DEPARTMENT OF HEALTH CARE SERVICES
NOTICE OF GENERAL PUBLIC INTEREST AND
REQUEST FOR STAKEHOLDER INPUT
RELEASE DATE: MAY 29, 2020

PROPOSED STATE PLAN AMENDMENT TO UPDATE THE MEDI-CAL REIMBURSEMENT METHOLOGY FOR STATE FISCAL YEAR (SFY) 2020-21 DIAGNOSIS RELATED GROUP (DRG) PAYMENTS

This notice is to provide information of public interest about a proposed State Plan Amendment (SPA) by the Department of Health Care Services (DHCS). Proposed SPA 20-0019 will make changes to the 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 plans to submit SPA 20-0019 to the federal Centers for Medicare & Medicaid Services (CMS) to update the parameters of the DRG reimbursement methodology for SFY 2020-21 DRG payments and to implement the annual changes to cost-to-charge ratios (CCR) and federal wage area definitions. These modifications include:

- A specified alternative method for a provider to utilize the statewide average CCR is added.

- Decrease the statewide APR-DRG Base Price by less than point one percent.

- Increase the Remote Rural APR-DRG Base Price by about two point nine percent.

- Changes to the California and border hospital wage area index values, as provided by the CMS, and adjusted by the California Wage Area Neutrality Adjustment of 0.9584.

These changes do not include an increase or decrease in annual aggregate expenditures, though impact to individual hospital varies by utilization and casemix.

The effective date of the proposed SPA is July 1, 2020. Proposed SPA 20-0019 is subject to approval by CMS.

PUBLIC REVIEW AND COMMENTS

The proposed changes in SPA 20-0019 are included in this notice for public comment. DHCS is requesting stakeholder input on the impact, if any, on access to services as a result of the proposed action.

Proposed SPA 20-0019 has been made available for public comment at:
Proposed State Plan Amendments

If you would like to view the SPA in person once it becomes available, please visit your local county welfare department.

To be assured of consideration prior to SPA submission, written comments must be received no later than 5 p.m. on June 28, 2020. Any written comments concerning this notice or the proposed SPA may be sent to the following address:

Department of Health Care Service
Safety Net Financing Division
Attn: Serene Erby
1501 Capitol Avenue, MS 4504
Sacramento, California 95899-7417

Comments may also be e-mailed to PublicInput@dhcs.ca.gov. Please indicate SPA #20-0019 in the subject line or message.

Please note that comments will continue to be accepted after June 28, 2020, but DHCS will be unable to consider those comments prior to the initial submission of SPA 20-0019 to CMS.

For a copy of submitted public comments for SPA 20-0019, please send a request in writing to the mailing or email addresses listed above.

Upon submission to CMS, a copy of the proposed SPA 20-0019 will be published at:
Pending State Plan Amendments

4. “APR-DRG Payment” is the payment methodology for acute inpatient services provided to Medi-Cal beneficiaries at DRG Hospitals for admissions on or after July 1, 2013, for private hospitals and for admissions on or after January 1, 2014, for NDPHs.

5. “APR-DRG Hospital-Specific Relative Value” (HSRV) is a numeric value representing the average resources utilized per APR-DRG. The relative weights associated with each APR-DRG are calculated from a two-year dataset of 15+ million stays in the 3M research dataset, which includes general acute care hospitals including freestanding children’s hospitals.

6. “DRG Hospital Specific Transitional APR-DRG Base Price” is a DRG Hospital specific APR-DRG Base Price calculated to assist DRG Hospitals to adapt to the change in payment methodologies. Transitional base prices are used during the three year implementation phase for qualifying hospitals.

7. “DRG Hospitals” are private general acute care hospitals reimbursed for acute inpatient services based on APR-DRG pricing for admissions dated on or after July 1, 2013, and NDPHs reimbursed for acute inpatient services based on APR-DRG pricing for admissions dated on or after January 1, 2014. “DRG Hospitals” are currently all private and nondesignated public general acute care hospitals not excluded as outlined in (Section B; paragraph 2).

8. “Nondesignated public hospital” means a public hospital defined in paragraph (25) of subdivision (a) of Section 14105.98, excluding designated public hospitals as that section reads as of of January 1, 2014.

calculated from the 3M research dataset. Each version of the APR-DRG grouping algorithm has its own set of APR-DRG specific HSRVs assigned to it. The APR-DRG HSRVs are published in the Medi-C.al DRG Pricing Calculator posted on the DHCS website at http://www.dhcs.ca.gov/provgovpart/pages/DRG.aspx.

