



Jennifer Kent  
Director

State of California—Health and Human Services Agency  
Department of Health Care Services



EDMUND G. BROWN JR.  
Governor

August 24, 2017

Medi-Cal Eligibility Division Information Letter No.: I 17-13

TO: ALL COUNTY WELFARE DIRECTORS  
ALL COUNTY MEDI-CAL PROGRAM SPECIALISTS/LIAISONS

SUBJECT: Proposal for Changes in the Process for Determining When the  
Diagnosis Related Group (DRG) Neonatal Intensive Care Unit  
(NICU) Surgery Policy Adjustor Applies To Eligible Hospitals

The purpose of this Medi-Cal Eligibility Division Information letter is to request that counties post the enclosed Public Notice in a prominent location. The information provided in the notice pertains to updating the process by which for determining if and when DRG Policy Adjustor-NICU Surgery will apply to eligible hospitals. This policy change will be incorporated into an upcoming State Plan Amendment (SPA #17-032) and is of public interest.

If you have any questions, or if we can provide further information, please contact John Mendoza at (916) 552-9130 or by email at [John.Mendoza@dhcs.ca.gov](mailto:John.Mendoza@dhcs.ca.gov)

**ORIGINAL SIGNED BY**

Sandra Williams, Chief  
Medi-Cal Eligibility Division

Enclosure

**DEPARTMENT OF HEALTH CARE SERVICES  
NOTICE OF GENERAL PUBLIC INTEREST**

**AUGUST 14, 2017**

**THE DEPARTMENT OF HEALTH CARE SERVICES PROPOSES  
TO SUBMIT A STATE PLAN AMENDMENT FOR CHANGES IN THE PROCESS  
FOR DETERMINING WHEN THE DIAGNOSIS RELATED GROUP (DRG)  
NEONATAL INTENSIVE CARE UNIT (NICU) SURGERY POLICY ADJUSTOR  
APPLIES TO ELIGIBLE HOSPITALS**

This notice is to provide information of public interest about a proposed State Plan Amendment (SPA) adding to the State Plan a process for determining if and when the Policy Adjustor-NICU Surgery will apply to eligible hospitals that California Children's Services (CCS) determines qualify as Regional NICU pursuant to CCS Manual of Procedures, Chapter 3.25.1 or as a Community NICU pursuant to CCS Manual of Procedures, Chapter 3.25.2.

Currently, the Policy Adjustor-NICU Surgery only applies to hospitals that receive APR-DRG reimbursement and are listed in the State Plan as being eligible for Policy Adjustor-NICU Surgery. The process described in this notice will apply prospectively and allow a hospital to be eligible for this Policy Adjustor-NICU Surgery even if the hospital is not currently listed in Appendix 6 to Attachment 4.19-A of the State Plan "List of Hospitals Eligible to receive the DRG-NICU-Surgery Policy Adjustor". The Department of Health Care Services (DHCS) is adding this process to increase budgeting predictability by enabling the hospital to accurately predict when they will start receiving the Policy Adjustor-NICU Surgery. The effective date of the proposed SPA is August 3, 2017.

Once CCS has approved a hospital as a NICU, the DHCS DRG Section will review a separate request to compensate CCS-approved facilities for the Policy Adjustor-NICU Surgery.

Before becoming eligible to receive the Policy Adjustor-NICU Surgery, eligible hospitals not listed in the State Plan must have completed all of the following:

- (1) Received approval from CCS that the facility has met the neonatal surgery standards set forth in the CCS Manual of Procedures and receive CCS approval as either a Regional NICU or a Community NICU.
- (2) Submit a DRG NICU Surgery Policy Adjustor Request (Request) and supporting documentation for the DHCS DRG Section's review
  - a. A copy of the hospital license issued by the Licensing & Certification of the California Department of Public Health showing that the hospital has been licensed as:
    - i. An acute general hospital under section 70003, 70005; and
    - ii. An intensive care newborn nursery (ICNN)
  - b. A copy of the CCS approval documentation in the format promulgated

by CCS granting NICU Surgery approval

- (3) Once the DHCS DRG Section has received the completed Request, it will review it within 30 calendar days of the date the request was received, as possible.
- (4) The DHCS DRG Section shall promptly notify the hospital that the review and determination will take longer than 30 calendar days or if the Request will not be approved, if needed.
- (5) Upon DHCS DRG approval, the hospital will qualify to receive the Policy Adjustor-NICU Surgery beginning next fiscal quarter.

If the Request is approved, then eligible hospitals do not need to be listed in the State Plan "List of Hospitals Eligible to receive the DRG-NICU-Surgery Policy Adjustor" to be eligible and start receiving the Policy Adjustor-NICU Surgery. DHCS will still add the eligible hospital to Appendix 6 to Attachment 4.19-A through a SPA in order to make the list accurate. DHCS DRG Section will promptly notify the hospital once it has approved or rejected the Request. Hospitals already on "List of Hospitals Eligible to receive the DRG-NICU-Surgery Policy Adjustor" that maintain their obligations to stay on the list according to Appendix 6 to Attachment 4.19-A will not need to go through the process addressed in this notice. This change in procedure is not expected to increase or decrease annual aggregate expenditures.

### **PUBLIC REVIEW AND COMMENTS**

Once available, and prior to submission to CMS, a draft copy of proposed SPA #17-032 will be made available for public input at:  
[http://www.dhcs.ca.gov/formsandpubs/laws/Pages/Pro\\_SPA.aspx](http://www.dhcs.ca.gov/formsandpubs/laws/Pages/Pro_SPA.aspx).

Upon submission to CMS, a copy of the proposed SPA #17-032 will be published at: [http://www.dhcs.ca.gov/formsandpubs/laws/Pages/Pending\\_2017.aspx](http://www.dhcs.ca.gov/formsandpubs/laws/Pages/Pending_2017.aspx)

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 #17-032 using the mailing or email addresses listed below.

Written comments may be sent to Department of Health Care Services, Safety Net Financing Division, 1501 Capitol Avenue, MS 4504, Sacramento, California 95899-7417, or emailed to [PublicInput@dhcs.ca.gov](mailto:PublicInput@dhcs.ca.gov). Please indicate SPA #17-032 in the subject line or message. For a copy of submitted public comments to SPA #17-032, please send a request in writing to the mailing or email addresses listed above.