DHCS
CALIFORNIA DEPARTMENT OF HEALTH CARE SERVICES
Michelle Baass | Director

DATE: June 9, 2023

ALL PLAN LETTER 23-015
SUPERSEDES ALL PLAN LETTER 19-013

TO: ALL MEDI-CAL MANAGED CARE HEALTH PLANS[1]

SUBJECT: PROPOSITION 56 DIRECTED PAYMENTS FOR PRIVATE SERVICES

PURPOSE:
The purpose of this All Plan Letter (APL) is to provide Medi-Cal managed care health plans (MCPs) with information on required directed payments, funded by the California Healthcare, Research and Prevention Tobacco Tax Act of 2016 (Proposition 56), for the provision of specified state-funded medical pregnancy termination services.

BACKGROUND:
On November 8, 2016, California voters approved Proposition 56 to increase the excise tax rate on cigarettes and tobacco products. Under Proposition 56, a portion of the tobacco tax revenue is allocated to the Department of Health Care Services (DHCS) for the purposes of funding specified expenditures, including increased funding for existing healthcare programs.

Various legislative bills for the annual budget act throughout the years appropriated Proposition 56 funds for healthcare services for State Fiscal Year (SFY) 2017-18, SFY 2018-19, and SFY 2019-20, respectively. [2] A portion of these appropriations are used for rate increases for state-supported medical pregnancy termination services in the Medi-Cal managed care program to fund the reimbursement requirements outlined below.[3] Subject to future appropriation of funds by the California Legislature, DHCS intends to continue this directed payment arrangement on an annual basis for the duration of the program.

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[1] This APL does not apply to Prepaid Ambulatory Health Plans.
[2] Assembly Bill (AB) 120 (Ting, Chapter 22, Statutes of 2017), available at: https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180AB120; Senate Bill (SB) 856 (Committee on Budget and Fiscal Review, Chapter 30, Statutes of 2018), available at https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202120220SB856; and AB 74 (Ting, Chapter 23, Statutes of 2019), available at https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201920200AB74.).
[3] California's Law Code is searchable at http://leginfo.legislature.ca.gov/faces/codes.xhtml.

POLICY:
MCPs, either directly or through their Subcontractors, must pay the individual rendering Providers that are qualified to provide and bill for medical pregnancy termination services with dates of service on or after July 1, 2017, in accordance with this APL. Consistent with the enacted budgets, DHCS is requiring MCPs, or their Subcontractors, to pay at least the rate for Current Procedural Terminology – 4th Edition (CPT-4) code 59840 in the amount of $400 and CPT-4 code 59841 in the amount of $700. This payment obligation applies to contracted and non-contracted Providers.

MCPs are responsible for ensuring that qualifying medical pregnancy termination services are reported to DHCS in Encounter Data pursuant to APL 14-019, "Encounter Data Submission Requirements," using the procedure codes in the table below. MCPs are responsible for ensuring that the Encounter Data reported to DHCS is appropriate for the services being provided. MCPs must include oversight in their utilization management processes, as appropriate. The directed payments vary by procedure code:

Procedure Code	Description	Minimum Fee Schedule Amount	Dates of Service[4]
59840	INDUCED ABORTION (BY DILATION AND CURETTAGE)	$400.00	July 1, 2017 – Ongoing
59841	INDUCED ABORTION (BY DILATION AND EVACUATION)	$700.00	July 1, 2017 - Ongoing

MCPs are responsible for ensuring that the specified CPT-4 codes are appropriate for the services being provided and that this information is submitted to DHCS in Encounter Data that is complete, accurate, reasonable, and timely. [5] In instances where a Member

[4] "Ongoing" means the directed payment is in effect, subject to future budgetary authorization and appropriation by the California Legislature, until discontinued by DHCS via an amendment to this APL.
[5] For more information, please see APL 14-019: Encounter Data Submission Requirements, or any future iteration of this APL. APLs are available at: https://www.dhcs.ca.gov/formsandpubs/Pages/AllPlanLetters.aspx

is found to have Other Health Coverage Sources, MCPs must Cost Avoid or make a post-payment recovery. [6]

Data Reporting

MCPs must follow the reporting requirements described in the "Prop 56 Directed Payments Expenditures File Technical Guidance" document available on the DHCS Directed Payment – Proposition 56 website, which is hereby incorporated herein by reference. [7]

