

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



MICHELLE BAASS
DIRECTOR



GAVIN NEWSOM
GOVERNOR

DATE: December 23, 2021

ALL PLAN LETTER 21-018

TO: ALL MEDI-CAL MANAGED CARE HEALTH PLANS¹

SUBJECT: PUBLIC AND PRIVATE HOSPITAL DIRECTED PAYMENT PROGRAMS FOR STATE FISCAL YEARS 2017-18 AND 2018-19, THE BRIDGE PERIOD, AND CALENDAR YEAR 2021

PURPOSE:

The purpose of this All Plan Letter (APL) is to provide Medi-Cal managed care health plans (MCP) with instructions on the payment process required for the Designated Public Hospital (DPH) Enhanced Payment Program (EPP), the DPH Quality Incentive Pool (QIP), the District and Municipal Public Hospital (DMPH) QIP, and the Private Hospital Directed Payment (PHDP) programs for State Fiscal Years (SFY) 2017-18 and 2018-19, the Bridge Period (July 1, 2019 – December 31, 2020), and Calendar Year (CY) 2021, as applicable.

BACKGROUND:

In an effort to support public and private hospitals serving Medi-Cal beneficiaries and to maintain access and improve the quality of care for Medi-Cal beneficiaries, the Department of Health Care Services (DHCS), pursuant to Title 42 of the Code of Federal Regulations (CFR) section 438.6(c), is implementing two statewide directed payment programs for DPHs (i.e., DPH EPP and DPH QIP), one statewide directed payment program for DMPHs (i.e., DMPH QIP), and one statewide directed payment program for private hospitals (i.e., PHDP).² These programs direct MCPs to pay specified Network Providers in accordance with terms approved by the Centers for Medicare & Medicaid Services (CMS).

- Under DPH EPP, MCPs are directed to increase payments to DPHs for qualifying contracted services or assigned member months in accordance with the CMS-approved preprint and Welfare and Institutions Code (WIC) section 14197.4(b).³

¹ This APL does not apply to Prepaid Ambulatory Health Plans, AIDS Healthcare Foundation (for SFY 2017-18 and SFY 2018-19 only), SCAN Health Plan, Program of All-inclusive Care for the Elderly, or Rady Children's Hospital.

² Part 438 of the CFR can be accessed at: <https://www.ecfr.gov/current/title-42/chapter-IV/subchapter-C/part-438>

³ The California Law Codes are searchable at: <http://leginfo.legislature.ca.gov/faces/codes.xhtml>

CMS approved DHCS' implementation of DPH EPP based on the schedule provided in Table 1 below. CMS' approval of DPH EPP for CY 2021 is pending, and requirements for that period are subject to CMS approval.

- Under DPH QIP, MCPs are required to issue performance-based quality incentive payments to DPHs based on DHCS' evaluation of their performance on specified quality measures in accordance with the CMS-approved preprint and WIC section 14197.4(c). CMS approved DHCS' implementation of DPH QIP based on the schedule provided in Table 1 below. CMS' approval of QIP for CY 2021 is pending, and requirements for that period are subject to CMS approval.
- Under DMPH QIP, MCPs are required to issue performance-based quality incentive payments to DMPHs based on DHCS' evaluation of their performance on specified quality measures in accordance with the CMS-approved preprint and WIC section 14197.4(c). CMS approved DHCS' implementation of DMPH QIP based on the schedule provided in Table 1 below. CMS' approval of DMPH QIP for CY 2021 is pending, and requirements for that period are subject to CMS approval.
- Under PHDP, MCPs are directed to implement a uniform dollar increase to reimbursements to private hospitals for qualifying contracted services in accordance with the CMS-approved preprint. CMS approved DHCS' implementation of PHDP based on the schedule provided in Table 1 below.

