



DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services

Region IX

Division of Medicaid & Children's Health Operations

90 Seventh Street, Suite 5-300 (5W)

San Francisco, CA 94103-6706

OCT 27 2011

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:

Enclosed is an approved copy of California State plan amendment (SPA) 11-009. This SPA proposes to reduce the reimbursement rates for certain non-institutional services furnished under the approved State plan by 10%, effective June 1, 2011.

We conducted our review of your submittal with particular attention to the statutory requirements at section 1902(a)(30) of the Social Security Act (Act). Because I find that this amendment complies with all applicable requirements, Medicaid State plan amendment 11-009 is approved effective June 1, 2011. We are enclosing the HCFA-179 and the amended plan pages.

As part of the analysis of this amendment, the State was able to provide metrics which adequately demonstrated beneficiary access to care in accordance with section 1902(a)(30)(A) of the Act. In general, these metrics included data which provide:

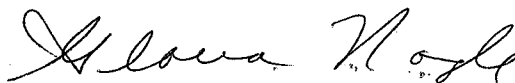
- Total number of providers by type and geographic location and participating Medi-Cal providers by type and geographic area
- Total number of Medi-Cal beneficiaries by eligibility type
- Utilization of services by eligibility type over time
- Analysis of benchmark service utilization where available

Data concerning these metrics were submitted for State Fiscal Years (SFY) 2008, 2009 and 2010. These metrics demonstrated a baseline level of beneficiary access that we find is consistent with the requirements of section 1902(a)(30)(A) of the Act prior to the implementation of SPA 11-009. As well as determining beneficiary access for SFY 2010, the State also submitted a monitoring plan as part of SPA 08-009B1 (also being approved today) that would apply to the services at issue in this SPA by which beneficiary access will be monitored on a service-by-service basis. The State will monitor predetermined metrics on a quarterly or annual basis in order to ensure that beneficiary access is comparable to services available to the general population in the geographic area.

In light of the data CMS reviewed, the monitoring plan, and our consideration of stakeholder input, we have determined that the above mentioned amendment complies with section 1902(a)(30)(A) of the Act.

If you have any questions, please contact me directly at 415-744-3552 or via email at [Gloria.Nagle@cms.hhs.gov](mailto:Gloria.Nagle@cms.hhs.gov).

Sincerely,



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

cc: Vickie Orlich, California Department of Health Care Services  
Linda Machado, California Department of Health Care Services  
Kathryn Waje, California Department of Health Care Services  
Christopher Thompson, Centers for Medicare and Medicaid Services

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL**

**FOR: HEALTH CARE FINANCING ADMINISTRATION**

1. TRANSMITTAL NUMBER:  
**11-009**

2. STATE  
California

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE  
SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR  
HEALTH CARE FINANCING ADMINISTRATION  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE  
June 1, 2011

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, Sections


7. FEDERAL BUDGET IMPACT: See Box 23.  
~~FFY 2010-11: \$36.1M (savings)~~  
~~FFY 2011-12: \$104M (savings)~~

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:  
~~Attachment 4.19-B: amended pages 3.3, 3.4 and 64~~  
Attachment 4.19-B: amended pages 3.3, 3.4 and 64  
Attachment 4.19-B: added page 3.5  
Supplement 2 to Attachment 4.19-B: amended page 9

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):  
~~Attachment 4.19-B, pages 3, 3.1 and 64 (10-022)~~  
Attachment 4.9-B: Pages 3.3, 3.4 and 64  
Supplement 2 to Attachment 4.16-B: page 9

10. SUBJECT OF AMENDMENT:  
Ten Percent Payment Reduction for Medi-Cal Outpatient Services

11. GOVERNOR'S REVIEW (Check One):  
 GOVERNOR'S OFFICE REPORTED NO COMMENT  
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED  
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL  
 OTHER, AS SPECIFIED:  
The Governor's Office does not wish to review the State Plan Amendment.

