



# NOTICE OF GENERAL PUBLIC INTEREST

RELEASE DATE: JUNE 29, 2023

## PROPOSED STATE PLAN AMENDMENT TO UPDATE THE MEDI-CAL REIMBURSEMENT METHODOLOGY FOR STATE FISCAL YEAR (SFY) 2023-24 DIAGNOSIS RELATED GROUP (DRG) PAYMENTS

This notice is to provide information of public interest about a proposed State Plan Amendment (SPA) by the Department of Health Care Services (DHCS). Proposed SPA #23-0014 will make changes to the DRG program for general acute care inpatient hospital services provided by:

1. Private hospitals and non-designated public hospitals in California,
2. Out-of-state (border and non-border) hospitals, and
3. Medicare-designated critical access hospitals (See Cal. Welf. & Inst. Code §14105.28).

Proposed SPA #23-0014 will update the parameters of the DRG reimbursement methodology for SFY 2023-24 DRG payments and implement both annual changes to cost-to-charge ratios (CCR) and federal wage area definitions. These modifications include:

- Updating the 3M™ All-Patient Refined Diagnosis Related Groups (APR-DRG) grouping software to Version 40.0.
- Updating the 3M software version of the Healthcare Acquired Conditions utility to Version 40.1
- Increasing the statewide APR-DRG Base Price from \$7,132 to \$8,154 (14.33 percent).



- Increasing the Remote Rural APR-DRG Base Price from \$16,486 to \$21,635 (31.23 percent).
- Making required changes to the California and border hospital wage area index values, as provided by the Centers for Medicare and Medicaid Services (CMS) and adjusted by the California Wage Area Neutrality Adjustment, which decreased from 0.9579 to 0.9509.

DHCS estimates that the annual aggregate expenditures for acute inpatient hospital services will be budget neutral. However, the impact to individual hospitals varies by utilization and casemix.

The effective date of the proposed SPA is July 1, 2023. All proposed SPAs are subject to approval by the Centers for Medicare and Medicaid Services (CMS).

## Public Review and Comments

Upon submission to CMS, a copy of the proposed SPA #23-0014 will be published on: <https://www.dhcs.ca.gov/formsandpubs/laws/Pages/Pending-2023.aspx>.

If you would like to view the SPA in person once it becomes available, please visit your local county welfare department. You may also request a copy of proposed SPA #23-0014 using the mailing or email address listed below.

Written comments may be sent to the following address:

Department of Health Care  
Service Safety Net Financing Division  
Attn: Loni Anderson  
1501 Capitol Avenue, MS 4504  
Sacramento, California 95899-7417

Comments may also be emailed to [PublicInput@dhcs.ca.gov](mailto:PublicInput@dhcs.ca.gov). Please indicate SPA #23-0014 in the subject line or message.

A copy of submitted public comments to SPA #23-0014 may be requested in writing to the mailing or email address identified above.

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

**Appendix 6**

**1. APR-DRG Payment Parameters**

Parameter	Value	<u>Description</u>
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.

**2. Separately Payable Services, Devices, and Supplies**

Code	Description
	Bone Marrow
38204	Management of recipient hematopoietic progenitor cell donor search and acquisition
38204	Unrelated bone marrow donor
	Blood Factors
J7175	Blood Factor X
J7179/J7187	Blood factor Von Willebrand
J7180/J7181	Blood factor XIII
J7182	Blood factor VIII/Novoeight
J7183	Blood factor Von Willebrand –injection
J7185/J7190/J7192/ J7204/J7205/J7207/J7208/J7209/J7210/J7211	Blood factor VIII/ Esperoct/Eloctate/Adynovate/Jivi/Nuwiq/ Afstyla
J7186	Blood factor VIII/ Von Willebrand
J7188	Blood Factor VIII/Obizur
J7189/J7212	Blood factor VIIa/Sevenfact
J7193/J7194/J7195/ J7200/J7201/ J7202/J7203	Blood factor IX/ Rixubis/Alprolix/Idelvion/Rebinyn
J7197	Blood factor Anti-thrombin III
J7198	Blood factor Anti-inhibitor
	Long Acting Reversible Contraception Methods
J7300	Intrauterine Copper (Paraguard)
J7301	Skyla
J7302	Levonorgestral-releasing intrauterine contraceptive system (Mirena)
J7307	Etonogestrel (Implanon, Nexplanon)
	CAR T-Cell Therapies
Q2040	Tisagenlecleucel (Kymriah™)
Q2041	Axicabtagene ciloleucel (Yescarta™)
Q2042	Tisagenlecleucel (Kymriah™)
	Other
J3399	Onasemnogen abeparvovec-xioi (Zolgensma®)

**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