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State/Territory Name: CA

State Plan Amendment (SPA) #: CA-23-0014

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form/Summary Form (with 179-like data)
- 3) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S3-14-28
Baltimore, Maryland 21244-1850



Financial Management Group

August 23, 2023
Jacey K. Cooper
Chief Deputy Director, Health Care Programs
California Department of Health Care Services
P.O. Box 997413, MS 0000
Sacramento, CA 95899-7413

RE: California State Plan Amendment Transmittal Number 23-0014

Dear Chief Deputy Director Cooper:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 23-0014. Effective July 1, 2023, this amendment updates California's All Patient Refined Diagnosis Related Group (APR-DRG) payment parameters for state fiscal year 2023-2024.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(2), 1902(a)(13), 1902(a)(30), 1903(a), and 1923 of the Social Security Act and the implementing Federal regulations at 42 CFR 447 Subpart C. This is to inform you that Medicaid State plan amendment TN 23-0014 is approved effective July 1, 2023. The CMS-179 and the amended plan page(s) are attached.

If you have any additional questions or need further assistance, please contact Mark Wong at (415) 744-3561 or mark.wong@cms.hhs.gov.

Sincerely,



Rory Howe
Director

Enclosures

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES**

1. TRANSMITTAL NUMBER

2 3 — 0 0 1 4

2. STATE

CA

3. PROGRAM IDENTIFICATION: TITLE OF THE SOCIAL SECURITY ACT

XIX XXI

TO: CENTER DIRECTOR
CENTERS FOR MEDICAID & CHIP SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

July 1, 2023

5. FEDERAL STATUTE/REGULATION CITATION

42 CFR Part 447, Subpart C, 1902(a)(13) of the Act

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)

a. FFY 2023 \$ 0
b. FFY 2024 \$ 0

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

Attachment 4.19-A pages 17.42 and 17.49
Appendix 6 to Attachment 4.19-A, pages 1, 2, ~~3~~ and 3a

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable)

Attachment 4.19-A page 17.42 and 17.49
Appendix 6 to Attachment 4.19-A, pages 1, 2, ~~3~~ and 3a

9. SUBJECT OF AMENDMENT

Inpatient Hospital APR-DRG updates for SFY 2023-24

10. GOVERNOR'S REVIEW (Check One)

- GOVERNOR'S OFFICE REPORTED NO COMMENT
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

OTHER, AS SPECIFIED:

Please note: The Governor's Office does not wish to review the State Plan Amendment.

11. SIGNATURE OF STATE AGENCY OFFICIAL

[Redacted Signature]

12. TYPED NAME

Jacey Cooper

13. TITLE

State Medicaid Director

14. DATE SUBMITTED

July 18, 2023

15. RETURN TO

Department of Health Care Services
Attn: Director's Office
P.O. Box 997413, MS 0000
Sacramento, CA 95899-7413

FOR CMS USE ONLY

16. DATE RECEIVED

July 18, 2023

17. DATE APPROVED

August 23, 2023

PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL

July 1, 2023

19. SIGNATURE OF APPROVING OFFICIAL

[Redacted Signature]

20. TYPED NAME OF APPROVING OFFICIAL

Rory Howe

21. TITLE OF APPROVING OFFICIAL

Director, Financial Management Group

22. REMARKS

Pen-and-ink changes made to Boxes 7 and 8 by CMS, with state concurrence, to strike out page 3 from both boxes.

h. Administrative Day Reimbursement claims

- i. Level I
- ii. Level 2

C. APR-DRG Reimbursement

For admissions dated July 1, 2013, and after for private hospitals and for admissions dated January 1, 2014, and after for NDPHs, reimbursement to DRG Hospitals for services provided to Medi-Cal beneficiaries are based on APR-DRG. Effective July 1, 2015, APR-DRG Payment is determined by multiplying a specific APR-DRG HSRV by a DRG Hospital's specific APR-DRG Base Price with the application of adjustors and add-on payments, as applicable. Provided all pre-payment review requirements have been approved by DHCS, APR-DRG Payment is for each admit through discharge claim, unless otherwise specified in this segment of Attachment 4.19-A.

