



TOBY DOUGLAS
DIRECTOR

State of California—Health and Human Services Agency
Department of Health Care Services



EDMUND G. BROWN JR.
GOVERNOR

July 24, 2013

Gloria Nagle, PhD, MPA
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 94103-6706

REQUEST FOR ADDITIONAL INFORMATION (RAI) RESPONSE TO STATE PLAN
AMENDMENT 12-022:

Dear Ms. Nagle:

This letter and the enclosed State Plan Amendment (SPA) are the California Department of Health Care Services' (DHCS) responses to the Center for Medicare and Medicaid Services' (CMS) Request for Additional Information (RAI) dated, March 19, 2013, concerning SPA 12-022. This letter and the attached amendments address the questions and concerns expressed by CMS.

The following are DHCS' responses to the RAI dated May 15, 2013, and to two additional questions for SPA 12-022 received from CMS on June 14, 2013.

DHCS is requesting a pen-and-ink change on the HCFA-179 to reflect the updated Federal Budget Impact and effective date. DHCS is also requesting minor non-substantive changes in the SPA language.

General Questions

- 1. HCFA 179, Box 7: Please provide support as to how the State computed the following fiscal impacts:**

State's Response:

The fiscal estimates were calculated using a year of paid claims data to determine the monthly cost of exempting Type C Communication Disorder Centers (CDCs) located in California counties of Alameda, San Benito, Santa

Clara, Santa Cruz, San Francisco, and Sonoma from the 10 percent payment reduction. The monthly cost of exempting Type C CDCs was used to determine the federal fiscal year (FFY) costs. See calculations below.

10% reduction amount per year total funds = \$158,404

10% reduction amount per year federal funds = \$79,202

10% reduction amount per month = \$6,600

FFY 2012 (October 20, 2012, to September 30, 2013, 11.4 months) = \$75,240

FFS 2013 (12 months) = \$79,202

The State is requesting a pen-and-ink change to amend the Federal Budget Impact on the HCFA-179.

- 2. Public notice was posted in the California Regulatory Notice Register on October 19, 2012, which is the same date as the proposed effective of the SPA. Public notice must occur prior to the effective date of the SPA. Please change the effective date to October 20, 2012 (or later).**

State's Response:

The State is requesting a pen-and-ink change to change the effective date for SPA 12-022 from October 19, 2012, to October 20, 2012.

- 3. Please describe how Type C Communication Disorder Centers (CDCs) are currently reimbursed for audiology services given there is no "CDC" provider type listed in the State Plan. Specifically:**
 - a. Please confirm audiology services provided by CDC providers are reimbursed using the fee schedule referenced on page 1 of Attachment 4.19-B. If not, please identify where in Attachment 4.19-B the reimbursement methodology is described. Note: California currently has an off-the-clock SPA, 12-006, which specifies the services reimbursed using the fee schedule; audiology services are currently included in that list.**

State's Response:

Audiology services provided by Types A, B, and C CDC providers are reimbursed using the reimbursement methodology referenced on page 1 of Attachment 4.19-B of the State Plan.

- b. **If audiology services are reimbursed via a fee schedule, please provide an indication of whether the fee schedule rate is a facility-based or a non-facility based rate.**

State's Response:

The fee schedule rate is a non-facility based rate.

4. Please list all other professional services provided by Type C CDCs.

State's Response:

A "Type C" CDC is a team in a health care provider office or facility that provides the following services for children of all ages:

- Comprehensive audiological evaluation and management
- Hearing aid evaluation and recommendations
- Hearing aid orientation
- Speech-language evaluation and remediation
- Comprehensive assessment and aural rehabilitative management

The team consists of a California Children Services (CCS)-paneled* audiologist and a CCS-paneled speech-language pathologist with experience providing service to children younger than 3 years of age, and in some centers, a credentialed teacher of the deaf. The team is responsible for the coordination of all aspects of comprehensive evaluation and treatment related to speech-language and audiology services to children. The team meets on a regularly-scheduled basis to evaluate clients, coordinate services, and provide speech-language and/or hearing interventions as needed.