12. SIGNATURE OF STATE AGENCY OFFICIAL:  
  
13. TYPED NAME:  
Toby Douglas  
14. TITLE:  
Director  
15. DATE SUBMITTED:  
June 30, 2011

16. RETURN TO:  
**Department of Health Care Services  
Attn: State Plan Coordinator  
1501 Capitol Avenue, Suite 71.3.26  
P.O. Box 997417  
Sacramento, CA 95899-7417**

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED:  
June 30, 2011

18. DATE APPROVED: **OCT 27 2011**

**PLAN APPROVED - ONE COPY ATTACHED**

19. EFFECTIVE DATE OF APPROVED MATERIAL:  
June 1, 2011

20. SIGNATURE OF REGIONAL OFFICIAL:  


21. TYPED NAME:  
Gloria Nagle

22. TITLE:  
Associate Regional Administrator

23. REMARKS:  
From Box 7. FEDERAL BUDGET IMPACT:  
FFY 2011 (-\$52.2M) (4 Mo.) (Savings)  
FFY 2012 (-\$234.2M) (Savings)  
FFY 2013 (-\$228.8M) (Savings)  
Box 7, 8 and 9 changes approved via e-mail on October 17, 2011 and October 18, 2011.

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

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- (11) For dates of services on or after March 1, 2009, through and including May 31, 2011, reimbursement for non-drug services provided by a pharmacy, set forth in Attachment 3.1-A, including but not limited to sections 7c.1 through 7c.4, otherwise payable in accordance with the methods and standards described on page 1 in this Attachment 4.19-B, are reduced by five percent.
- (12) The payment reductions provided in paragraphs (6) and (10) to hospital outpatient department services set forth in Attachment 3.1-A, section 2a, provided and billed by small and rural hospitals, as defined in Section 124840 of California's Health and Safety Code, will be implemented as follows:
- For dates of service provided on or after July 1, 2008, through and including October 31, 2008, a ten percent payment reduction will apply.
  - For dates of service provided on or after November 1, 2008, through and including December 31, 2010, no payment reduction will apply.
  - For dates of service provided on or after January 1, 2011, through and including April 12, 2011, a one percent payment reduction will apply.
  - For dates of services provided on or after April 13, 2011, no payment reduction will apply.
- (13) For dates of service on or after June 1, 2011, reimbursement for the following outpatient services will be reduced by ten percent:
- Any and all services provided and billed by Physicians and Clinics to beneficiaries aged 21 and older, as described in Attachment 3.1-A, sections 5a and 9.
  - Providers and services included in Supplement 15 of this Attachment.
  - Medical transportation (emergency and nonemergency), as described in Attachment 3.1-A, section 24a, and in Attachment 3.1-B, section 23a.
  - Services provided and billed by Optometrists, as described in Attachment 3.1-A, section 6b.
  - Non-drug services provided by a pharmacy, set forth in Attachment 3.1-A, including but not limited to sections 7c.1 through 7c.4.
  - Dental services, as described in Attachment 3.1-A, section 10.

TN No 11-009

Supersedes

TN # 08-009B1

OCT 27 2011  
Approval Date \_\_\_\_\_

Effective Date June 1, 2011

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

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- (14) The payment reductions specified in paragraphs (6) through (13) do not apply to supplemental payments and only apply to the basic Medi-Cal reimbursement rate.
- (15) The payment reductions specified in paragraphs (6) through (13) apply only to those services described in Attachment 3.1-A entitled, Amount, Duration, and Scope of Medical and Remedial Care and Service Provided to the Categorically Needy and Attachment 3.1-B entitled, Amount, Duration and Scope of Services Provided Medically Needy Group(s), which are billed to the Department directly by the provider that rendered the service.
- (16) The payment reductions specified in paragraphs (6) through (13), set forth on pages 3.1 through 3.4 do not apply to the following provider types and services:
- Federally qualified health center services, described in Attachment 3.1-A, sections 2c and 2d, including those facilities deemed to have federally qualified health center status pursuant to a waiver under subdivision (a) of Section 1115 of the federal Social Security Act.
  - Rural health clinic services, as described in Attachment 3.1-A, section 2b.
  - Payments to facilities owned or operated by the State Department of Mental Health for psychology services, as defined in Attachment 3.1-A, section 6d.1 or to the State Department of Developmental Services for targeted case management services, as defined in Attachment 3.1-A, section 19.
  - Services provided by local education agencies, as described in Attachment 3.1-A, section 24g, and Attachment 3.1-B, section 23g.
  - Breast and cervical cancer treatment services, including but not limited to diagnostic, screening, and treatment services related to breast and cervical cancer, as described in Attachment 3.1-A, sections 2a and 5a.
  - Family planning services and supplies, as described in Attachment 3.1-A, item 4c, provided by the Family Planning, Access, Care, and Treatment (Family PACT) Program
  - Hospice services, as described in Attachment 3.1-A, section 18.

