State of California—Health and Human Services Agency
Department of Health Care Services

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DATE: **July 18, 2016**

ALL PLAN LETTER 16-008
SUPERSEDES ALL PLAN LETTER 13-012

TO: ALL MEDI-CAL MANAGED CARE HEALTH PLANS

SUBJECT: DIAGNOSIS RELATED GROUPS: BILLING FOR BENEFICIARIES WITH CALIFORNIA CHILDREN'S SERVICES ELIGIBLE CONDITIONS AND/OR MEDI-CAL MANAGED CARE

PURPOSE:
The purpose of this All Plan Letter (APL) is to provide information to Medi-Cal managed care health plans (MCPs) regarding Diagnosis Related Groups (DRG) and the billing of inpatient services at private hospitals and Non-Designated Public Hospitals (NDPHs) for beneficiaries with California Children's Services (CCS)-eligible conditions who are also enrolled in an MCP.

BACKGROUND:
CCS reimburses providers for services provided to Medi-Cal eligible children with specified conditions through Medi-Cal fee-for-service (FFS), with some exceptions. Payments to hospitals for these services align with the payment methodology utilized for all other Medi-Cal FFS providers.

Many Medi-Cal beneficiaries with CCS-eligible conditions are also enrolled in MCPs. Most MCP contracts do not cover CCS services, which are generally carved-out. However, these MCPs are still responsible for providing medically necessary services that are not related to the CCS condition. For those MCPs in which CCS services are covered, the MCPs are responsible for covering CCS services in addition to all medically necessary services not related to the CCS condition.

Prior to the implementation of the DRG payment methodology, inpatient services provided at hospitals to beneficiaries with CCS-eligible conditions who were enrolled in MCPs where CCS services were carved-out, were paid through Medi-Cal FFS. Payments were based on the number of days authorized on a CCS Service Authorization Request (SAR). If an MCP beneficiary was hospitalized for a CCS-eligible condition, as well as a condition covered by the MCP, a provider was required to bill Medi-Cal FFS for the days covered by the CCS SAR and bill the MCP for the days covered by the MCP. This was called billing by payer source.

REQUIREMENTS:
Private hospitals and NDPHs are no longer reimbursed by Medi-Cal FFS on a per diem basis. The DRG methodology now reimburses hospitals for the entire stay of a beneficiary, with payments being higher or lower based on acuity and not on length of stay. Under the DRG system, only an admission SAR or Treatment Authorization Request is required to approve an inpatient stay for beneficiaries with full-scope Medi-Cal aid codes. Therefore, providers cannot bill multiple payers for inpatient stays that includes both managed care and CCS days.

For days of service and hospital stays, the following billing policy will apply for services provided to a Medi-Cal beneficiary with a CCS-eligible condition who is enrolled in an MCP where CCS services are carved-out:

- If the beneficiary is admitted to a hospital for a CCS-eligible condition, the entire stay will be billed to Medi-Cal FFS, regardless of whether any services provided during that stay are covered by the MCP. The hospital will receive one payment for the entire stay based on the DRG for that stay. No billing will be allowed to the MCP.

- If the beneficiary is admitted to a hospital for a non-CCS eligible condition, and subsequently receives services during the stay for a CCS-eligible condition, the full stay will be billed to Medi-Cal FFS. A SAR will be authorized back to the day of admission[1]. The hospital will receive one payment for the entire stay based on the DRG for that stay. No billing will be allowed to the MCP.

- When a beneficiary stay includes delivery and well-baby coverage under an MCP, the entire claim will be billed to the MCP. If, during the stay, the baby develops a CCS-eligible condition, the entire stay for the baby will require a SAR from the date of admission and will be billed to Medi-Cal FFS. The MCP will not be billed for the baby's stay. In this case, the hospital will receive two payments.

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[1] Section 123929 of the Health and Safety Code provides for prior authorization of CCS services. Section 123929(a) provides:

Prior authorization is contingent on determination by the department or its designee of all of the following:
1. The child receiving the services is confirmed to be medically eligible for the CCS program.
2. The provider of the services is approved in accordance with the standards of the CCS program.
3. The services authorized are medically necessary to treat the CCS-eligible medical condition.

The general criteria for determining CCS medical eligibility and the CCS Medically eligible conditions are specified in Section 41515.1 - 41518.9, Title 22, California Code of Regulations. However, by policy letter the CCS program has long provided for acuity based medical eligibility determination for inpatient neonatal intensive care unit (NICU) services including physician services. The operative CCS policy letters that provide for this are CCS Numbered Letter 02-0413 and 05-0502 which are available at the following links:

http://www.dhcs.ca.gov/services/ccs/Documents/ccsnl020413.pdf

http://www.dhcs.ca.gov/services/ccs/Documents/ccsnl050502.pdf

One for the delivery and well-baby stay from the MCP and one for the baby under the DRG.

For days of service and for hospital stays, the following billing policy will apply for services provided to a Medi-Cal beneficiary with a CCS-eligible condition that is enrolled in an MCP where CCS services are covered:

- If the beneficiary is admitted to a hospital for either a CCS-eligible condition or a non-CCS eligible condition, the entire claim will be billed to the MCP. The hospital will receive one payment for the entire stay from the MCP.

For further information regarding DRGs and rates for emergency and post-stabilization acute inpatient services provided by out-of-network general acute care hospitals, please see APL 13-004[2].

The Department of Health Care Services (DHCS) appreciates your continued patience and feedback on the DRG reimbursement methodology. If you have any questions regarding this policy, or any other DRG policy, please contact DHCS at DRG@dhcs.ca.gov or visit the DRG web page at: http://www.dhcs.ca.gov/provgovpart/Pages/DRG.aspx.

Sincerely,

Original Signed by Nathan Nau

Nathan Nau, Chief
Managed Care Quality and Monitoring Division
Department of Health Care Services

[2] APL 13-004 can be found at the following link: http://www.dhcs.ca.gov/formsandpubs/Documents/MMCDAPLsandPolicyLetters/APL2013/APL13-004.pdf