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State/Territory Name: California

State Plan Amendment (SPA) #: 19-025

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 AND HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, MD 21244-1850



Financial Management Group

June 21, 2019

Mari Cantwell
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 19-0025


Dear Ms. Cantwell:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid state plan submitted under transmittal number (TN) 19-0025. This amendment, effective July 1, 2019, updates California's All Patient Refined Diagnosis Related Group (APR-DRG) payment parameters for state fiscal year 2019-2020.

We conducted our review of your submittal according to the statutory requirements at sections 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 19-0025 is approved effective July 1, 2019. We are enclosing the HCFA-179 and the amended plan pages.

If you have any questions, please call Mark Wong at (415) 744-3561.

Sincerely,


Kristin Fan
Director

Enclosures

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES	1. TRANSMITTAL NUMBER <u>1 9 — 0 0 25</u>	2. STATE California
	3. PROGRAM IDENTIFICATION: Title XIX of the Social Security Act (Medicaid)	
TO: REGIONAL ADMINISTRATOR CENTERS FOR MEDICARE & MEDICAID SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES	4. PROPOSED EFFECTIVE DATE July 1, 2019	

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 42 CFR Part 447, Subpart C, 1902(a)(13) of the Act	7. FEDERAL BUDGET IMPACT a. FFY 2019 \$ <u>0</u> b. FFY 2020 \$ <u>0</u>
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT Attachment 4.19-A pages 17.41-17.42, 17.49, 17.48 Appendix 6 to Attachment 4-19-A, pages 1-3a	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable) Attachment 4.19-A pages 17.41- 17.42, 17.49, 17.48 Appendix 6 to Attachment 4.19-A, pages 1-3a

10. SUBJECT OF AMENDMENT
Inpatient Hospital APR-DRG updates for SFY 2019-20

11. GOVERNOR'S REVIEW (Check One)

GOVERNOR'S OFFICE REPORTED NO COMMENT OTHER, AS SPECIFIED
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

13. TYPED NAME Mari Cantwell 14. TITLE State Medicaid Director 15. DATE SUBMITTED June 18, 2019	16. RETURN TO Department of Health Care Services Attn: Director's Office P.O. Box 997413, MS 0000 Sacramento, CA 95899-7413
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FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED	18. DATE APPROVED JUN 21 2019
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PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL JUL 01 2019	20. SIGNATURE OF REGIONAL OFFICIAL
21. TYPED NAME Kristin Fan	22. TITLE Director, FMG

23. REMARKS
For Box 11 "Other, As Specified," Please note: The Governor's Office does not wish to review the State Plan Amendment.

Pen-and-ink changes made to Boxes 8 and 9 by CMS Regional Operations Group with concurrence by state on 6/19/2019.

miles in driving distance from the nearest GAC hospital that has a basic level emergency room, and does not operate under a combined license or bill under a common National Provider Index (NPI) number with a non-remote rural hospital.

19. "Remote Rural Border Hospital" is a border hospital that is defined as a rural hospital by the federal Medicare program, is at least fifteen (15) miles in driving distance from the nearest GAC hospital that has a basic level emergency room, and does not operate under a combined license or bill under a common National Provider Index (NPI) number with a non-remote rural hospital.
20. "State Fiscal Year" (SFY) is California state government's fiscal year which begins on July 1 and ends the following June 30.
21. "Hospital-Specific Wage Area Index Values" are hospital-specific geographic adjustments that Medicare uses (from the Medicare hospital impact file) further adjusted by the California Wage Area Neutrality Adjustment as specified in Appendix 6.

B. Applicability

1. Except as specified below in Paragraph 2, for admissions dated July 1, 2013 for private hospitals, and after and commencing on admissions dated January 1, 2014, and after for NDPHs, the Department of Health Care Services (DHCS) will reimburse "DRG Hospitals" through a prospective payment methodology based upon APR-DRG.
2. The following are "Exempt Hospitals, Services, and Claims" that are not to be reimbursed based upon APR-DRG:
 - a. Psychiatric hospitals and psychiatric units
 - b. Rehabilitation hospitals, rehabilitation units, and rehabilitation stays at general acute care hospitals
 - c. Designated Public Hospitals
 - d. Indian Health Services Hospitals
 - e. Inpatient Hospice
 - f. Swing-bed stays
 - g. Managed Care stays

- 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 326 specific APR-DRG-groups. Within each specific group of 326, 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 1304 different APR- DRG (with two additional error code possibilities). Each discharge claim is assigned only one APR-DRG code. For each of the 1304 APR-DRG codes there is a specific APR-DRG HSRV assigned to it by the APR-DRG grouping algorithm. The APR-DRG HSRVs are

receive a percentage increase that would result in a transitional base price above the statewide base price.