2. APR-DRG Statewide Base Prices Beginning SFY 2016-17

   a In determining the APR-DRG Payment, California DRG Hospitals and out-of-state hospitals, including Border Hospitals, will utilize the statewide APR-DRG Base Price, except for California Remote Rural Hospitals and Remote Rural Border Hospitals, which will utilize the remote rural APR-DRG Base Price as- reflected in Appendix 6 to Attachment 4.19-A.

3. DRG Hospital Specific Transitional APR-DRG Base Prices for SFYs 2013-14 through 2015-16

   a. Similar to implementation of DRGs in Medicare, DHCS is implementing a three-year transition period to allow California DRG Hospitals moving to the APR-DRG Payment methodology to adapt to the change in payment methodologies. A DRG Hospital Specific Transitional APR-DRG Base Price is utilized for qualifying DRG· Hospitals for each of SFYs 2013-14, 2014-15, and 2015-16, in accordance with this section. The statewide APR-DRG base rates will be fully utilized by all DRG Hospitals beginning SFY 2016-17. Hospitals located outside of the State of California, including Border Hospitals and Remote Rural Border Hospitals do not receive a Transitional APR-DRG Base Price.

   b. First year DRG Hospital Specific Transitional APR-DRG Base Prices apply to DRG hospitals that were projected in general to see a change in estimated payments of no more than five percent for private hospitals and no more than 2.5 percent for NDPHs from their projected baseline payments. Some DRG Hospitals will receive a

the remote rural base price. The labor share percentage for a SFY shall be the same percentage that the Medicare program has established according to the latest published CMS final rule and notice published prior to the start of the state fiscal year, with the exception for hospitals having wage area index less than or equal to 1.00 will have the labor share percentage applied at 62.0%. Medicare published the Medicare impact file for FFY 2020 in September 2019 and it was used for the base prices for SFY 2020-21.

Similarly, final changes to all DRG hospitals wage area, index value, or labor share calculation published for future federal fiscal years will be used for the state fiscal year beginning after the start of each respective federal fiscal year. All wage area index values can be viewed on the Medi-Cal DRG Pricing Calculator posted on the DHCS website at http://www.dhcs.ca.gov/provgovpart/Pages/DRG.aspx.

a. The wage area adjustor is not applied to the hospital-specific transitional base price (determined in paragraph C.3 above).

2. Policy Adjustors

The implementation of APR-DRG Payment includes the functionality of policy adjustors. These adjustors are created to allow the DHCS to address any current, or future, policy goals and to ensure access to care is preserved. Policy adjustors may be used to enhance payment for services where Medi-Cal plays a major role. This functionality of policy adjustors allows DHCS the ability to ensure access to quality care is available for all services. A list of the current policy adjustors is reflected in Appendix 6 of Attachment 4.19-A. These policy adjustors are multipliers used to adjust payment weights for care categories. If an inpatient stay qualifies for more than one policy adjustor, the payment weight will be accordingly adjusted by all applicable multipliers. The projected financial impact of the policy adjustors was considered in developing budget-neutral base prices.

3. Cost Outlier Payments

Outlier payments are determined by calculating the DRG Hospital's estimated cost and comparing it to the APR-DRG Payment to see if there is a loss or gain for the hospital for a discharge claim. The DRG Hospital's estimated cost on a discharge claim is determined by the following: The DRG Hospital's estimated cost may be determined by multiplying the Medi-Cal covered charges by the DRG Hospital's most currently accepted cost-to-charge ratio (CCR) from a hospital's CMS 2552-10 cost report. The CCR is calculated from a hospital's Medicaid costs (reported on worksheet E-3, part VII, line 4) divided by the Medicaid charges (reported on worksheet E-3, part VII, line 12). All hospital CCRs will be updated annually with an effective date of July 1, after the acceptance of the CMS 2552-10 by DHCS. In alternative, a hospital (other than a new hospital or an out-of-state border or

non-border hospital) may request that DHCS use a different CCR. The hospital may request a change in CCR by presenting substantial evidence the alternative CCR more accurately represents its current year cost and charge experience, resulting in more accurate outlier claim payment amounts. A corresponding request for use of an alternative CCR for Medicare outlier reimbursement purposes must first be approved by CMS; the Medicare approval must affect the same period as requested for Medicaid and use the same underlying evidential cost and charge data. This method would allow hospitals to submit once each year projected Medicaid costs and projected Medicaid charges on relevant CMS-2552 worksheets, along with any necessary supporting documentation. An alternative CCR hospitals may request is a change in CCR to the sum of (a) the most current Medicare reported average CCR of operating costs for California urban hospitals and (b) the most current Medicare reported average CCR of capital cost for California hospitals. The DRG Hospital's estimated cost on a discharge claim would then be determined by multiplying the Medi-Cal covered charges by the DRG Hospital's approved alternative CCR. Hospitals that have requested and submitted the required evidentiary support for a CCR change by December 31 and have received approval from DHCS will have the approved alternative CCR applied toward the following fiscal year's annual update. There will be no retroactive adjustment to hospital's CCR. Hospitals are still required to complete and annually file the CMS 2552- 10 cost report at the end of their respective cost reporting periods. Notwithstanding the pre- and post- payment review provisions in paragraph E, all approved projected costs and charges and alternative CCRs will be subject to 100% reconciliation based on the final audited CCRs for the cost reporting period(s) covering the actual payment year, and any resulting outlier overpayments will be recouped and FFP returned to the federal government in accordance with 42 CFR 433, Subpart F.

