

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

SEP 20 2012

Toby Douglas, Director
California Department of Health Care Services
1501 Capitol Avenue
P.O. Box 997413, MS 0000
Sacramento, CA 95899-7413

Dear Mr. Douglas:

This letter is being sent as a companion to our approval of California State Plan Amendment (SPA) 11-037B. This SPA was submitted in response to the companion letter issued with the approval of CA SPA 11-014. The companion letter identified potential issues with "chronic dialysis" and "outpatient heroin detoxification services" being included under the rehabilitative services section in the State plan. The letter indicated that these particular services would be more appropriately covered under other benefit categories. The 11-014 companion letter noted that if the State were to decide that "chronic dialysis services" are covered as clinic or outpatient services, then chronic dialysis does not need to be specifically listed under either of these benefits provided that there are no limitations to the service and there is a corresponding payment methodology in the 4.19-B pages. The State subsequently determined that chronic dialysis is covered under these other benefits; therefore, CA SPA 11-037B removes the chronic dialysis language from the rehabilitation section of the State Plan. CA SPA 11-037B also removes outpatient heroin and other opioid detoxification services from the rehabilitation services section of the State Plan and adds it to the physician and clinic services sections and updates/expands the service descriptions for these services. The effective date of CA SPA 11-037B is April 1, 2012.

As you are aware, 42 CFR 430.10 requires that the State plan be a comprehensive written statement that describes the nature and scope of the State's Medicaid program and that contains all information necessary for CMS to determine whether the plan can be approved to serve as the basis for Federal financial participation (FFP) in the State program.

Please note that CMS reviews SPAs in the context of the overall State plan for consistency with the requirements of section 1902(a) of the Social Security Act. In reviewing coverage provisions, CMS must also independently review the corresponding State plan reimbursement provisions to determine whether payment methodologies comport with current regulation and statute. Our review of SPA 11-037B included a same page coverage review of the submitted pages, as well as a review of the reimbursement methodologies for each of the services under review.

Based on our review, CMS has identified additional issues that we would like to bring to your attention as they are not in compliance with current regulations, statute, and CMS guidance. We welcome the opportunity to work with you and your staff to discuss options for resolving the concerns outlined below.

1. The State's 6/26/12 response to RAI corresponding question #1 indicates that the current State Plan does not include payment methodologies specific to "chronic dialysis services" as physician service, hospital outpatient departments, community hospital outpatient clinics, or clinic services. Under CA SPA 12-006, the state is currently reviewing these services as they relate to the reimbursement methodologies described on page 1 of Attachment 4.19-B. Chronic dialysis service is not listed in the most recently submitted version of Supplement 17, which itemizes those services reimbursed using the statewide fee schedule. Please explain if and how the State plans to incorporate chronic dialysis into Supplement 17 (via CA SPA 12-006). If chronic dialysis services are not paid using the fee schedule, the State will need to provide a comprehensive description of the payment methodology for chronic dialysis services in the State Plan.
2. The State's 6/26/12 response to RAI corresponding question #2 indicates that "bundled services for outpatient heroin or other opioid detoxification are the same for physician or clinic services; except, if the services are for methadone, only facilities licensed as Narcotic Treatment programs pursuant to federal and state regulations are covered for methadone related bundled services". Please confirm whether the Narcotic Treatment program described above is same as the "Drug Medi-Cal" Narcotic Treatment program described in Limitations to Attachment 3.1-A, Item 13.d.5 (corresponding reimbursement methodology currently under review via CA SPA 09-22). Also, please confirm that the payment methodology for methadone related bundled service is the same as the payment methodology described in CA SPA 09-022. If this is not the case, please provide a detailed description of the NTP and the related payment methodology in the State Plan.
3. The State's 6/26/12 response to RAI corresponding question #2 notes that the State Plan does not currently include payment methodologies specific to outpatient heroin or other opioid detoxification service as a part of physician service or clinic services. Under CA SPA 12-006, the state is currently reviewing these services as they relate to the reimbursement methodologies described on page 1 of Attachment 4.19-B. Please explain if and how the State plans to incorporate outpatient heroin or other opioid detoxification service into Supplement 17 (via SPA 12-006). The State also indicated that HCPCS code H0014 is used for outpatient heroin or other opioid detoxification service billing. Why is the same HCPCS code used for both physician and clinic? How can one differentiate whether the billing is for a physician service or clinic service?
4. For chronic dialysis and outpatient heroin or other opioid detoxification services delivered as clinic services, please provide an explanation that demonstrates that the reimbursement rate for these services is less than the Medicare rate.

Please respond to this letter no later than 90 days from the date of this letter with a corrective action plan describing how the State will resolve the issues identified above. Failure to respond timely will result in our initiation of the formal compliance process. During the 90 days, we are willing to provide any required technical assistance. If you have any questions, please contact Kristin Dillon at 415-744-3579 or via email at kristin.dillon@cms.hhs.gov.

Sincerely,

A black rectangular redaction box covering the signature of Gloria Nagle.

Gloria Nagle, Ph.D., MPA
Associate Regional Administrator
Division of Medicaid & Children's Health Operations

cc: Christopher Thompson, Centers for Medicare and Medicaid Services
Kathryn Waje, California Department of Health Care Services
Laurie Weaver, California Department of Health Care Services