5. Please provide a comprehensive list of all types of CDCs (e.g. A, B, etc.) that were subject to the reductions implemented via CA 08-009B-1 and CA 11-009. Please answer questions #3 a, #3b, and #4 for the other types of CDCs.

State's Response:

"Types A, B, and C" CDC services were subject to payment reductions as specified in SPAs 08-009B-1 and 11-009.

Professional services provided by Type A CDCs:

A "Type A" CDC is a team in a health care provider office or facility that provides the following services for children five years of age and older:

* "CCS-Paneled Provider" means an individual who has been determined by the CCS program to meet the advanced education, training, and/or experience requirements for his/her provider type in order to render services to a CCS applicant or client.

- Comprehensive audiological evaluation and management
- Hearing aid evaluation and recommendations
- Hearing aid orientation

A CCS-paneled audiologist must be present in the CDC a minimum of 20 hours per week. The audiologist is responsible for providing comprehensive audiologic and hearing aid assessment. Professional services provided by Type B CDCs:

A “Type B” CDC is a team in a health care provider office or facility that provides the following services for children three years of age and older:

- Comprehensive audiological evaluation and management
- Hearing aid evaluation and recommendations
- Hearing aid orientation
- Speech-language evaluation and remediation
- Comprehensive assessment and aural rehabilitative management

The team consists of a CCS-paneled audiologist and a CCS-paneled speech-language pathologist, and in some centers, a credentialed teacher of the deaf. The team is responsible for the coordination of all aspects of comprehensive evaluation and treatment related to speech-language and audiology services to children. The team meets on a regularly-scheduled basis to evaluate clients, coordinate services, and provide speech-language and/or hearing interventions as needed.

5. **(a) June 14, 2013 follow-up question. Based on the State’s response to Question #5, it appears that Type B CDC providers provide almost identical professional services as Type C CDC providers with the exception that Type B CDC providers provide audiology services to children three years of age or older whereas the Type C CDC providers provide audiology services to children of all ages. If so, how does a county determine which CDC provider Type (B or C) would provide the needed audiology services to a child of three years or older, given that audiology services provided under Type B and Type C are basically the same? What determining factors drive a child’s placement to a particular CDC provider type?**

State’s Response:

Type B CDC is a team in a health care provider office or facility that provides audiology services for children three years of age and older. Type C CDC is

generally considered to have a greater capacity to address more complex patient needs, and consists of a team in a health care provider office or facility that provides audiology services for children of all ages (including those less than three years old).

As reflected in these definitions, children below the age of three can be referred to Type C CDCs only. On the other hand, children three years of age or older can be referred to either Type B CDCs or Type C CDCs. There are other factors (some of which are not directly related to health care) that determine to which facility a child of three years of age or older could be referred to receive the needed audiology services. These factors include, but are not limited to, the following:

- The child's county of residence.
- Proximity of the provider facility to the child's home.
- Referring provider.
- Provider capacity (e.g., the CDC provider is no longer accepting referrals).
- Provider's general experience.
- Provider's specific training and experience.
- Provider's specific technical capabilities (i.e., experience and technology to perform cochlear implant related mapping or software to program specific types of hearing aids).

Currently, there are only 17 Type B CDCs statewide, compared to 75 Type C CDCs statewide. Accordingly, a greater number of patients are likely to be referred to Type C CDCs. Type C CDCs are also affiliated with major medical centers, which may further influence referral patterns.

6. Please describe how the State determined that audiology services rendered in Type C CDCs in the specified locations have been/will be negatively impacted by the CA 08-009B-1 and CA 11-009 payment reductions.

State's Response:

A Type C CDC provider informed the State that the 10 percent payment reductions have significantly impacted its ability to operate and would likely no longer be able to provide services to Medi-Cal or CCS beneficiaries. Over the last three years, this provider has increased the number of beneficiaries served and expects the need for Type C CDC services to continue to increase, primarily due to the increased demand for Newborn Hearing Screening. A review of the locations of other Type C CDCs near the provider that raised the concern indicated that beneficiaries have few options and, therefore, access to Type C

CDC services in a particular geographic region may be negatively impacted by the increased demand for services. As a result, the State is proposing that Type C CDC providers in Alameda, San Benito, Santa Clara, Santa Cruz, San Francisco, and Sonoma counties will be exempt from the 10 percent payment reductions.

