STATE OF CALIFORNIA—HEALTH AND WELFARE AGENCY

GEORGE DEUKMEJIAN, *Governor*

DEPARTMENT OF HEALTH SERVICES
714/744 P STREET
SACRAMENTO, CA 95814

February 13, 1987

TO: All County Welfare Directors
All County Administrative Officers

Letter No.: 87-8

SUBJECT: MEDI-CAL NOTICE

This is to notify you that the attached notice is a copy of the Department's intent to change the methods and standards for setting payment rates for out-of-state inpatient hospital reimbursement under the Medi-Cal program effective April 1, 1987. Pursuant to federal requirements this notice must be made available to the public before the effective date of the change. Please post a copy of this notice in all of your reception areas commencing immediately through April 1, 1987.

If you have any questions regarding the posting of this special notice, please contact the Department's Rate Development Branch at (916) 445-8128.

Sincerely,

Original signed by

Frank S. Martucci, Chief
Medi-Cal Eligibility Branch

Attachment

cc: Medi-Cal Liaisons
Medi-Cal Program Consultants

Expiration Date: April 1, 1987

NOTICE OF GENERAL PUBLIC INTEREST

Notice is hereby given, pursuant to the requirements of 42 C.F.R. Section 447.205, that the Director of the Department of Health Services intends to change the Department's methods and standards for setting payment rates for services under the Medi-Cal program, as follows:

> The state plan does not specifically discuss a separate method for out-of-state hospital reimbursement, therefore, under the existing state plan all out-of-state hospitals are subject to the same reimbursement limitations as in-state hospitals. The regulatory mechanisms currently in place for California hospitals, the rate per discharge methodology, the 55 percent occupancy standard, and peer grouping are all based on the accumulation of two or more years of hospital specific cost report information which is first audited, then processed through detailed formulas involving many variables including hospital specific disclosure data not available in most other states. This report-driven cost-based system is clearly not workable for payment to out-of-state facilities. To make out-of-state hospital reimbursement contingent upon these conditions places an undo reporting and procedural burden on these extremely small volume hospitals.
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> The proposed change provides for payment to individual out-of-state hospitals based on data and methods applicable in their own state's Medicaid program. The reimbursement to each out-of-state hospital will be, whenever possible, the hospital specific or statewide reimbursement to charge ratio (final or interim) provided by its state's Medicaid agency. Hospitals located in states who fail, for whatever reason, to supply the necessary information with which to calculate this ratio will be reimbursed at the California average interim rate. All payments will be final unless a change is determined as a result of an administrative adjustment. Hospitals may request an administrative adjustment to the payment rate within 60 days of notice of payment. The request must be in writing and will be granted if the hospital submits documentation verified by its Medicaid agency that the hospital's reimbursement to charge ratio paid by that agency is greater than the Medi-Cal payment rate for the same time period. The decision on the administrative adjustment shall be final and not subject to further appeal.

This change is being made to regulate out-of-state hospital reimbursement in order to comply with Federal laws and regulations concerning payment for inpatient hospital care and in order to comply with the requirements of California Welfare & Institutions Code Sections 14086 and 14105.1. In addition, it is intended to fill an administrative void in the regulations by establishing specific reimbursement methods applicable to hospitals outside California. In doing so, this change will allow reimbursement to out-of-state hospitals for care of California eligible patients at rates applicable to the conditions those hospitals operate under, or in the absence of data, at rates comparable to the prevailing situation in California for efficient and economical provision of inpatient hospital services.

The estimated decrease in annual expenditures expected from this action is $3,088,000 in the first year of implementation ($1,544,000 in the state's general fund and $1,544,000 in federal funds). The savings in each subsequent year is undetermined.

This notice of proposed change is available for public review in the County Welfare office of each county. Written comments by interested persons may be sent to the Hospital Reimbursement Section of the Department of Health Services, 714 P Street, P. O. Box 942732, Sacramento, CA 94234-7320 where they may be reviewed by the public.

A public hearing will be scheduled on the proposed regulations implementing these changes. Information regarding location, time, and date may be obtained from the Office of Regulations, Department of Health Services, 714 P Street, P. O. Box 942732, Sacramento, CA 94234-7320.