

## DEPARTMENT OF HEALTH CARE SERVICES

### NOTICE OF GENERAL PUBLIC INTEREST AND REQUEST FOR STAKEHOLDER INPUT ON PROPOSED STATE PLAN AMENDMENT 18-013 UPDATING THE MEDI-CAL REIMBURSEMENT METHODOLOGY FOR YEAR 6 DIAGNOSIS RELATED GROUP PAYMENTS

May 11, 2018

The Department of Health Care Services (DHCS) provides information of public interest that it is seeking federal approval of proposed changes to the All Patient Refined-Diagnosis Related Group (APR-DRG) program for general acute inpatient hospital services provided by:

- (1) Private hospitals and non-designated public hospitals in California,
- (2) Out-of-state (border and non-border) hospitals, and
- (3) Medicare-designated critical access hospitals (See Cal. Welf. & Inst. Code §14105.28).

DHCS requests input from beneficiaries, providers, and other interested stakeholders concerning proposed State Plan Amendment (SPA) #18-013.

DHCS plans to submit to the federal Centers for Medicare and Medicaid Services (CMS) SPA 18-013 that updates the parameters of the APR-DRG reimbursement methodology for Year 6 APR-DRG payments, effective July 1, 2018, as part of its annual update. These changes include:

- Changes to the APR-DRG grouping algorithm from Version 34 to Version 35.
- Modifications to Version 35 relative weights under the hospital-specific relative value (HSRV) methodology.
- Decrease to the policy adjustor-age for pediatric services from 1.45 to 1.25.
- Application of the following policy adjustors for high severity of illness (SOI) 4.
  - Policy adjustor of 1.40 is additionally applied to the SOI 4 Pediatric (Age) and Neonate (NICU services and NICU surgery) care categories.
  - Policy adjustor 1.10 is additionally applied to SOI 4 Adult (Miscellaneous, Respiratory, Gastroenterology and Circulatory) and Obstetrics care categories.

- Decrease the High Cost Outlier Threshold to \$57,000 and increase Marginal Cost Factor from 50% to 60%.
- Decrease the statewide APR-DRG Base Price (non-Remote Rural) by approximately 4%.
- Changes to the California and border hospital wage area index values, as provided by CMS, and adjusted by the California Wage Area Neutrality Adjustment of 0.9771.
- Applications of the labor share portion according to the Medicare rule, where hospitals having wage areas less than or equal to 1.0 will be at 62% and hospitals having wage areas greater than 1.0 will be at 68.3%.

These changes are budget neutral overall, though impact to individual hospital varies by utilization and casemix.

### **PUBLIC REVIEW AND COMMENTS**

The proposed SPA is subject to approval by CMS.

DHCS is requesting stakeholder input, questions and concerns on the impact, if any, on access to services as a result of the proposed action. The proposed SPA #18-013 has been made available for public comment at [Proposed State Plan Amendments](#). To be assured of consideration prior to SPA submission to CMS, comment must be received no later than 5 p.m. on June 11, 2018. DHCS request that all comments be submitted via email to [publicinput@dhcs.ca.gov](mailto:publicinput@dhcs.ca.gov) and reference SPA 18-013. Please note that comments will continue to be accepted after June 11, 2018, but DHCS will be unable to consider those comments prior to the initial submission of SPA 18-013 to CMS. Additionally, written comments may be sent to Department of Health Care Services, Safety Net Financing Division, 1501 Capitol Avenue, MS 4504, Sacramento, California 95899-7417. For a copy of submitted public comments to SPA #18-013, please send a request in writing to the mailing or email addresses listed above.

Upon submission to CMS, a copy of the proposed SPA #18-013 will be published at: [Pending State Plan Amendments](#)

If you would like to view the SPA in person once it becomes available, please visit your local county welfare department. You may also request a copy of proposed SPA #18-013 using the mailing or email addresses listed above.