- 7. How did the State determine that Type C CDC audiology services would be exempt from rate cuts in only the six listed counties? Upon discovering the reimbursement issue, did the State conduct any additional analysis to confirm whether services provided by Type C CDCs *in other locales* might also be negatively impacted by the reductions? Did the State evaluate provider network adequacy of Type C CDCs in other counties using any of the methodologies described in its Monitoring Plan?**

State's Response:

The State focused on the geographic region in which the Type C CDC provider that raised the access concern is located and identified other similar Type C CDCs in the region. The six counties listed are the only counties that have Type C CDCs similar to the provider that raised the concern and are located in the same geographic region.

The State did not conduct an additional analysis to confirm whether services provided by Type C CDCs in other locales may be negatively impacted by the 10 percent payment reduction because there has been no indication that other Type C CDCs in other service areas were negatively impacted.

- 7. (a) June 14, 2013 follow-up question: The State indicated in its response to Question #7 that no additional analysis was performed to confirm whether services provided by Type C CDCs in other locales may be negatively impacted by the 10 percent payment reduction because there has been no indication that other Type C CDCs in other service areas were negatively impacted. If, in the future, other Type C CDCs in other service areas report that their service delivery is being impacted by the 10% payment reduction, how will the State handle this situation?**

State's Response:

If, in the future, other Type C CDCs in other service areas report that their service delivery is being impacted by the 10 percent payment reduction, the State would handle the situation similarly to how the exemption for specified

Type C CDCs were handled in this SPA (SPA 12-022). First, an access analysis would be performed. If the State determines that access to Type C CDC services are being adversely impacted in those service areas, the State would propose to exempt Type C CDCs in those service areas from the 10 percent payment reduction through a State Plan Amendment.

- 8. Upon discovering the reimbursement issue, did the State conduct any additional analysis to confirm whether services rendered *by other types* of CDCs might also be negatively impacted by the reductions? In other words, has the State performed any assessments to ensure that the payment reductions for the other provider types (e.g. Type A or B) are not also impacting beneficiary access to audiology services? If so, please provide this analysis.**

State's Response:

The State did not conduct an additional analysis to confirm whether services rendered by other types of CDCs might be negatively impacted by the 10 percent payment reduction because there has been no indication that other types of CDCs were negatively affected.

- 9. Please clarify whether CDCs provide services only to California Children's Services (CCS) beneficiaries; in other words, are audiology services provided in Type C CDCs available to all Medi-Cal beneficiaries, or just CCS beneficiaries?**

State's Response:

Type C CDCs provide audiology services to both Medi-Cal and CCS beneficiaries.

- 10. Please clarify whether audiology services provided by Type C CDC providers are included in the 39.7% payment augmentation for specified physician services provided to California Children's Services beneficiaries, as described on the State's website:
<http://files.medi-cal.ca.gov/pubsdoco/rates/rateshome.asp>**

State's Response:

Audiology services provided by Type C CDCs are not included in the 39.7% payment augmentation.

- a. **If Type C CDC providers do receive the 39.7% payment +augmentation, please explain how the rate reduction is calculated for audiology services. For example, if the fee schedule rate is \$100 and the payment augmentation is \$39.70, is the total payment of \$139.70 (\$100 + \$39.70) subject to the 10% reduction? Or, is it just the fee schedule payment of \$100 that is subject to the 10% reduction?**

State's Response:

The 39.7% payment reduction is not applicable to audiology services.

- b. **Section 1902(a)(30)(A) of the Social Security Act (the Act) requires that procedures related to payments include a comprehensive description of the methods and standards used to set payment rates. Please explain where in Attachment 4.19-B of the State Plan the payment methodology for the 39.7% payment augmentation is described.**

State's Response:

Not applicable.

