

## DEPARTMENT OF HEALTH CARE SERVICES

### NOTICE OF GENERAL PUBLIC INTEREST AND REQUEST FOR PUBLIC INPUT ON STATE PLAN AMENDMENT 21-0021, WHICH PROPOSES TO UPDATE THE MEDI- CAL REIMBURSEMENT METHODOLOGY FOR STATE FISCAL YEAR (SFY) 2021-22 DIAGNOSIS RELATED GROUP (DRG) PAYMENTS RELEASE DATE JUNE 17, 2021

This notice is to provide information of public interest that the Department of Health Care Services (DHCS) is seeking federal authority to update the Medi-Cal reimbursement methodology for SFY 2021-22 DRG payments. DHCS requests input from beneficiaries, providers, and other interested stakeholders concerning proposed State Plan Amendment (SPA) 21-0021, which is attached below.

DHCS plans to submit SPA 21-0021 to the federal Centers for Medicare & Medicaid Services (CMS) to obtain federal approval for the following updates 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).

Proposed SPA 21-0021 will update the parameters of the DRG reimbursement methodology for SFY 2021-22 DRG payments and implement both annual changes to cost-to-charge ratios (CCR) and federal wage area definitions. These modifications include:

- Updating the 3M™ All-Patient Refined Diagnosis Related Groups (APR-DRG) grouping software to Version 38.
- Increasing the statewide APR-DRG Base Price by 5.2 percent.
- Increasing the Remote Rural APR-DRG Base Price by less than 1 percent.
- Increase of High/Low Cost Outlier Threshold from \$61,000 to \$67,000.
- Reducing the Medicaid Care Category (MCC) Obstetric policy adjustor values for Severity of Illness (SOI) levels 1 through 3 from 1.06 to 1.00.
- Increasing the MCC Obstetric policy adjustor value for SOI 4 from 1.17 to 1.30.
- Reducing the MCC Misc Pediatric policy adjustor value for SOI 4 from 1.75 to 1.65.

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- Increasing the MCC Neonate Standard policy adjustor value for SOI 4 from 1.75 to 1.95.
- Increasing the MCC Circulatory Adult policy adjustor value for SOI level 4 from 1.10 to 1.20.
- Increasing the MCC Miscellaneous Adult policy adjustor value for SOI level 4 from 1.10 to 1.20.
- Increasing the MCC Gastroenterology Adult policy adjustor value for SOI 4 from 1.10 to 1.15.
- Increasing the MCC Other policy adjustor value for SOI 4 from 1.00 to 1.25.
- Increasing the MCC Respiratory Adult policy adjustor value for SOI 4 from 1.10 to 1.25.
- Making required changes to the California and border hospital wage area index values, as provided by the Centers for Medicare and Medicaid Services (CMS), and adjusted by the California Wage Area Neutrality Adjustment of 0.9588.
- Adding additional blood factors.
- Adding Onasemnogene abeparvovec-xioi (Zolgensma®) drug as a DRG carve-out reimbursed under outpatient services.

DHCS requests input from beneficiaries, providers, and other interested stakeholders concerning proposed SPA 21-0021, which is attached.

DHCS estimates that the annual aggregate expenditures for acute inpatient hospital services will be budget neutral. However, the impact to individual hospitals varies by utilization and casemix.

The effective date of the proposed SPA is July 1, 2021. All proposed SPAs are subject to approval by CMS.

## **PUBLIC REVIEW AND COMMENTS**

The proposed changes in SPA 21-0021 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 21-0021 has been made available for public comment at:  
<https://www.dhcs.ca.gov/formsandpubs/laws/Pages/Proposed-2021.aspx>

If you would like to view the SPA in person once it becomes available, please visit your

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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 July 19, 2021. 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: Loni Anderson  
1501 Capitol Avenue, MS 4504  
Sacramento, California 95899-7417

Comments may also be e-mailed to [PublicInput@dhcs.ca.gov](mailto:PublicInput@dhcs.ca.gov). Please indicate SPA 21-0021 in the subject line or message.

Please note that comments will continue to be accepted after July 19, 2021, but DHCS may not be able to consider those comments prior to the initial submission of SPA 21-0021 to CMS.

For a copy of submitted public comments for SPA 21-0021, please send a request in writing to the mailing or email addresses listed above.

Upon submission to CMS, a copy of the proposed SPA 21-0021 will be published at: [https://www.dhcs.ca.gov/formsandpubs/laws/Pages/Pending\\_2021.aspx](https://www.dhcs.ca.gov/formsandpubs/laws/Pages/Pending_2021.aspx)

- h. Administrative Day Reimbursement claims
  - i. Level I
  - ii. Level 2

B. APR-DRG Reimbursement

For admissions dated July 1, 2013, and after for private hospitals and for admissions dated January 1, 2014, and after for NDPHs, reimbursement to DRG Hospitals for services provided to Medi-Cal beneficiaries are based on APR-DRG. Effective July 1, 2015, APR-DRG Payment is determined by multiplying a specific APR-DRG HSRV by a DRG Hospital's specific APR-DRG Base Price with the application of adjustors and add-on payments, as applicable. Provided all pre-payment review requirements have been approved by DHCS, APR-DRG Payment is for each admit through discharge claim, unless otherwise specified in this segment of Attachment 4.19-A.

