

**DEPARTMENT OF HEALTH & HUMAN SERVICES**

Centers for Medicare & Medicaid Services  
1301 Young Street, Suite 900  
Dallas, Texas 75202



Medicaid and CHIP Operations Group

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July 30, 2020

Jacey Cooper  
Chief Deputy Director, Health Care Programs  
CA Department of Health Care Services  
Director's Office, MS 0000  
P.O. Box 997413  
Sacramento, CA 95899-7418

RE: CA-438.6(c) Proposal F COVID-19 Approval Letter

Dear Ms. Cooper:

In accordance with 42 CFR 438.6(c), the Centers for Medicare & Medicaid Services (CMS) has reviewed and is approving California's submission of a proposal for delivery system and provider payment initiatives under Medicaid managed care plan contracts. The proposal was received by CMS on June 24, 2020.

Specifically, the following proposal for delivery system and provider payment initiatives is approved:

- Quality Incentive Pool for Designated Public Hospital Systems as defined by CA Welfare & Institutions Code: 14184.10(f)(1) for the rating periods covering July 1, 2018 through June 30, 2021.

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. CMS is happy to provide technical assistance to states and their actuaries.

As a condition of approval of this proposal, the state is required to implement two-sided risk mitigation as noted in the [guidance](#) published May 14, 2020. States submitting new or amended state directed payment proposals to address the public health emergency that do not currently have two-sided risk mitigation in place or that are seeking to make an existing risk mitigation arrangement comply with these requirements, must submit both a contract amendment and a revised actuarial rate certification. States should follow the guidance in the [Medicaid Managed Care Rate Development Guide](#) for documentation of risk-sharing mechanisms.

Please note for future proposal submissions, CMS requests that the state confirm the specific evaluation measures it will use to monitor the impact of this payment arrangement and, for each measure, provide the (1) baseline years, (2) baseline data, and (3) performance targets.

Ms. Jacey Cooper  
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If you have questions concerning this letter, please contact Laura Snyder, Division of Managed Care Policy at (410) 786-3198, Stephanie Sale at (214) 767-4419, or Kitaho Kato at (415) 744- 3639.

Sincerely,

Shantrina Roberts, Acting Division Director  
Division of Managed Care Plan Operations

cc: Laura Snyder, DMCP