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State/Territory Name: CA

State Plan Amendment (SPA) #: CA-22-0029

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 30, 2022

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 22-0029

Dear Ms. Cooper:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number 22-0029. Effective July 1, 2022, this amendment updates California's All Patient Refined Diagnosis Related Group (APR-DRG) payment parameters for state fiscal year 2022-2023.

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 22-0029 is approved effective July 1, 2022. 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:** 22-0029
2. **STATE:** CA
3. **PROGRAM IDENTIFICATION: TITLE OF THE SOCIAL SECURITY ACT:** XIX

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

4. **PROPOSED EFFECTIVE DATE:** July 1, 2022

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 2022: $0
   - b. FFY 2023: $0

7. **PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:**
   - Attachment 4.19-A page 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 **PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (if Applicable):**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 17.49
   - Appendix 6 to Attachment 4.19-A, pages 1, 2, and 3a

9. **SUBJECT OF AMENDMENT:**
   - Inpatient Hospital APR-DRG updates for SFY 2022-23

10. **GOVERNOR’S REVIEW (Check One):**
   - O Governor’s Office reported no comment
   - O Comments of Governor’s Office enclosed
   - O No reply received within 45 days of submittal
   - O OTHER, AS SPECIFIED:
     Please note: The Governor’s Office does not wish to review the State Plan Amendment.

11. **SIGNATURE OF STATE AGENCY OFFICIAL:**

12. **TYPED NAME:**
    - Jacey Cooper

13. **TITLE:**
    - State Medicaid Director

14. **DATE SUBMITTED:**
    - June 21, 2022

15. **RETURN TO:**
    - Department of Health Care Services
    - Attn: Director’s Office
    - P.O. Box 997413, MS 0000
    - Sacramento, CA 95899-7413

16. **DATE RECEIVED:**
    - June 21, 2022

17. **DATE APPROVED:**
    - August 30, 2022

18. **EFFECTIVE DATE OF APPROVED MATERIAL:**
    - July 1, 2022

19. **SIGNATURE OF APPROVING OFFICIAL:**

20. **TYPED NAME OF APPROVING OFFICIAL:**
    - Rory Howe

21. **TITLE OF APPROVING OFFICIAL:**
    - Director, Financial Management Group

22. **REMARKS:**
    - Pen-and-ink change made to Box 7 by CMS with state concurrence.

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*Instructions on Back*
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 2022 in November 2021 and it was used for the base prices for SFY 2022-23.

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.

Alternatively, a hospital (other than a new hospital or an out-of-state border or
## Appendix 6

### 1. APR-DRG Payment Parameters

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Value</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statewide APR-DRG Base Price</td>
<td>$7,132</td>
<td>Statewide APR-DRG Base Price (non-Remote Rural).</td>
</tr>
<tr>
<td>Policy Adjustor – Each category of service</td>
<td>1.00</td>
<td>Policy adjustor for each category of service.</td>
</tr>
<tr>
<td>Policy Adjustor – Pediatric Severity of Illness (SOI) 1-3</td>
<td>1.25</td>
<td>Policy Adjustor for all DRGs with SOI 1-3 in the Miscellaneous Pediatric or Respiratory Pediatric care categories.</td>
</tr>
<tr>
<td>Policy Adjustor – Neonate SOI 1-3</td>
<td>1.25</td>
<td>Policy Adjustor for all DRGs with SOI 1-3 in the Neonate care category, except for those receiving the Designated NICU policy adjustor below.</td>
</tr>
<tr>
<td>Policy Adjustor – Neonate (designated NICU) SOI1-3</td>
<td>1.75</td>
<td>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.</td>
</tr>
<tr>
<td>Policy Adjustor- Obstetrics SOI 1-3</td>
<td>1.00</td>
<td>Policy adjustor for all DRGs with SOI 1-3 in the Obstetrics care category.</td>
</tr>
<tr>
<td>Policy Adjustor – Miscellaneous Pediatric SOI4</td>
<td>1.75</td>
<td>Policy Adjustor for all DRGs with SOI 4 in the Miscellaneous Pediatric care category.</td>
</tr>
<tr>
<td>Policy Adjustor – Respiratory Pediatric SOI4</td>
<td>1.80</td>
<td>Policy Adjustor for all DRGs with SOI 4 in the Respiratory Pediatric care category.</td>
</tr>
<tr>
<td>Policy Adjustor – Neonate SOI 4</td>
<td>1.80</td>
<td>Policy Adjustor for all DRGs with SOI 4 in the Neonate care category, except for those receiving the Designated NICU policy adjustor below.</td>
</tr>
<tr>
<td>Policy Adjustor – Neonate (designated NICU) SOI 4</td>
<td>2.30</td>
<td>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.</td>
</tr>
<tr>
<td>Policy Adjustor – Circulatory Adult SOI4</td>
<td>1.00</td>
<td>Policy Adjustor for all DRGs with SOI 4 in the Circulatory Adult care category.</td>
</tr>
<tr>
<td>Policy Adjustor – Miscellaneous Adult SOI 4</td>
<td>1.00</td>
<td>Policy Adjustor for all DRGs with SOI 4 in the Miscellaneous Adult care category.</td>
</tr>
<tr>
<td>Policy Adjustor – Gastroenterology Adult SOI 4</td>
<td>1.00</td>
<td>Policy Adjustor for all DRGs with SOI 4 in the Gastroenterology Adult care category.</td>
</tr>
<tr>
<td>Policy Adjustor – Other SOI 4</td>
<td>1.00</td>
<td>Policy Adjustor for all DRGs with SOI 4 in the Other care category.</td>
</tr>
<tr>
<td>Policy Adjustor – Respiratory Adult SOI4</td>
<td>1.00</td>
<td>Policy Adjustor for all DRGs with SOI 4 in the Respiratory Adult care category.</td>
</tr>
</tbody>
</table>

