

DEPARTMENT OF HEALTH CARE SERVICES

NOTICE OF GENERAL PUBLIC INTEREST AND REQUEST FOR STAKEHOLDER INPUT FOR PROPOSED STATE PLAN AMENDMENT 19-0025 TO UPDATE THE MEDICAL REIMBURSEMENT METHODOLOGY FOR STATE FISCAL YEAR (SFY) 2019-20 DIAGNOSIS RELATED GROUP (DRG) PAYMENTS

May 17, 2019

This notice is to provide information of public interest about a proposed State Plan Amendment (SPA) by the Department of Health Care Services (DHCS). The proposed SPA 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 plans to submit to the federal Centers for Medicare & Medicaid (CMS) SPA 19-0025 that updates the parameters of the DRG reimbursement methodology for SFY 2019-20 DRG payments, effective July 1, 2019 as part of its annual update. These changes include:

- Keeping the APR-DRG grouping algorithm at Version 35.
- Keeping to Version 35 relative weights under the hospital-specific relative value (HSRV) methodology.
- Application of the following policy adjustor for severity of illness (SOI) 1-3.
 - Policy adjustor of 1.06 is applied to the Obstetrics care category.
 - Policy adjustor of 1.25 is applied to the Miscellaneous Pediatric, Respiratory Pediatric, and Neonate care categories.
 - Policy adjustor of 1.75 is applied to the Neonate care category for Designated Surgery Newborn Intensive Care Unit (NICU) providers.
- Application of the following policy adjustors for high SOI 4.
 - Policy adjustor of 1.75 is applied to the Miscellaneous Pediatric, Respiratory Pediatric, and Neonate care categories.

- Policy adjustor of 2.45 is applied to the Neonate care category for Designated Surgery NICU providers.
 - Policy adjustor of 1.10 is applied to the Miscellaneous Adult, Respiratory Adult, Gastroentology Adult, and Circulatory Adult care categories.
 - Policy adjustor of 1.17 is applied to the Obstetrics care category.
- Increase the High Cost Outlier Threshold to \$61,000 and decrease Marginal Cost Factor to fifty-five percent.
 - Increase the statewide APR-DRG Base Price by approximately one percent.
 - Increase the Remote Rural APR-DRG Base Price by approximately fourteen 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 0.9731.
 - 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 sixty-two percent and hospitals having wage areas greater than 1.0 will be at sixty-eight point three percent.

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

The effective date of the proposed SPA is July 1, 2019. The proposed SPA 19-0025 is subject to approval by CMS.

PUBLIC REVIEW AND COMMENTS

The proposed included in SPA 19-0025 is enclosed 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.

The proposed SPA 19-0025 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 17, 2019. DHCS requests that all comments be submitted via email to publicinput@dhcs.ca.gov and reference SPA 19-0025. Additionally, written comments may be sent to the Department of Health Care Services, Safety Net Financing Division, 1501 Capitol Avenue, MS 4504, Sacramento, California 95899-7417. Please note that comments will continue to be accepted after June 17, 2019, but DHCS will be unable to consider those comments prior to the initial submission of SPA 19-0025 to CMS.

For a copy of submitted public comments for SPA 19-0025, please send a request in writing to the mailing or email addresses listed above.

Upon submission to CMS, a copy of the proposed SPA 19-0025 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.

Release date: May 17, 2019

miles in driving distance from the nearest GAC hospital that has a basic level emergency room, and does not operate under a combined license or bill under a common National Provider Index (NPI) number with a non-remote rural hospital.

19. "Remote Rural Border Hospital" is a border hospital that is defined as a rural hospital by the federal Medicare program, is at least fifteen (15) miles in driving distance from the nearest GAC hospital that has a basic level emergency room, and does not operate under a combined license or bill under a common National Provider Index (NPI) number with a non-remote rural hospital.
20. "State Fiscal Year" (SFY) is California state government's fiscal year which begins on July 1 and ends the following June 30.
21. "Hospital-Specific Wage Area Index Values" are hospital-specific geographic adjustments that Medicare uses (from the Medicare hospital impact file) further adjusted by the California Wage Area Neutrality Adjustment as specified in Appendix 6.

B. Applicability

1. Except as specified below in Paragraph 2, for admissions dated July 1, 2013 for private hospitals, and after and commencing on admissions dated January 1, 2014, and after for NDPHs, the Department of Health Care Services (DHCS) will reimburse "DRG Hospitals" through a prospective payment methodology based upon APR-DRG.
2. The following are "Exempt Hospitals, Services, and Claims" that are not to be reimbursed based upon APR-DRG:
 - a. Psychiatric hospitals and psychiatric units
 - b. Rehabilitation hospitals, rehabilitation units, and rehabilitation stays at general acute care hospitals
 - c. Designated Public Hospitals
 - d. Indian Health Services Hospitals
 - e. Inpatient Hospice
 - f. Swing-bed stays
 - g. Managed Care stays

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

C. 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 339 specific APR-DRG-groups. Within each specific group of 339, 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 1356 different APR-DRG (with two additional error code possibilities). Each discharge claim is assigned only one APR-DRG code. For each of the 1356 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 2019 in September 2018 and it was used for the base prices for SFY 2019-20.

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

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	\$14,615	Statewide Remote Rural APR-DRG Base Price.
Statewide APR-DRG Base Price	\$6,584	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	0.9731	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%	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