1. APR-DRG HSRV

The assigned APR-DRG code is determined from the information contained on a DRG Hospital's submitted UB-04 or 837I acute inpatient claim. The grouping algorithm utilizes the diagnoses codes, procedure codes, procedure dates, admit date, discharge date, patient birthdate, patient age, patient gender, and discharge status present on the submitted claim to group the claim to one of 332 specific APR-DRG-groups. Within each specific group of 332, there are four severities of illness and risk of mortality sub classes: minor (1), moderate (2), major (3), and extreme (4). This equates to a total of 1328 different APR- DRG (with two additional error code possibilities). Each discharge claim is assigned only one APR-DRG code. For each of the 1328 APR-DRG codes there is a specific APR-DRG HSRV assigned to it by the APR-DRG grouping algorithm. The APR-DRG HSRVs are

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 2021 in September 2020 and it was used for the base prices for SFY 2021-22.

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>.

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

#### 4. 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. The projected financial impact of the policy adjustors was considered in developing budget-neutral base prices.

#### 5. 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.

Alternatively, a hospital (other than a new hospital or an out-of-state border or

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	\$15,091	Statewide Remote Rural APR-DRG Base Price.
Statewide APR-DRG Base Price	\$6,941	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 all DRGs with SOI 1-3 in the Miscellaneous Pediatric or Respiratory Pediatric care categories.
Policy Adjustor – Neonate SOI 1-3	1.25	Policy Adjustor for all DRGs with SOI 1-3 in the Neonate care category, except for those receiving the Designated NICU policy adjustor below
Policy Adjustor – Neonate (designated NICU) SOI 1-3	1.75	Enhanced Policy Adjustor for all DRGs with SOI 1-3 in the Neonate care category 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	1.00	Policy adjustor for all DRGs with SOI 1-3 in the Obstetrics care category
Policy Adjustor – Miscellaneous Pediatric SOI 4	1.65	Policy Adjustor for all DRGs with SOI 4 in the Miscellaneous Pediatric care category
Policy Adjustor – Respiratory Pediatric SOI 4	1.75	Policy Adjustor for all DRGs with SOI 4 in the Respiratory Pediatric care category
Policy Adjustor – Neonate SOI 4	1.95	Policy Adjustor for all DRGs with SOI 4 in the Neonate care category, except for those receiving the Designated NICU policy adjustor below
Policy Adjustor – Neonate (designated NICU) SOI 4	2.45	Enhanced Policy Adjustor for all DRGs with SOI 4 in the Neonate care category for all Designated NICU facilities and surgery sites recognized by California Children’s Services (CCS) Program to perform neonatal surgery
Policy Adjustor – Circulatory Adult SOI 4	1.20	Policy Adjustor for all DRGs with SOI 4 in the Circulatory Adult care category
Policy Adjustor – Miscellaneous Adult SOI 4	1.20	Policy Adjustor for all DRGs with SOI 4 in the Miscellaneous Adult care category
Policy Adjustor – Gastroenterology Adult SOI 4	1.15	Policy Adjustor for all DRGs with SOI 4 in the Gastroenterology Adult care category
Policy Adjustor – Other SOI 4	1.25	Policy Adjustor for all DRGs with SOI 4 in the Other care category
Policy Adjustor – Respiratory Adult SOI 4	1.25	Policy Adjustor for all DRGs with SOI 4 in the Respiratory Adult care category

TN No. 21-0021  
Supersedes  
TN No. 20-0019

Approval Date \_\_\_\_\_

Effective Date: July 1, 2021

Parameter	Value	Description
Policy Adjustor –Obstetrics SOI 4	1.30	Policy Adjustor for all DRGs with SOI 4 in the Obstetrics care category
California Wage Area Neutrality Adjustment	0.9588	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	\$67,000	Used to determine Cost Outlier payments.
Low Cost Outlier Threshold	\$67,000	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.38	3M Software version used to group claims to a DRG
HAC Utility Version	V.38.1	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
J7175	Blood Factor X
J7179/J7187	Blood factor Von Willebrand
J7180/J7181	Blood factor XIII
J7182	Blood factor VIII/Novoeight
J7183	Blood factor Von Willebrand –injection
J7185/J7190/J7192/ J7204/J7205/J7207/J7208/J7209/J7210/J7211	Blood factor VIII/ Esperoct/Eloctate/Adynovate/Jivi/Nuwiq/ Afstyla
J7186	Blood factor VIII/ Von Willebrand
J7188	Blood Factor VIII/Obizur
J7189/J7212	Blood factor VIIa/Sevenfact
J7193/J7194/J7195/ J7200/J7201/ J7202/J7203	Blood factor IX/ Rixubis/Alprolix/Idelvion/Rebinyn
J7197	Blood factor Anti-thrombin III
J7198	Blood factor Anti-inhibitor
	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™)
	Other
J3399	Onasemnogen abeparvovec-xioi (Zolgensma®)

**List of Hospitals Eligible to receive the “DRG- NICU- Surgery Policy Adjustor”**

A. Hospitals approved to receive Policy Adjustor – NICU Surgery, status as of January 22, 2021:

- 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