1. APR-DRG HSRV

The assigned APR-DRG code is determined from the information contained on a DRG Hospital's submitted UB-04 or 837I acute inpatient claim. The grouping algorithm utilizes the diagnoses codes, procedure codes, procedure dates, admit date, discharge date, patient birthdate, patient age, patient gender, and discharge status present on the submitted claim to group the claim to one of 333 specific APR-DRG groups. Within each specific group of 333, there are four severities of illness and risk of mortality sub classes: minor (1), moderate (2), major (3), and extreme (4). This equates to a total of 1332 different APR- DRG (with two additional error code possibilities). Each discharge claim is assigned only one APR-DRG code. For each of the 1332 APR-DRG codes there is a specific APR-DRG HSRV assigned to it by the APR-DRG grouping algorithm. The APR-DRG HSRVs are

the remote rural base price. The labor share percentage for a SFY shall be the same percentage that the Medicare program has established according to the latest published CMS final rule and notice published prior to the start of the state fiscal year, with the exception for hospitals having wage area index less than or equal to 1.00 will have the labor share percentage applied at 62.0%. Medicare published the Medicare impact file for FFY 2023 in November 2022 and it was used for the base prices for SFY 2023-24.

Similarly, final changes to all DRG hospitals wage area, index value, or labor share calculation published for future federal fiscal years will be used for the state fiscal year beginning after the start of each respective federal fiscal year. All wage area index values can be viewed on the Medi-Cal DRG Pricing Calculator posted on the DHCS website at <https://www.dhcs.ca.gov/provgovpart/pages/DRG.aspx>.

- b. The wage area adjustor is not applied to the hospital-specific transitional base price (determined in paragraph C.3 above).

4. Policy Adjustors

The implementation of APR-DRG Payment includes the functionality of policy adjustors. These adjustors are created to allow the DHCS to address any current, or future, policy goals and to ensure access to care is preserved. Policy adjustors may be used to enhance payment for services where Medi-Cal plays a major role. This functionality of policy adjustors allows DHCS the ability to ensure access to quality care is available for all services. A list of the current policy adjustors is reflected in Appendix 6 of Attachment 4.19-A. These policy adjustors are multipliers used to adjust payment weights for care categories. The projected financial impact of the policy adjustors was considered in developing budget-neutral base prices.

5. Cost Outlier Payments

Outlier payments are determined by calculating the DRG Hospital's estimated cost and comparing it to the APR-DRG Payment to see if there is a loss or gain for the hospital for a discharge claim. The DRG Hospital's estimated cost on a discharge claim is determined by the following: The DRG Hospital's estimated cost may be determined by multiplying the Medi-Cal covered charges by the DRG Hospital's most currently accepted cost-to-charge ratio (CCR) from a hospital's CMS 2552-10 cost report. The CCR is calculated from a hospital's Medicaid costs (reported on worksheet E-3, part VII, line 4) divided by the Medicaid charges (reported on worksheet E-3, part VII, line 12). All hospital CCRs will be updated annually with an effective date of July 1, after the acceptance of the CMS 2552-10 by DHCS.

Alternatively, a hospital (other than a new hospital or an out-of-state border or

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
STATE: CALIFORNIA

Appendix 6

1. APR-DRG Payment Parameters

Parameter	Value	Description
Remote Rural APR-DRG Base Price	\$21,635	Statewide Remote Rural APR-DRG Base Price.
Statewide APR-DRG Base Price	\$8,154	Statewide APR-DRG Base Price (non-Remote Rural).
Policy Adjustor – Each category of service	1.00	Policy adjustor for each category of service.
Policy Adjustor – Pediatric Severity of Illness (SOI) 1-3	1.25	Policy Adjustor for all DRGs with SOI 1-3 in the Miscellaneous Pediatric or Respiratory Pediatric care categories.
Policy Adjustor – Neonate SOI 1-3	1.25	Policy Adjustor for all DRGs with SOI 1-3 in the Neonate care category, except for those receiving the Designated NICU policy adjustor below
Policy Adjustor – Neonate (designated NICU) SOI 1-3	1.75	Enhanced Policy Adjustor for all DRGs with SOI 1-3 in the Neonate care category for all Designated NICU facilities and surgery sites recognized by California Children’s Services (CCS) Program to perform neonatal surgery
Policy Adjustor- Obstetrics SOI 1–3	1.00	Policy adjustor for all DRGs with SOI 1-3 in the Obstetrics care category
Policy Adjustor – Miscellaneous Pediatric SOI 4	1.75	Policy Adjustor for all DRGs with SOI 4 in the Miscellaneous Pediatric care category
Policy Adjustor – Respiratory Pediatric SOI 4	1.80	Policy Adjustor for all DRGs with SOI 4 in the Respiratory Pediatric care category
Policy Adjustor – Neonate SOI 4	1.80	Policy Adjustor for all DRGs with SOI 4 in the Neonate care category, except for those receiving the Designated NICU policy adjustor below
Policy Adjustor – Neonate (designated NICU) SOI 4	2.30	Enhanced Policy Adjustor for all DRGs with SOI 4 in the Neonate care category for all Designated NICU facilities and surgery sites recognized by California Children’s Services (CCS) Program to perform neonatal surgery
Policy Adjustor – Circulatory Adult SOI 4	1.00	Policy Adjustor for all DRGs with SOI 4 in the Circulatory Adult care category
Policy Adjustor – Miscellaneous Adult SOI 4	1.00	Policy Adjustor for all DRGs with SOI 4 in the Miscellaneous Adult care category
Policy Adjustor – Gastroenterology Adult SOI 4	1.00	Policy Adjustor for all DRGs with SOI 4 in the Gastroenterology Adult care category
Policy Adjustor – Other SOI 4	1.00	Policy Adjustor for all DRGs with SOI 4 in the Other care category
Policy Adjustor – Respiratory Adult SOI 4	1.00	Policy Adjustor for all DRGs with SOI 4 in the Respiratory Adult care category