TABLE 1. CMS APPROVAL DATES FOR HOSPITAL DIRECTED PAYMENTS⁴

	DPH EPP	DPH QIP	DMPH QIP	PHDP
SFY 2017-18	4/2/2018	3/6/2018	n/a	3/6/2018
SFY 2018-19	12/17/2018	12/17/2018	n/a	12/17/2018
Bridge Period	10/9/2020	11/23/2020	11/23/2020 ⁵	6/12/2020
CY 2021	Pending	Pending	Pending	10/8/2021

The MCP contract requires compliance with the terms of each directed payment program approved by CMS under 42 CFR section 438.6(c), as specified by DHCS through APLs, or other technical guidance, including QIP Plan Letters (QPL).⁶ Additional

⁴ In the event of multiple approval dates due to amendments of the preprint, the most recent approval date is listed.

⁵ Approval is for the period of July 1, 2020, through December 31, 2020.

⁶ Boilerplate Contract, Exhibit B, Special Contract Provisions Related to Payment. Boilerplate contracts are available at:

<https://www.dhcs.ca.gov/provgovpart/Pages/MMCDBoilerplateContracts.aspx>

information related to DPH EPP, DPH QIP, DMPH QIP, and PHDP, including the CMS-approved preprints for each program, and related technical guidance including but not limited to APL 19-001, “Medi-Cal Managed Care Health Plan Guidance on Network Provider Status,” and “The Hospital Directed Payment Definition for SFY 2017-18 and SFY 2018-19” are, or will be, available on DHCS’ Directed Payments Program or Managed Care APL webpages.^{7, 8, 9}

POLICY:

Designated Public Hospital Enhanced Payment Program

DPH EPP provides supplemental reimbursement to Network Provider DPHs through uniform dollar increases for select inpatient and non-inpatient services, based on the actual utilization of qualifying services as reflected in encounter data reported to DHCS. In addition, for Network Provider DPHs that are primarily reimbursed on a capitated basis, DPH EPP provides supplemental reimbursement through uniform percentage increases to their contracted capitation rates.

DPH EPP payments are not applicable to inpatient services provided to Members with Medicare Part A, non-inpatient services provided to Members with Medicare Part B, and state-only abortion services. DPH EPP also excludes services provided by Cost-Based Reimbursement Clinics (CBRCs), Indian Health Care Providers (IHCPs), Federally Qualified Health Centers (FQHCs), and Rural Health Clinics (RHCs).

DPH EPP utilization-based payments will be calculated by DHCS in accordance with the CMS-approved preprint, and must be issued by MCPs to DPHs, in six-month increments: January through June, and July through December. DPH EPP capitation-based payments will be calculated by DHCS in accordance with the CMS-approved preprint, and must be issued by MCPs to DPHs, in six-month or yearly increments, as directed by DHCS according to the each phase of the applicable preprint.

Designated Public Hospital Quality Incentive Pool

DPH QIP provides quality incentive payments to participating Network Provider DPHs that meet quality metrics designated in the program. DPH QIP payments will be

⁷ The Hospital Directed Payment Definition for SFY 2017-18 and SFY 2018-19 is available at: https://www.dhcs.ca.gov/services/Documents/DirectedPymts/DHCS_MEMO_Hospital_DP_Definition_20181005.pdf

⁸ DHCS’ Directed Payments Program website is available at: <https://www.dhcs.ca.gov/services/Pages/DirectedPymts.aspx>

⁹ APLs are searchable at: <https://www.dhcs.ca.gov/formsandpubs/Pages/MgdCarePlanPolicyLtrs.aspx>

calculated by DHCS in accordance with the CMS-approved preprint, and must be issued by MCPs to DPHs based on the program year. MCPs are required to comply with the data sharing requirements as articulated in QPL 21-004.¹⁰

District and Municipal Public Hospital Quality Incentive Pool

DMPH QIP provides quality incentive payments to participating Network Provider DMPHs that meet quality metrics designated in the program. DMPH QIP payments will be calculated by DHCS in accordance with the CMS-approved preprint, and must be issued by MCPs to DMPHs based on the program year. MCPs are required to comply with the data sharing requirements as articulated in QPL 21-004.

Private Hospital Directed Payment Program

PHDP provides supplemental reimbursement to participating Network Provider private hospitals through uniform dollar increases for select inpatient and outpatient services based on actual utilization of qualifying services as reflected in encounter data reported to DHCS.

