



Division of Medicaid & Children's Health Operations

December 17, 2018

Mari Cantwell
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

Dear Ms. Cantwell:

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 29, 2018.

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

- Uniform Increases for designated public hospital systems that are primarily reimbursed on a capitated basis (Los Angeles County DHS, Zuckerberg San Francisco General Hospital and Santa Clara Valley Medical Center) by Medi-Cal Managed Care Plans (All County Organized Health System Plans, All Two Plan County Model Plans, All Regional Model Plans and All Geographic Managed Care Plans) in the following manner for the rating period covering July 1, 2018 through June 30, 2019:
 - Uniform percentage increases to capitated contractual arrangements between the Medi-Cal Managed Care Plans and the applicable designated public hospital systems
 - Uniform dollar increases to fee-for-service contractual arrangements between the Medi-Cal Managed Care Plans and the applicable designated public hospital systems for inpatient and non-inpatient services adjusted for the acuity of services provided.

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.

CMS appreciates the analysis that the state provided on the provider reimbursement levels as part of the review of this proposal. However, in future reviews, CMS would recommend that the state provide an analysis that includes an estimate of the base rate, the effect of all applicable directed payments, and pass-through payments that is specific to the provider classes covered by the proposal. The two provider classes in this proposal are: 1) the Los Angeles County Public Hospital System that hold a risk-based PMPM contract with a Medi-Cal managed care plan that includes capitation for the provision of most services including inpatient hospital services and 2) Designated Public Hospital Systems (other than Los Angeles County DPH) that hold a risk-based PMPM capitated contract with a Medi-Cal managed care plan that includes capitation for the provision of most services including inpatient hospital services (specifically the Zuckerberg San Francisco General Hospital and Santa Clara Valley Medical Center DPHs).

CMS also appreciates the revised evaluation plan for this payment arrangement that specifies measures related to reasonability, timeliness, inpatient utilization, outpatient utilization and ER utilization, the baseline year for each of these measures, and targets for evaluation performance on these measures. CMS also notes that the state has provided a timeline for the evaluation plan for this proposal for the rating period covering July 1, 2018 through June 30, 2019. As noted during review, the state is asked to describe prior year(s) evaluation findings and the payment arrangement's impact on the goal(s) and objective(s) in the State's quality strategy. If the state plans to continue this payment arrangement in the future, CMS would appreciate as part of the 438.6(c) preprint submission for the rating period covering July 1, 2019 through June 30, 2020 that the state provide the Year 1 evaluation results for this payment arrangement (which was approved for the rating period covering July 1, 2017 through June 30, 2018.)

If you have questions concerning this letter, please contact John Giles, Division of Managed Care Plans at (410) 786-1255 or Peter Banks at (415) 744-3782.

Sincerely,

/s/

Dzung A. Hoang
Acting Associate Regional Administrator
Division of Medicaid & Children's Health Operations

cc: John Giles, DMCP
Laura Snyder, DMCP