For new California hospitals for which there is no accepted prior period cost report to calculate a hospital specific CCR (or for other hospitals that can document that the apportionment data reported by the hospital in the cost report cannot be used to calculate a hospital specific CCR) and for non-border out-of-state hospitals, a CCR is assigned that is equal to the sum of (a) the Medicare reported average CCR of operating costs for California urban hospitals and (b), the Medicare reported average CCR of capital cost for California hospitals. Assigned CCRs will be updated annually with an effective date of July 1.

Border hospitals will be assigned their state-specific CCR that is equal to the sum of (a) the unweighted average of the Medicare reported average urban CCR and the Medicare reported average rural CCR of operating costs for hospitals in the state in which the border hospital is located, and (b) the Medicare reported average CCR of capital costs for hospitals

Provided all requirements for prepayment review have been approved by DHCS, Rehabilitation Services are paid a per diem amount for each day of service that is authorized, unless otherwise specified in Attachment 4.19-A. The specific per diem rates for pediatric and adult rehabilitation services are specified in Appendix 6 and are statewide rates. The specific pediatric and adult rehabilitation per diem rates were set at a level that is budget neutral on a statewide basis for both adult and pediatric rehabilitation services based on rates in effect June 30, 2013. The specific per diem rate for a hospital that provided services to both the adult and pediatric population is based on the blend of pediatric and adult rehabilitation services provided at that specific hospital. A facility-specific blended rate is the weighted average of the statewide adult and statewide pediatric per diem rates, weighted by the individual facility's number of adult and pediatric rehabilitation days in the base period used to determine the statewide per diem rates. The labor portion (68.3%) of all rehabilitation rates are further adjusted by the Medicare Wage Index value for each specific hospital.

D. Updating Parameters

DHCS will review and update the Rehabilitation Services payment parameters through the State Plan Amendment process. When reviewing and updating, DHCS shall consider: access to care related to Rehabilitation Services provided at a DRG Hospital, and any other issues warranting review.

E. Pre-Payment and Post Payment Review

All claims paid under the rehabilitation per diem are subject to DHCS' pre-payment medical necessity review and discretionary post-payment review.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE: CALIFORNIA

Appendix 6

1. APR-DRG Payment Parameters

Parameter	Value	Description
Remote Rural APR-DRG Base Price	$15,036	Statewide Remote Rural APR-DRG Base Price.
Statewide APR-DRG Base Price	$6,521	Statewide APR-DRG Base Price (non-Remote Rural).
Policy Adjustor – Each category of service	1.00	Policy adjustor for each category of service.
Policy Adjustor – Pediatric Severity of Illness (SOI) 1-3	1.25	Policy Adjustor for claims whose patients are less than 21 years old with a DRG in the Miscellaneous Pediatric or Respiratory Pediatric care categories.
Policy Adjustor – Neonate SOI 1-3	1.25	Policy Adjustor for all Neonate DRGs, except for those receiving the NICU Surgery policy adjuster below
Policy Adjustor – Neonate (designated NICU) SOI 1-3	1.75	Enhanced Policy Adjustor for all designated NICU facilities and surgery sites recognized by California Children's Services (CCS) Program to perform neonatal surgery
Policy Adjustor- Obstetrics SOI 1–3	1.06	Policy adjustor value for obstetric care category
Policy Adjustor – Pediatric SOI 4	1.75	Policy Adjustor for a DRG with SOI 4 in the Miscellaneous Pediatric or Respiratory Pediatric care categories
Policy Adjustor – Neonate SOI 4	1.75	Policy Adjustor for all Neonate DRGs, except for those receiving the NICU Surgery policy adjuster below
Policy Adjustor – Neonate (designated NICU) SOI 4	2.45	Enhanced Policy Adjustor for all designated NICU facilities and surgery sites recognized by California Children's Services (CCS) Program to perform neonatal surgery
Policy Adjustor – Adult SOI 4	1.10	Policy Adjustor Miscellaneous Adult, Respiratory Adult, Gastroenterology Adult or Circulatory Adult care categories
Policy Adjustor –Obstetrics SOI 4	1.17	Policy Adjustor for Obstetrics care category