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

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(17) The effect of the payment reductions in paragraphs (6) through (13) will be monitored in accordance with the monitoring plan at Attachment 4.19-F, entitled "Monitoring Access to Medi-Cal Covered Healthcare Services".

TN No 11-009  
Supersedes  
TN # None

Approval Date OCT 27 2011 Effective Date June 1, 2011

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

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**REIMBURSEMENT FOR ADULT DAY HEALTH CARE CENTERS**

- (1) Reimbursement for services provided in an Adult Day Health Care (ADHC) Center shall be equal to 90 percent of the rate established for Nursing Facilities – Level A for the corresponding rate year, pursuant to the methodology described in Attachment 4.19-D, beginning on page 10.
- (2) For dates of service on or after March 1, 2009, through and including March 8, 2009, payments for services provided in an ADHC Center shall be the rate as calculated in paragraph (1), less 5 percent
- (3) For dates of service March 1, 2011, through and including May 31, 2011, payments for services provided in ADHC Centers located within specified Medical Service Study Areas (MSSAs) in Alameda, Contra Costa, Los Angeles, Marin, Orange, Riverside, San Bernardino, San Diego, San Francisco, San Mateo, Santa Clara, Santa Cruz and Ventura counties shall be the rate as calculated in paragraph (1), less 5 percent.

MSSAs are the defined geographic analysis unit for the California Office of Statewide Health Planning and Development (OSHPD). They are composed of one or more complete U.S. Census Bureau census tracts and are reproduced on the decadal census. The boundaries are approved by the Health Manpower Policy Commission and the U.S. Department of Health and Human Services, Health Resources Service and Administration (HRSA), formally recognizes California MSSAs as the Rational Service Area for medical service for California. MSSAs are published at on the OSHPD website at:  
[http://www.oshpd.ca.gov/General\\_Info/MSSA/AtoC.html](http://www.oshpd.ca.gov/General_Info/MSSA/AtoC.html).

- (4) For dates of service June 1, 2011, through and including November 30, 2011, payments for services provided in ADHC Centers located within specified Medical Service Study Areas (MSSAs) in Alameda, Contra Costa, Los Angeles, Marin, Orange, Riverside, San Bernardino, San Diego, San Francisco, San Mateo, Santa Clara, Santa Cruz and Ventura counties shall be the rate as calculated in paragraph (1), less 10 percent.

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT STATE: California  
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -PRESCRIBED DRUGS

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- I. The Medicaid program restricts coverage of certain covered outpatient drugs through the operation of a prior authorization program. The prior authorization process provides for a turn-around response by telephone, fax, or other telecommunications device within twenty-four hours of receipt of a prior authorization request. In emergency situations, providers may dispense at least a 72-hour supply of medications in accordance with the provisions of Section 1927(d)(5) of the Social Security Act.
- J. The State Agency believes reimbursement to long-term pharmacy providers to be consistent and reasonable with costs reimbursed to other providers. The State Agency maintains an advisory committee known as the Medi-Cal Contract Drug Advisory Committee in accordance with Federal law.
- K. The payment for drug products, including the drug product payment and the dispensing fee, as described in paragraph A and paragraph B, for drug products dispensed on or after March 1, 2011, through and including May 31, 2011, will be reduced by five percent.
- L. The payment for drug products, including the drug product payment and the dispensing fee, as described in paragraph A and paragraph B, for drug products dispensed on or after June 1, 2011, will be reduced by ten percent.
- M. The effect of the payment reductions specified in paragraphs K and L will be monitored in accordance with the monitoring plan at Attachment 4.19-F, entitled "Monitoring Access to Medi-Cal Covered Healthcare Services."



ENCLOSURE

\*\*FOR STAKEHOLDERS ONLY

Revised Pages for:  
CALIFORNIA MEDICAID STATE PLAN  
Under Transmittal of  
STATE PLAN AMENDMENT (SPA)

**11-009\***

All new pages will have this SPA\* number identified as the new TN No., so it will not be repeated for each new insert pages.

Remove Page(s)	Insert Page(s)
Attachment 4.19-B, pages 3.3. 3.4 (TN 08-009B1)	Attachment 4.19-B 3.3, 3.4 and <b>3.5 (new page)</b>
Attachment 4.19-B, pages 64 (TN 08-009B1)	Attachment 4.19-B, page 64
Supplement 2 to Attachment 4.19-B, page 9 (TN 10-024)	Supplement 2 to Attachment 4.19-B, page 9