taken into account. This method of rate-setting shall ordinarily be relied upon to set rates only until such time as accurate cost reports which are representative of ongoing operations become available.

B. When it is determined that cost report data from a class of facilities is not reliable for rate-setting purposes due to inaccuracies or reporting errors, a random sample of such facilities shall be selected for audit and the resulting audited costs shall be used for the rate study. After five years from the end of the fiscal year in which a facility begins participating in a program for Medi-Cal reimbursement, the reimbursement rate methodology will either revert to the provisions described in Section I through IV of Attachment 4.19 – D or be subject to new provisions as described in a State Plan Amendment.

ENCLOSURE **FOR STAKEHOLDERS ONLY

Revised Pages for:

CALIFORNIA MEDICAID STATE PLAN

Under Transmittal of

STATE PLAN AMENDMENT (SPA)

08-009B1*

All new pages will have this SPA* number identified as the new TN No., so it will not be repeated for each new insert pages.

Remove Page(s)	Insert Page(s)
None	Attachment 4.19-B, pages 3.1-3.4
None	Supplement 2 to Attachment 4.19-B pages 1-2
None	Attachment 4.19-B, page 64
Attachment 4.19-D, page 15.4 (TN 03-041)	Attachment 4.19-B, pages 15.4, 15.4a-15.4d