



TOBY DOUGLAS
Director

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



EDMUND G. BROWN JR.
Governor

January 30, 2013

CFO
HOSPITAL NAME
HOSPITAL ADDRESS
HOSPITAL ADDRESS

RE: NPI

Dear Chief Financial Officer,

The Department of Health Care Services (Department) will implement the new Diagnosis-Related Group (DRG) inpatient reimbursement methodology for general acute care admissions beginning July 1, 2013. The new methodology is for Medi-Cal fee-for-service and does not impact any contracts the hospital may have with a Medi-Cal managed care plan. This letter serves as the formal communication of your hospital's DRG base rates. The attachment provides your hospital's base rate for State Fiscal Year 2013-14 and the DRG statewide rate. The projected transitional rates for years two and three will follow in a separate communication. These rates are subject to change based on changes in the Medicare Wage Index, legislative actions, or other reasons. The Department will notify your hospital if there are any changes to these rates.

If your hospital would like an electronic version of the data used to support the calculation of your rates, it may be requested through the DRG mailbox at DRG@dhcs.ca.gov. You may also request claim level detail, but a signed Data Use Agreement with the Department is required due to HIPAA and other confidentiality requirements. Due to trending applied to the 2009 data and changes to the outlier thresholds, hospitals may not be able to mirror the rate setting results until they have requested and received their data from the Department.

For hospitals that currently contract (or did contract during or after 2009) with the Medi-Cal Selective Provider Contracting Program (SPCP), or who held a contract with the SPCP for a specific time period during or after 2009, the attached DRG rates are based on the confidential rates in the hospital's SPCP contract. The confidential contract requirements specified in Paragraph 6.20: "Confidentiality of Contractual Provisions" of your SPCP contract prohibits the disclosure, distribution, publication, collaboration, or unauthorized use of the attached DRG rates by the SPCP contracting hospital or its agents.

The Department maintains a DRG Hospital Inpatient Payment Methodology web page on its website at <http://www.dhcs.ca.gov/provgovpart/pages/DRG.aspx> to assist hospitals with DRG implementation. This web page contains useful information for providers including monthly bulletins. The Department strongly encourages interested parties to visit the DRG web page frequently as the web page will be updated as the DRG project progresses. The Department's Fiscal Intermediary will

also initiate comprehensive provider training in early 2013 on the new DRG program and its implication on claim submission, Treatment Authorization Requests, and other program changes resulting from DRG implementation. Additional training is available upon request through the DRG mailbox.

The Department will be hosting a Q&A Webinar to discuss ratesetting; webinar information will be provided on the DRG web page as soon as it becomes available. If you have any questions regarding this letter, the hospital's transitional base rates, or any other DRG related questions, please contact the Department via the DRG mailbox referenced above.

Sincerely,

A handwritten signature in blue ink that reads "Jonathan Wunderlich". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Jonathan Wunderlich
Assistant Deputy Director

Enclosure