Standard Funding Questions

The following questions are being asked and should be answered in relation to all payments made to all providers reimbursed pursuant to a methodology described in Attachment 4.19-B of this SPA. For SPAs that provide for changes to payments for clinic or outpatient hospital services or for enhanced or supplemental payments to physician or other practitioners, the questions must be answered for all payments made under the state plan for such service.

1. **Section 1903(a)(1) provides that Federal matching funds are only available for expenditures made by States for services under the approved State plan. Do providers receive and retain the total Medicaid expenditures claimed by the State (includes normal per diem, supplemental, enhanced payments, other) or is any portion of the payments returned to the State, local governmental entity, or any other intermediary organization? If providers are required to return any portion of payments, please provide a full description of the repayment process. Include in your response a full description of the methodology for the return of any of the payments, a complete listing of providers that return a portion of their payments, the amount or percentage of payments that are returned and the disposition and use of the funds once they are returned to the State (i.e., general fund, medical services account, etc.)**

State's Response:

Providers receive and retain the total-funds Medicaid payments (Federal or non-federal share) that are used to claim the federal reimbursement.

2. **Section 1902(a)(2) provides that the lack of adequate funds from local sources will not result in lowering the amount, duration, scope, or quality of care and services available under the plan. Please describe how the state share of each type of Medicaid payment (normal per diem, supplemental, enhanced, other) is funded. Please describe whether the state share is from appropriations from the legislature to the Medicaid agency, through intergovernmental transfer agreements (IGTs), certified public expenditures (CPEs), provider taxes, or any other mechanism used by the state to provide state share. Note that, if the appropriation is not to the Medicaid agency, the source of the state share would necessarily be derived through either through an IGT or CPE. In this case, please identify the agency to which the funds are appropriated. Please provide an estimate of total expenditure and State share amounts for each type of Medicaid payment. If any of the non-federal share is being provided using IGTs or CPEs, please fully describe the matching arrangement including when the state agency receives the transferred amounts from the local governmental entity transferring the funds. If CPEs are used, please describe the methodology used by the state to verify that the total expenditures being certified are eligible for Federal matching funds in accordance with 42 CFR 433.51(b). For any payment funded by CPEs or IGTs, please provide the following:**

- (i) a complete list of the names of entities transferring or certifying funds;**
- (ii) the operational nature of the entity (state, county, city, other);**
- (iii) the total amounts transferred or certified by each entity;**
- (iv) clarify whether the certifying or transferring entity has general taxing authority: and,**
- (v) whether the certifying or transferring entity received appropriations (identify level of appropriations).**

State's Response:

Appropriation is made annually to DHCS through the Budget Act (as approved by the Legislature) for the services provided. For the outpatient provider types that this SPA addresses, intergovernmental transfers, provider taxes, or any other mechanism used by states to provide the state share, are not used.

- 3. Section 1902(a)(30) requires that payments for services be consistent with efficiency, economy, and quality of care. Section 1903(a)(1) provides for Federal financial participation to States for expenditures for services under an approved State plan. If supplemental or enhanced payments are made, please provide the total amount for each type of supplemental or enhanced payment made to each provider type.**

State's Response:

Not applicable.

- 4. For clinic or outpatient hospital services please provide a detailed description of the methodology used by the state to estimate the upper payment limit (UPL) for each class of providers (State owned or operated, non-state government owned or operated, and privately owned or operated). Please provide a current (i.e., applicable to the current rate year) UPL demonstration.**

State's Response:

Not applicable.

- 5. Does any governmental provider receive payments that in the aggregate (normal per diem, supplemental, enhanced, other) exceed their reasonable costs of providing services? If payments exceed the cost of services, do you recoup the excess and return the Federal share of the excess to CMS on the quarterly expenditure report?**

State's Response:

Recoupment of payments exceeding the cost of services does not occur because payments do not exceed the cost of the services. The current rates for outpatient services in the aggregate are approximately 60 percent of the Medicare rate.

