
October 8, 2021

Jacey Cooper
Chief Deputy Director, Health Care Programs
California Department of Health Care Services
1501 Capitol Avenue, 6th Floor, MS 0000
Sacramento, CA 95814

Dear Ms. Cooper:

In accordance with 42 CFR 438.6(c), the Centers for Medicare & Medicaid Services (CMS) has reviewed and is approving California's submission of a proposal for delivery system and provider payment initiatives under Medicaid managed care plan contracts. The proposal was received by CMS on December 31, 2020 and has a control name of CA Proposal E 2021.

Specifically, the following proposal for delivery system and provider payment initiatives (i.e. state directed payment) is approved:

- Uniform dollar increase established by the state for specific services provided by network physicians, excluding federally qualified health centers, rural health centers, tribal health clinics and cost-based reimbursement clinics, for the rating period covering January 1, 2021 through December 31, 2021.

This approval letter does not constitute approval of any Medicaid managed care plan contracts or rate certifications for the aforementioned rating period, or any specific Medicaid financing mechanism used to support the provider payment arrangement. All other federal laws and regulations apply. This approval letter only satisfies the regulatory requirement pursuant to 42 CFR 438.6(c)(2) for written approval prior to implementation of any payment arrangement described in 42 CFR 438.6(c)(1). Approval of the corresponding Medicaid managed care plan contracts and rate certifications is still required.

The state is always required to submit a contract action(s) to incorporate the contractual obligation for the state directed payment and related capitation rates that include this payment arrangement.

Note that this payment arrangement and all state directed payments must be addressed in the applicable rate certifications. Documentation of all state directed payments must be included in the initial rate certification as outlined in Section I, Item 4 of the [Medicaid Managed Care Rate Development Guide](#). The state and its actuary must ensure all documentation outlined in the Medicaid Managed Care Rate Development Guide is included in the initial rate certification. Failure to provide all required documentation in the rate certification may cause delays in CMS review. CMS is happy to provide technical assistance to states and their actuaries.

CMS is able to approve this state directed payment proposal with a requirement that the state provide baseline data as well as Year 1 and Year 2 evaluation findings with the state's CY 2022 preprint submission for prior approval under 42 CFR 438.6(c).

Lastly, please note that CMS will continue to work with the state on the underlying managed care rate certification issues related to inclusion of the unsatisfactory immigration status (UIS) beneficiary population.

If you have questions concerning this approval or state directed payments in general, please contact Alex Loizias, Division of Managed Care Policy, at (410) 786-2425, alexandra.loizias@cms.hhs.gov.

Sincerely,

John Giles, MPA
Director, Division of Managed Care Policy
Center for Medicaid and CHIP Services