DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
San Francisco Regional Office
90 Seventh Street, Suite 5-300 (5W)
San Francisco, CA 94103-6706

DIVISION OF MEDICAID & CHILDREN'S HEALTH OPERATIONS

November 12, 2014

Toby Douglas, Director
California Department of Health Care Services
P.O. Box 997413, MS 0000
Sacramento, CA 95899-7413

Dear Mr. Douglas:

Enclosed for your records is an approved copy of the California Department of Health Care Services' Health Insurance Premium Payment (HIPP) State Plan Amendment (SPA) CA-14-0027. This SPA was submitted to my office on August 15, 2014, and is approved effective July 1, 2014.

This SPA revises the methodologies for determining cost-effectiveness for the HIPP program. Attached are copies of the following pages to be incorporated into your State Plan:

- Attachment 4.22-C:
    - Page 1
    - Page 2

If you have any questions, please contact Tyler Sadwith at (415)744-3563 or tyler.sadwith@cms.hhs.gov.

Sincerely,

/s/

Hye Sun Lee
Acting Associate Regional Administrator
Division of Medicaid & Children's Health Operations

cc: Jeff Blackmon, California Department of Health Care Services
Bob Bonkowski, California Department of Health Care Services

DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH CARE FINANCING ADMINISTRATION

FORM APPROVED
OMB NO. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER: **14-027**

2. STATE: CA

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

July 1, 2014

5. TYPE OF PLAN MATERIAL *(Check One)*:

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT *(Separate Transmittal for each amendment)*

6. FEDERAL STATUTE/REGULATION CITATION:
Social Security Act 1906, 42 USC 1396b (a)(l), and 42 USC 1396e(a)

7. FEDERAL BUDGET IMPACT:
a. FFY 13-14 $ 2,471,390
b. FFY 14-15 $ 2,597,712

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

TN No. 14-027 Page 1 Attachment 4.22-C

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*:

10. SUBJECT OF AMENDMENT:

State Methodology on Cost-Effectiveness of Individuals and Group Health Plans

11. 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:
The Governor's Office does not wish to review the State Plan Amendment.

14. TITLE:
Director

15. DATE SUBMITTED:

16. RETURN TO:

Department of Health Care Services
Attn: State Plan Coordinator
1501 Capitol Avenue, Suite 71.326
P.O. Box 997417
Sacramento, CA 95899-7417

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

18. DATE APPROVED:

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:

22. TITLE:

23. REMARKS:

State/Territory: California

State Methodology for Determining Cost-Effectiveness of Individual and Group Health Plans

The Health Insurance Premium Payment (HIPP) program is a voluntary program for qualified beneficiaries with full scope Medi-Cal coverage. HIPP approved Medi-Cal eligible beneficiaries shall receive services that are unavailable from third party coverage and offered by Medi-Cal. Beneficiaries with restricted Medi-Cal coverage are not eligible for the HIPP program.

The methodology used by California for determining cost-effectiveness of paying individual or group health insurance premiums for existing coverage shall be as follows:

A. Any Medi-Cal beneficiary who has an existing, medically confirmed medical condition determined by the Department of Health Care Services (DHCS) to be a cost-effective condition is deemed to meet the cost-effectiveness criteria for the HIPP program.

If A is not applicable, then the following will be used to determine cost-effectiveness:

B. Cost-Effectiveness Methodology:

(1) Enrollment in an individual or group health insurance plan shall be considered cost-effective when the cost of paying premiums, coinsurance, deductibles, other cost-sharing obligations, and administrative costs are projected to be less than the amount paid for an equivalent set of Medi-Cal services.

   a. The confirmed medical condition must be covered under the individual or group health insurance plan upon date of application.

(2) When determining cost-effectiveness of individual or group health insurance plans, DHCS shall consider the following information:

   a. The cost of the insurance premium, coinsurance, deductible;
   b. The average yearly anticipated Medi-Cal utilization for the confirmed medical condition;
   c. The specific health-related circumstances of the persons covered under the insurance plan; and
   d. Annual administrative expenditures.

(3) In any month that a HIPP enrollee has not met his/her monthly spend-down obligation, the enrollee will not be reimbursed.

(4) In order to meet the cost-effectiveness criteria, HIPP enrollees are required to be in fee-for-service (FFS) Medi-Cal.

C. Redetermination Review
   (1) DHCS shall complete a redetermination review at least yearly for all HIPP enrollees. The yearly review shall consist of:
      a. Verifying Medi-Cal eligibility;
      b. Completing a cost-effective analysis under A and/or B.
   (2) If determined to be cost-effective under A or B, then DHCS may re-determine eligibility at any point if:
      a. A predetermined premium rate, deductible, or coinsurance increase is greater than or equal to $100;
      b. There is a:
         i. Change in Medi-Cal eligibility;
         ii. Or a decrease in the services covered under the policy.
   (3) Failure to submit required documents for redetermination may result in disenrollment from the HIPP program.
   (4) Failure to meet HIPP enrollment eligibility during redetermination, under A or B, will result in disenrollment.

D. Coverage of Non-Medi-Cal Family Members
   (1) The HIPP program shall pay the premiums for additional family members who are not Medi-Cal eligible, if the individual's premium amount cannot be separated from the family premium amount. The needs of other family members shall not be taken into consideration when determining cost-effectiveness of a group health insurance plan.
   (2) DHCS shall not pay a deductible, coinsurance, or other cost-sharing obligation on behalf of non-HIPP enrollees.

E. Purchasing or paying for health insurance coverage is deemed not cost-effective when:
   (1) A Medi-Cal beneficiary is also enrolled in Medicare;
   (2) A court has ordered a non-custodial parent to provide medical insurance;
   (3) An individual or employee has been fully reimbursed for his/her payment of health care premiums; or
   (4) A beneficiary is also enrolled in a Medi-Cal managed care plan.