

THIS CA UPDATE HAS BEEN SENT TO THE FOLLOWING:**COUNTIES:**

- Imperial
- Riverside/San Bernardino
- Los Angeles
- Orange
- Sacramento
- San Diego

LINES OF BUSINESS:

- Molina Medi-Cal Managed Care
- Molina Medicare Options Plus
- Molina Dual Options Cal MediConnect Plan (Medicare-Medicaid Plan)
- Molina Marketplace (Covered CA)

PROVIDER TYPES: **Medical Group/ IPA/MSO****Primary Care**

- IPA/MSO
- Directs

Specialists

- Directs
- IPA

 Hospitals**Ancillary**

- CBAS
- SNF/LTC
- DME
- Home Health
- Other

FOR QUESTIONS CALL PROVIDER SERVICES:
(855) 322-4075, Extension:

Los Angeles/Orange Counties

X111113 X123071
X127657

Riverside/San Bernardino Counties

X127684 X120618
X121805

Sacramento County

X121360

San Diego County

X123006 X121401
X127709 X121413
X121599

Imperial County

X125682 X125666

RATE CHANGES FOR EMERGENCY AND POST-STABILIZATION SERVICES PROVIDED BY OUT-OF-NETWORK BORDER HOSPITALS

This is an advisory notification to Molina Healthcare of California (MHC) network providers on changes in the Diagnosis Related Group (DRG) payment methodology used to establish reimbursement rates paid to out-of-network border hospitals, as defined in the State Plan, for acute care hospital inpatient services in the Medi-Cal Fee-for-Service (FFS) system.

This notification is based on an All Plan Letter (APL) 19-008, which can be found in full on the Department of Health Care Services (DHCS) website at: <https://www.dhcs.ca.gov/formsandpubs/Documents/MMCDAPLsandPolicyLetters/APL2019/APL19-008.pdf>

Additionally, this provides notice that the Federal Court rejected a challenge to the validity of the changes in the DRG payment methodology under State Plan Amendment (SPA) 15-020. With the lawsuit now resolved, DRG payment rates remain effective as approved under SPA 15-020 and MCPs must continue to comply with SPA 15-020.

BACKGROUND:

Pursuant to state law, DHCS implemented a payment methodology based on DRGs, that reflects the costs and staffing levels associated with quality of care for patients in all general acute care hospitals in state and out of state, including Medicare critical access general acute care hospitals, but excluding public hospitals, psychiatric hospitals, and rehabilitation hospitals, which include alcohol and drug rehabilitation hospitals. The DRG reimbursement methodology replaced the previous payment method for all private hospitals with admissions on or after July 1, 2013, and for non-designated public hospitals with admissions on or after January 1, 2014.

In APL 13-004, DHCS notified both the DRG methodology and how that methodology was to be applied to pay out-of-network hospitals for emergency and post-stabilization hospital inpatient services beginning July 1, 2013.

On September 29, 2015, the Centers for Medicare and Medicaid Services (CMS) approved SPA 15-020, which authorized changes to the DRG methodology as applied to the FFS rates that DHCS pays to out-of-network border hospitals for patient admissions on or after July 1, 2015. The term border hospitals is defined in the State Plan, pursuant to SPA 15-020, as those hospitals located outside the State of California that are within 55 miles driving distance from the nearest physical location at which a road crosses the California border as defined by the U.S. Geological Survey.

On December 7, 2016, DHCS issued APL 16-016 requiring MHC to apply the SPA 15- 020 changes established in the Medi-Cal FFS system to DRG-based rates that MHC pays to out-of-network border hospitals for acute care hospital inpatient emergency and post-stabilization services with respect to admissions on or after July 1, 2015.

POLICY:

SPA 15-020 changes applicable to FFS DRG rates paid to border hospitals are as follows:

1. A hospital-specific wage index is used to adjust the labor portion of the base price. SPA 15-020 provides that the hospital-specific wage index for a border hospital is the same wage index that the Medicare program applies to that hospital.
2. The higher "remote rural" base price applies to border hospitals that meet the definition of a "Remote Rural Border Hospital" as defined in SPA 15-020.
3. The cost-to-charge ratio used to determine eligibility for outlier payments varies depending on whether a border hospital is located in Arizona, Nevada, or Oregon.

SPA 15-020 also provides that the 1.75 neonatal intensive care unit (NICU) surgery policy adjustor for neonate hospital admissions applies to any border hospital that the California Children's Services (CCS) program has approved as a Regional NICU or Community NICU that meets CCS neonatal surgery standards. As of June 18, 2019, on this APL, no border hospitals have submitted an application to CCS for approval. However, if and when the CCS program approves a border hospital as qualifying for the NICU surgery policy adjustor, the DRG website will be updated to show that the hospital is a Designated NICU, and when it became entitled to the NICU surgery policy adjustor.

The DRG webpage offers specific pricing information, including year-specific pricing factors applicable to all border hospitals under SPA 15-020. More information about the DRG program is available on the DRG webpage located at:
<https://www.dhcs.ca.gov/provgovpart/pages/DRG.aspx>.

For DRG-related questions, concerns, or to subscribe to the DRG ListServ, please email DRG@dhcs.ca.gov.

QUESTIONS

If you have any questions regarding the notification, please contact your Molina Provider Services Representative at (855) 322-4075. Please refer to the extensions on page one.