



## **Medicaid and CHIP Operations Group**

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November 23, 2020

Jacey Cooper  
Chief Deputy Director, Health Care Programs  
CA Department of Health Care Services  
P.O. Box 997413  
Sacramento, CA 95899-7418

Dear Ms. Cooper:

In accordance with 42 Code of Federal Regulations (CFR) 438.6(c), the Centers for Medicare & Medicaid Services (CMS) has reviewed and is approving California's amendment to the proposal for delivery system and provider payment initiatives under Medicaid managed care plan contracts. The amendment was received by CMS on October 15, 2020.

Specifically, the amendment to the following proposal for delivery system and provider payment initiatives (i.e. state directed payment) is approved:

- Quality Incentive Pool for District and Municipal Public Hospital Systems for the rating period covering July 1, 2019 through December 31, 2020.

This approval letter does not constitute approval of any Medicaid managed care plan contracts or rate certifications for the aforementioned rating period, or any specific Medicaid financing mechanism used to support the provider payment arrangement. All other federal laws and regulations apply. This approval letter only satisfies the regulatory requirement pursuant to 42 CFR 438.6(c)(2) for written approval prior to implementation of any payment arrangement described in 42 CFR 438.6(c)(1). Approval of the corresponding Medicaid managed care plan contracts and rate certifications is still required.

Note that this payment arrangement must be addressed in the applicable rate certifications. The state is always required to submit a contract action(s) to incorporate the contractual obligation for the state directed payment and related capitation rates that include this payment arrangement. CMS is happy to provide technical assistance to states and their actuaries.

If you have questions concerning this approval or state directed payments in general, please contact Alex Loizias, Division of Managed Care Policy, 410-786-2435 and [alexandra.loizias@cms.hhs.gov](mailto:alexandra.loizias@cms.hhs.gov).

Sincerely,



Bill Brooks  
Division Director  
Division of Managed Care Operations