- k. The DRG Hospital Specific Transitional APR-DRG Base Price for SFY2013-14 were sent to private hospitals January 30, 2013.
 - l. The DRG Hospital Specific Transitional APR-DRG Base Price for SFY2013-14 were sent to NDPHs June 17, 2013.
 - m. The DRG Hospital Specific Transitional APR-DRG Base Price for SFY 2014-15 and SFY 2015-16 was provided to hospitals on July 31, 2013. Transitional APR-DRG Base Prices are subject to change based on changes to the Medicare Wage Index, hospital characteristics or other reasons. The updated DRG Hospital Specific Transitional APR-DRG Base Price for SFY 2015-16 were sent to private hospitals and NDPHs on May 29, 2015, June 2, 2015, and June 3, 2015.
2. DRG Hospital Specific APR-DRG Base Prices for SFY 2016-17 and for subsequent SFY.

The DRG Hospital Specific Transitional APR-DRG Base Price ceased starting SFY 2016-17. DRG payment rates no longer receive transition based adjustments to the DRG payment rate. All hospitals received the statewide base price in SFY 2016-17 and will continue to receive the statewide base price in subsequent SFY.

3. Wage Area Adjustor

- a. Hospital-Specific Wage Area Index values will be used to adjust the APR-DRG Base Price for DRG Hospitals and Border Hospitals. The Hospital-Specific Wage Area Index Value for a California hospital or Border hospital shall be the same hospital specific wage area index value that the Medicare program applies to that hospital, further adjusted by the California Wage Area Neutrality Adjustment as specified in Appendix 6. In determining the hospital-specific wage area index values for each SFY, DHCS will utilize data from the latest Medicare Impact file published prior to the start of the state fiscal year, including wage area boundaries, any reclassifications of hospitals into wage index areas, wage area index values, and any other wage area or index value adjustments that are used by Medicare Out of state hospitals that are not Border hospitals will receive a wage area adjustor of 1.00. The wage area adjustor is applied to the labor share percentage, as specified in Appendix 6, of the statewide base price or

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 2019 in September 2018 and it was used for the base prices for SFY 2019-20.

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 <http://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. In alternative, 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	\$14,615	Statewide Remote Rural APR-DRG Base Price.
Statewide APR-DRG Base Price	\$6,584	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	1.06	Policy adjustor for all DRGs with SOI 1-3 in the Obstetrics care category
Policy Adjustor – Pediatric SOI 4	1.75	Policy Adjustor for all DRGs with SOI 4 in the Miscellaneous Pediatric or Respiratory Pediatric care categories
Policy Adjustor – Neonate SOI 4	1.75	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	2.45	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 – Adult SOI 4	1.10	Policy Adjustor for all DRGs with SOI 4 in the Miscellaneous Adult, Respiratory

Parameter	Value	Description
		Adult, Gastroenterology Adult or Circulatory Adult care categories
Policy Adjustor –Obstetrics SOI 4	1.17	Policy Adjustor for all DRGs with SOI 4 in the Obstetrics care category
California Wage Area Neutrality Adjustment	0.9731	Adjustment factor used by California or Border hospitals
Wage Index Labor Percentage	68.3%	Percentage of DRG Base Price or Rehabilitation per diem rate adjusted by the wage index value.
High Cost Outlier Threshold	\$61,000	Used to determine Cost Outlier payments.
Low Cost Outlier Threshold	\$61,000	Used to determine Cost Outlier payments.
Marginal Cost Factor	55%	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.35	3M Software version used to group claims to a DRG
HAC Utility Version	V.36	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
J7180	Blood factor XIII
J7183	Blood factor Von Willebrand –injection
J7185/J7190/J7192	Blood factor VIII
J7186	Blood factor VIII/ Von Willebrand
J7187	Blood factor Von Willebrand
J7189	Blood factor VIIa
J7193/J7194/J7195	Blood factor IX
J7197	Blood factor Anti-thrombin III
J7198	Blood factor Anti-inhibitor
C9134	Blood Factor XIII Antihemophilic factor
J7199	Alprolix and Factor VIII
	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™)

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

A. Hospitals approved to receive Policy Adjustor – NICU Surgery, status as of February 27, 2019:

- 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