Parameter	Value	Description
Policy Adjustor –Obstetrics SOI 4	1.10	Policy Adjustor for all DRGs with SOI 4 in the Obstetrics care category
California Wage Area Neutrality Adjustment	0.9509	Adjustment factor used by California or Border hospital
Wage Index Labor Percentage	67.6%	Percentage of DRG Base Price or Rehabilitation per diem rate adjusted by the wage index value.
High Cost Outlier Threshold	\$73,000	Used to determine Cost Outlier payments.
Low Cost Outlier Threshold	\$73,000	Used to determine Cost Outlier payments.
Marginal Cost Factor	53.0%	Used to determine Cost Outlier payments.
Discharge Status Value 02	02	Transfer to a short-term general hospital for inpatient care
Discharge Status Value 05	05	Transfer to a designated cancer center
Discharge Status Value 63	63	Transfer to a long-term care hospital
Discharge Status Value 65	65	Transfer to a psychiatric hospital
Discharge Status Value 66	66	Transfer to a critical access hospital (CAH)
Discharge Status Value 82	82	Transfer to a short-term general hospital for inpatient care with a planned acute care hospital inpatient readmission
Discharge Status Value 85	85	Transfer to a designated cancer center or children’s hospital with a planned acute care hospital inpatient readmission
Discharge Status Value 91	91	Transfer to a Medicare certified Long Term Care Hospital with a planned acute care hospital inpatient readmission
Discharge Status Value 93	93	Transfer to a psychiatric distinct part unit of a hospital with a planned acute care hospital inpatient readmission
Discharge Status Value 94	94	Transfer to a Critical Access Hospital with a planned acute care hospital inpatient readmission
Interim Payment	\$600	Per diem amount for Interim Claims
APR-DRG Grouper Version	V.40.0	3M Software version used to group claims to a DRG
HAC Utility Version	V.40.1	3M Software version of the Healthcare Acquired Conditions Utility
Pediatric Rehabilitation Rate	\$1,841	Daily rate for rehabilitation services provided to a beneficiary under 21 years of age on admission.
Adult Rehabilitation Rate	\$1,032	Daily rate for rehabilitation services provided to a beneficiary 21 years of age or older on admission.

List of Hospitals Eligible to receive the “DRG- NICU- Surgery Policy Adjustor”

A. Hospitals approved to receive Policy Adjustor – NICU Surgery, status as of September 22, 2022:

- 1) California Pacific Medical Center - Pacific
- 2) Cedars Sinai Medical Center
- 3) Children’s Hospital & Research Center of Oakland (UCSF Benioff Oakland)
- 4) Children’s Hospital of Los Angeles
- 5) Children’s Hospital of Orange County
- 6) Citrus Valley Medical Central – Queen of the Valley
- 7) Community Regional Medical Center Fresno
- 8) Good Samaritan - San Jose
- 9) Huntington Memorial Hospital
- 10) Kaiser Anaheim
- 11) Kaiser Downey
- 12) Kaiser Fontana
- 13) Kaiser Foundation Hospital - Los Angeles
- 14) Kaiser Permanente Medical Center - Oakland
- 15) Kaiser Foundation Hospital – Roseville
- 16) Kaiser Permanente – Santa Clara
- 17) Kaiser Foundation Hospital San Diego
- 18) Loma Linda University Medical Center
- 19) Lucille Salter Packard Children’s Hospital – Stanford
- 20) Miller Children’s at Long Beach Memorial Medical Center
- 21) Pomona Valley Hospital Medical Center
- 22) Providence Tarzana Regional Medical Center
- 23) Rady Children’s Hospital - San Diego
- 24) Santa Barbara Cottage Hospital
- 25) Sutter Memorial Hospital
- 26) Valley Children’s Hospital