TN No. 22-0029
Supersedes Approval Date: August 30, 2022
Effective Date: July 1, 2022
<table>
<thead>
<tr>
<th>Parameter</th>
<th>Value</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy Adjustor –Obstetrics SOI 4</td>
<td>1.10</td>
<td>Policy Adjustor for all DRGs with SOI 4 in the Obstetrics care category.</td>
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<tr>
<td>California Wage Area Neutrality Adjustment</td>
<td>0.9579</td>
<td>Adjustment factor used by California or Border hospital.</td>
</tr>
<tr>
<td>Wage Index Labor Percentage</td>
<td>67.6%</td>
<td>Percentage of DRG Base Price or Rehabilitation per diem rate adjusted by the wage index value.</td>
</tr>
<tr>
<td>High Cost Outlier Threshold</td>
<td>$73,000</td>
<td>Used to determine Cost Outlier payments.</td>
</tr>
<tr>
<td>Low Cost Outlier Threshold</td>
<td>$73,000</td>
<td>Used to determine Cost Outlier payments.</td>
</tr>
<tr>
<td>Marginal Cost Factor</td>
<td>53.0%</td>
<td>Used to determine Cost Outlier payments.</td>
</tr>
<tr>
<td>Discharge Status Value 02</td>
<td>02</td>
<td>Transfer to a short-term general hospital for inpatient care.</td>
</tr>
<tr>
<td>Discharge Status Value 05</td>
<td>05</td>
<td>Transfer to a designated cancer center.</td>
</tr>
<tr>
<td>Discharge Status Value 63</td>
<td>63</td>
<td>Transfer to a long-term care hospital.</td>
</tr>
<tr>
<td>Discharge Status Value 65</td>
<td>65</td>
<td>Transfer to a psychiatric hospital.</td>
</tr>
<tr>
<td>Discharge Status Value 66</td>
<td>66</td>
<td>Transfer to a critical access hospital (CAH).</td>
</tr>
<tr>
<td>Discharge Status Value 82</td>
<td>82</td>
<td>Transfer to a short-term general hospital for inpatient care with a planned acute care hospital inpatient readmission.</td>
</tr>
<tr>
<td>Discharge Status Value 85</td>
<td>85</td>
<td>Transfer to a designated cancer center or children’s hospital with a planned acute care hospital inpatient readmission.</td>
</tr>
<tr>
<td>Discharge Status Value 91</td>
<td>91</td>
<td>Transfer to a Medicare certified Long Term Care Hospital with a planned acute care hospital inpatient readmission.</td>
</tr>
<tr>
<td>Discharge Status Value 93</td>
<td>93</td>
<td>Transfer to a psychiatric distinct part unit of a hospital with a planned acute care hospital inpatient readmission.</td>
</tr>
<tr>
<td>Discharge Status Value 94</td>
<td>94</td>
<td>Transfer to a Critical Access Hospital with a planned acute care hospital inpatient readmission.</td>
</tr>
<tr>
<td>Interim Payment</td>
<td>$600</td>
<td>Per diem amount for Interim Claims.</td>
</tr>
<tr>
<td>APR-DRG Grouper Version</td>
<td>V.39.1</td>
<td>3M Software version used to group claims to a DRG.</td>
</tr>
<tr>
<td>Pediatric Rehabilitation Rate</td>
<td>$1,841</td>
<td>Daily rate for rehabilitation services provided to a beneficiary under 21 years of age on admission.</td>
</tr>
<tr>
<td>Adult Rehabilitation Rate</td>
<td>$1,032</td>
<td>Daily rate for rehabilitation services provided to a beneficiary 21 years of age or older on admission.</td>
</tr>
</tbody>
</table>
List of Hospitals Eligible to receive the “DRG- NICU- Surgery Policy Adjustor”

A. Hospitals approved to receive Policy Adjustor – NICU Surgery, status as of December 23, 2021:

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