Sincerely

Original Document Signed By

Toby Douglas
Director

Enclosures

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL	1. TRANSMITTAL NUMBER: 12-022	2. STATE California
	3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
FOR: HEALTH CARE FINANCING ADMINISTRATION		
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES	4. PROPOSED EFFECTIVE DATE October 19, 2012 October 20, 2012	

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: N/A	7. FEDERAL BUDGET IMPACT: a. FFY 13 \$74,042 FFY 2013 \$75,240 b. FFY 14 \$77,784 FFY 2014 \$79,202
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8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19B; amend page 3.5	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (<i>If Applicable</i>): Attachment 4.19B, page 3.5
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10. SUBJECT OF AMENDMENT:
Audiology services provided by Type C Communication Disorder Centers located in California counties of Alameda, San Benito, Santa Clara, Santa Cruz, San Francisco and Sonoma are exempt from 10 percent payment reduction mandated by AB97.

11. GOVERNOR'S REVIEW (*Check One*):

GOVERNOR'S OFFICE REPORTED NO COMMENT OTHER, AS SPECIFIED:
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED Governor's Office does not wish to Review
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL State Plan Amendments

12. SIGNATURE OF STATE AGENCY OFFICIAL: Original Document Signed By:	Department of Health Care Services Attn: State Plan Coordinator 1501 Capitol Avenue, Suite 71.326 P.O. Box 997417 Sacramento, CA 95899-7417
13. TYPED NAME: Toby Douglas	
14. TITLE: Director	
15. DATE SUBMITTED: Originally Submitted on December 24, 2012	

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

- (17) The effect of the payment reductions in paragraphs (6) through (13) will be monitored in accordance with the monitoring plan at Attachment 4.19-F, entitled “Monitoring Access to Medi-Cal Covered Healthcare Services”.
- (18) For dates of service on or after April 1, 2012, the payment reduction specified in paragraph (13), set forth on page 3.3 do not apply to Early and Periodic Screening, Diagnosis and Treatment (EPSDT) services, as described in Attachment 3.1-A, section 4b, when those services are provided and billed by Pediatric Day Health Care (PDHC) facilities.
- (19) For dates of service on or after October ~~2019~~, 2012, the payment reduction specified in paragraph (13), set forth on page 3.3, ~~will~~does not apply to audiology services, as described in Attachment 3.1-A, section 11c, when those services are provided by a Type C Communication Disorder Center located in California counties of Alameda, San Benito, Santa Clara, Santa Cruz, San Francisco, and Sonoma. A Type C Communication Disorder Center is an identified team in a health care provider office or facility capable of providing audiological evaluation, hearing aid evaluation and recommendations, hearing aid orientation, speech-language evaluation and speech-language remediation, comprehensive assessment and aural rehabilitative management ~~of~~to children of all ages ~~together with their parents~~.

TN No 12-022
Supersedes
2012
TN # 12-016

Approval Date _____ Effective Date October 2019,

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

- (17) The effect of the payment reductions in paragraphs (6) through (13) will be monitored in accordance with the monitoring plan at Attachment 4.19-F, entitled "Monitoring Access to Medi-Cal Covered Healthcare Services".
- (18) For dates of service on or after April 1, 2012, the payment reduction specified in paragraph (13), set forth on page 3.3 do not apply to Early and Periodic Screening, Diagnosis and Treatment (EPSDT) services, as described in Attachment 3.1-A, section 4b, when those services are provided and billed by Pediatric Day Health Care (PDHC) facilities.
- (19) For dates of service on or after October 20, 2012, the payment reduction specified in paragraph (13), set forth on page 3.3, does not apply to audiology services, as described in Attachment 3.1-A, section 11c, when those services are provided by a Type C Communication Disorder Center located in California counties of Alameda, San Benito, Santa Clara, Santa Cruz, San Francisco, and Sonoma. A Type C Communication Disorder Center is an identified team in a health care provider office or facility capable of providing audiological evaluation, hearing aid evaluation and recommendations, hearing aid orientation, speech-language evaluation and speech-language remediation, comprehensive assessment and aural rehabilitative management to children of all ages.

TN No 12-022
Supersedes
TN # 12-016

Approval Date _____ Effective Date October 20, 2012