PHDP payments are not applicable to inpatient services provided to Members with Medicare Part A, outpatient services provided to Members with Medicare Part B, and state-only abortion services. PHDP also excludes services provided by CBRCs, IHCPs, FQHCs, and RHCs.

PHDP utilization-based payments will be calculated by DHCS in accordance with the CMS-approved preprint, and must be issued by MCPs to private hospitals, in six-month increments: January through June, and July through December.

Payment and Other Provisions

At the frequency described above, DHCS will calculate each MCP's payment obligation to Network Provider hospitals eligible for DPH EPP, DPH QIP, DMPH QIP, and PHDP directed payments in accordance with the CMS-approved preprints. DHCS will provide to each MCP its payment obligations to eligible Network Provider hospitals, and the projected value of the payment obligations will be accounted for in the MCP's capitation rates.

MCPs must ensure that any payment obligations under DPH EPP, DPH QIP, DMPH QIP, and PHDP are discharged by the MCP or by its Subcontractors timely after the MCP receives revenue from DHCS accounting for the projected value of the payment obligations. MCPs must provide a report and a signed attestation no later than three

¹⁰ QPL 21-004 is available at: <https://www.dhcs.ca.gov/services/Documents/QPL-21-004-Data-Sharing.pdf>.

months after the month in which the revenue is received confirming that all payments required under DPH EPP, DPH QIP, DMPH QIP, and PHDP have been made. The report and attestation will be in a form and manner to be determined by DHCS.¹¹ DHCS reserves the right to exercise its discretion under the MCP contract to impose a corrective action plan or other remedies and sanctions on MCPs that fail to submit the report and attestation, or fail to make all payments in the manner required by this APL.

MCPs must have a formal procedure to accept, acknowledge, and resolve provider grievances related to the processing or non-payment of DPH EPP, DPH QIP, DMPH QIP, or PHDP directed payments. DHCS may request information regarding the provider grievances and how they were resolved. MCPs must maintain records to respond to DHCS's request for information regarding provider grievances. In addition, MCPs must identify a designated point of contact to the provider for questions and technical assistance.¹²

MCPs must communicate the payment processes for DPH EPP, DPH QIP, DMPH QIP, and PHDP to applicable Network Providers. The communication must, at a minimum, include a description of how payments will be processed, how to file a provider grievance, and how to determine the responsible payer. Please note that the requirements of this APL may change based upon the status of the required CMS approvals applicable to these directed payment arrangements.

If the requirements contained in this APL, including any updates or revisions to this APL, necessitate a change in an MCP's policies and procedures (P&Ps), the MCP must submit its updated P&Ps to its Managed Care Operations Division (MCO) contract manager within 90 days of the release of this APL. If an MCP determines that no changes to its P&Ps are necessary, the MCP must submit an email confirmation to its MCO contract manager within 90 days of the release of this APL, stating that the MCP's P&Ps have been reviewed and no changes are necessary. The email confirmation must include the title of this APL as well as the applicable APL release date in the subject line.

MCPs are responsible for ensuring that all Subcontractors and Network Providers comply with all applicable state and federal laws and regulations, contract requirements,

¹¹ For directed payment obligations met, or expected to be met, prior to the publication of this APL, compliance with the three-month requirement will be determined according to the month in which DHCS supplies to MCPs the form and manner for submitting the report and attestation.

¹² The Statewide Directory is available on DHCS' Directed Payments Program webpage referenced in note 6, and the 2021 Statewide Directory is available at: <https://www.dhcs.ca.gov/services/Documents/StatewideDirectory.pdf>.

and other DHCS guidance, including APLs and Policy Letters.¹³ These requirements must be communicated by each MCP to all Subcontractors and Network Providers.

If you have any questions regarding this APL, please contact your MCO Contract Manager, or contact PlanDP@dhcs.ca.gov.

Sincerely,

Original signed by Dana Durham

Dana Durham, Chief
Managed Care Quality and Monitoring Division

¹³ For more information on Subcontractors and Network Providers, including the definition and applicable requirements, see APL 19-001, and any subsequent APLs on this topic.