



TOBY DOUGLAS
DIRECTOR

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



EDMUND G. BROWN JR.
GOVERNOR

June 29, 2012

Ms. Gloria Nagle, PhD, M.P.A

Associate Regional Administrator
Division of Medicaid & Children's Health Operations
Centers for Medicare and Medicaid Services, Region IX
90 7th Street, Suite 5-300 (5W)
San Francisco, CA 94103-6707

**RE: California Bridge to Reform Demonstration (No. 11-W-00193/9) Amendment
Addition of Eligible Entities for Claiming from and an Increase in Safety Net Care
Pool Uncompensated Care and DSRIP funding**

Dear Ms. Nagle:

The State of California proposes to amend the Special Terms and Conditions (STC) of Waiver 11-W-00193/9, "California Bridge to Reform Demonstration," pursuant to STC paragraph 7. The proposed amendments would increase Safety Net Care Pool (SNCP) Uncompensated Care and Delivery System Reform Incentive Pool (DSRIP) funding available to California. The additional funds would be made available to Non-Designated Public Hospitals (NDPHs) to offset their uncompensated care costs and to support their efforts to enhance the quality of care and the health of the patients and families they serve.

We request that CMS act on the amendment as quickly as possible so that the NDPHs receive SNCP Uncompensated Care funds to continue with facility operations at the beginning of the new State Fiscal year. Additionally, the NDPHs will need sufficient time to meet all the milestones required under DSRIP for the Demonstration Year.

The State is requesting that this waiver amendment have an effective date of July 1, 2012. The State is prepared to work diligently to respond to any questions or provide any information CMS may need in order to secure prompt approval of this amendment.

Background

As part of the 2012-13 State Budget, the Department intends to seek approval of a State Plan Amendment (SPA) to change NDPHs reimbursement from their current reimbursement methodology to a Certified Public Expenditure (CPE) methodology. Under CPE methodology, the NDPHs certify the cost of providing inpatient services to FFS Medi-Cal beneficiaries and receive the federal share of those expenditures.

In conjunction with the above reimbursement methodology change, the Department is also seeking the Waiver amendment contained in this request, to enable the NDPHs to participate in the SNCP Uncompensated Care and the DSRIP. The California FY 2012-13 Budget Act requires that all components of this request, the reimbursement methodology changes as well as the waiver amendments, be approved for any of those components to take effect under the law. Therefore, the Department requests that CMS work with the State on both this Waiver amendment request and the pending SPA submission in tandem in order to ensure that approvals of both requests are obtained in similar time frames.

The Department is seeking this change in order to align reimbursement methodologies across California's public hospitals and as a mechanism to achieve reasonable savings in the Department's spending on hospitals.

Waiver Authority

We believe the existing waivers for freedom of choice, statewideness, and comparability can encompass the proposed amendment. To the extent necessary, we ask that our authority to operate under these waivers extend to amendments contained in this request.

Expenditure Authority

The proposed waiver amendment will not impact the existing expenditure authority.

Public Notice

As required by STC Paragraph 7 and 59 Fed. Reg. 49249 (Sept. 27, 1994), the proposed amendment has been shared publically as follows:

- Through the DHCS stakeholder email list, the Department released the attached fact sheet along with proposed statutory language for this proposal.

- The proposal was discussed at CA Budget Hearings on May 23, 2012 and May 24, 2012, which were open to the public and allowed for public testimony.
- The proposal is included in the Governor's May revision of the 2012-13 Budget under the Health and Human Services Agency, which is available for public consumption on the CA Department of Finance website.
<http://www.ebudget.ca.gov/pdf/Revised/BudgetSummary/HealthandHumanServices.pdf>

Tribal Notice

Prior to the approval of Tribal SPA 12-002, which made Tribal notice for this amendment unnecessary, the Department notified the Tribes on May 15, 2012. The Department received no comments or concerns corresponding to our notice. The proposed waiver amendment does not have an impact on any areas of the Indian Health Programs or beneficiaries.

Analysis of Budget Neutrality

The Department has included in the proposed amendments, proposed revisions to the budget neutrality (Attachment K). The revisions include incorporating the historical inpatient fee-for-service payments to NDPHs (Upper Payment Limit) into the Without Waiver Ceiling and the projected inpatient fee-for-service NDPHs expenditures into the With Waiver Expenditures for Demonstration Years 8-10, this is consistent with the currently approved budget neutrality treatment of the DPHs inpatient fee-for-service hospital services. In addition, the revised budget neutrality includes the increased With Waiver Expenditure amounts for SNCP Uncompensated Care and DSRIP for Demonstration Years 8-10. We conclude that the Demonstration will remain budget neutral over the course of the Demonstration if this waiver amendment is approved.

CHIP Allotment Neutrality Worksheet

There is no need for a CHIP Allotment Neutrality Worksheet, since the proposed changes do not affect children.

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Evaluation Design

The Department will be implementing the same DSRIP evaluation design for NDPHs as the DPHs. The evaluation will still consist of comparisons, site visits and key informant interviews, reports from the NDPHs to the Department, patient surveys, analysis of CHART and OSHPD Data, analysis of Medi-Cal Claims and NDPH CPE Data and the use of the Integrated Delivery System and ACO Readiness Tool.

Included in our waiver amendment are proposed changes to the Special Terms and Conditions throughout the as well as the following corresponding attachments:

- *New Attachment C – Supplement 1*
- *Amendments to Attachment F and relevant supplements*
- *Amendments to Attachment H*
- *Amendments to Attachment K*

Thank you for your assistance. We are happy to assist you and your staff in any way as you review the changes we are proposing.

If you have any questions, please contact: Pilar Williams, Chief of Safety Net Financing Division at: Pilar.Williams@dhcs.ca.gov

Sincerely,

ORIGINAL SIGNED BY TOBY DOUGLAS

Toby Douglas
Director

Enclosures:

- Revised Special Terms and Conditions
- Budget Neutrality Model and supporting documentation:
 - Upper Payment Model
 - Cost Report Data
 - SPD Adjustment Model

cc: See next page

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Cc: Allison Orris
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