Payment and Other Financial Provisions

MCPs must ensure the payments required by this APL are made in accordance with the timely payment standards in the Contract for clean claims or accepted encounters that are received by the MCP or Subcontractor no later than one year after the date of service. [8] The Contract specifies the requirements pertaining to timely payment in Exhibit A, Attachment 8, Provision 5. [9]

MCPs have an obligation to communicate and provide clear policies and procedures to their Network Providers with respect to the MCP's claims or encounter submission processes, including what constitutes a clean claim or an acceptable encounter. If the Network Provider does not adhere to these articulated policies and procedures, the MCP is not required to make payments for claims or submitted encounters submitted one year following the date of service. These timing requirements may be waived through an agreement in writing between the MCP (or the MCP's Subcontractors) and the Network Provider.

MCPs and their Subcontractors must not pay any amount for any services or items, other than Emergency Services, to an excluded Provider as defined in "Definitions"

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[6] MCP Contract, Exhibit E, Attachment 2, Cost Avoidance and Post-Payment Recovery of Other Health Coverage Source (OHCS). MCP Contracts are available at: https://www.dhcs.ca.gov/provgovpart/Pages/MMCDBoilerplateContracts.aspx. MCPs are also directed to review their specific MCP contracts and amendments executed thereto.

[7] Prop 56 Directed Payments Expenditures File Technical Guidance is available at: https://www.dhcs.ca.gov/services/Documents/DirectedPymts/Proposition-56-Directed-Payments-Expenditures-File-Technical-Guidance.pdf

[8] A "clean claim" is defined in 42 Code of Federal Regulation (CFR) section 447.45(b). 42 CFR Part 447 is available at: https://www.ecfr.gov/current/title-42/chapter-IV/subchapter-C/part-447.

[9] MCP boilerplate Contracts are available at: http://www.dhcs.ca.gov/provgovpart/Pages/MMCDBoilerplateContracts.aspx. MCPs are also advised to review their specific MCP contracts and amendments executed thereto.

section of the Contract. This prohibition must apply to non-emergent services furnished by a Provider at the medical direction or prescribed by an excluded Provider when the Provider knew or had a reason to know of the exclusion, or by an excluded Provider to whom DHCS has failed to suspend payment while pending an investigation of a credible allegation of fraud.

As required by the Contract for other payments, MCPs must have a formal procedure for the acceptance, acknowledgement, and resolution of Provider grievances related to the processing or non-payment of a directed payment required by this APL. In addition, MCPs must have a process to communicate the requirements of this APL to Providers. This communication must, at a minimum, include a description of the minimum requirements for a qualifying pregnancy termination, how payments will be processed, how to file a grievance, and how to identify the responsible payer. In addition, MCPs must make available to a Provider an itemization of payments made to the Provider in accordance with this APL. The itemization must include sufficient information to uniquely identify the qualifying service for which payment was made, be provided upon the Provider's request unless the MCP has established a periodic dissemination schedule and be made available in electronic format when feasible.

The projected value of the directed payments will be accounted for in each MCP's actuarially certified, risk-based capitation rates.

If the requirements contained in this APL, including any updates or revisions to this APL, necessitate a change in an MCP's contractually required policies and procedures (P&Ps), the MCP must submit its updated P&Ps to its Managed Care Operations Division (MCOD) 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 MCOD 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 further responsible for ensuring that their Subcontractors and Network Providers comply with all applicable state and federal laws and regulations, Contract requirements, and other DHCS guidance, including APLs and Policy Letters. [10] These requirements must be communicated by each MCP to all applicable Subcontractors and Network Providers. DHCS may impose corrective action plans (CAP), as well as

[10] For more information on Subcontractors and Network Providers, including their definitions, the definition and applicable requirements, see the Contract, APL 19-001, and any subsequent APLs on this topic.

administrative and/or monetary sanctions for non-compliance. For additional information regarding administrative and monetary sanctions, see APL 23-012, and any subsequent iterations on this topic. Any failure to meet the requirements of this APL may result in a CAP and subsequent sanctions.

If you have any questions regarding this APL, please contact your MCOD Contract Manager and Capitated Rates Development Division Rate Liaison.

Sincerely,

Original Signed Dana Durham

Dana Durham, Chief
Managed Care Quality and Monitoring Division