Parameter	Value	Description
California Wage Area Neutrality Adjustment	0.9584	Adjustment factor used by California or Border hospital
Wage Index Labor Percentage	68.3%	Percentage of DRG Base Price or Rehabilitation per diem rate adjusted by the wage index value.
High Cost Outlier Threshold	$61,000	Used to determine Cost Outlier payments.
Low Cost Outlier Threshold	$61,000	Used to determine Cost Outlier payments.
Marginal Cost Factor	55.0%	Used to determine Cost Outlier payments.
Discharge Status Value 02	02	Transfer to a short-term general hospital for inpatient care
Discharge Status Value 05	05	Transfer to a designated cancer center
Discharge Status Value 63	63	Transfer to a long-term care hospital
Discharge Status Value 65	65	Transfer to a psychiatric hospital
Discharge Status Value 66	66	Transfer to a critical access hospital (CAH)
Discharge Status Value 82	82	Transfer to a short-term general hospital for inpatient care with a planned acute care hospital inpatient readmission
Discharge Status Value 85	85	Transfer to a designated cancer center or children's hospital with a planned acute care hospital inpatient readmission
Discharge Status Value 91	91	Transfer to a Medicare certified Long Term Care Hospital with a planned acute care hospital inpatient readmission
Discharge Status Value 93	93	Transfer to a psychiatric distinct part unit of a hospital with a planned acute care hospital inpatient readmission
Discharge Status Value 94	94	Transfer to a Critical Access Hospital with a planned acute care hospital inpatient readmission
Interim Payment	$600	Per diem amount for Interim Claims
APR-DRG Grouper Version	V.35	3M Software version used to group claims to a DRG
HAC Utility Version	V.35	3M Software version of the Healthcare Acquired Conditions Utility
Pediatric Rehabilitation Rate	$1,841	Daily rate for rehabilitation services provided to a beneficiary under 21 years of age on admission.
Adult Rehabilitation Rate	$1,032	Daily rate for rehabilitation services provided to a beneficiary 21 years of age or older on admission.

2. Separately Payable Services, Devices, and Supplies

Code	Description
	Bone Marrow
38204	Management of recipient hematopoietic progenitor cell donor search and acquisition
38204	Unrelated bone marrow donor
	Blood Factors
J7180	Blood factor XIII
J7183	Blood factor Von Willebrand –injection
J7185/J7190/J7192	Blood factor VIII
J7186	Blood factor VIII/ Von Willebrand
J7187	Blood factor Von Willebrand
J7189	Blood factor VIIa
J7193/J7194/J7195	Blood factor IX
J7197	Blood factor Anti-thrombin III
J7198	Blood factor Anti-inhibitor
C9134	Blood Factor XIII Antihemophilic factor
J7199	Alprolix and Factor VIII
	Long Acting Reversible Contraception Methods
J7300	Intrauterine Copper (Paraguard)
J7301	Skyla
J7302	Levonorgestral-releasing intrauterine contraceptive system (Mirena)
J7307	Etonogestrel (Implanon, Nexplanon)
	CAR T-Cell Therapies
Q2040	Tisagenlecleucel (Kymriah™)
Q2041	Axicabtagene ciloleucel (Yescarta™)
Q2042	Tisagenlecleucel (Kymriah™)

3. List of Hospitals Eligible to receive the "DRG- NICU- Surgery Policy Adjustor"

A. Hospitals approved to receive Policy Adjustor – NICU Surgery, status as of February 27, 2019:

1) California Pacific Medical Center - Pacific
2) Cedars Sinai Medical Center
3) Children's Hospital & Research Center of Oakland (UCSF Benioff Oakland)
4) Children's Hospital of Los Angeles
5) Children's Hospital of Orange County
6) Citrus Valley Medical Central – Queen of the Valley
7) Community Regional Medical Center Fresno
8) Good Samaritan - San Jose
9) Huntington Memorial Hospital
10) Kaiser Anaheim
11) Kaiser Downey
12) Kaiser Fontana
13) Kaiser Foundation Hospital - Los Angeles
14) Kaiser Permanente Medical Center - Oakland
15) Kaiser Foundation Hospital – Roseville
16) Kaiser Permanente – Santa Clara
17) Kaiser Foundation Hospital San Diego
18) Loma Linda University Medical Center
19) Lucille Salter Packard Children's Hospital – Stanford
20) Miller Children's at Long Beach Memorial Medical Center
21) Pomona Valley Hospital Medical Center
22) Providence Tarzana Regional Medical Center
23) Rady Children's Hospital - San Diego
24) Santa Barbara Cottage Hospital
25) Sutter Memorial Hospital
26) Valley Children's Hospital