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May 10, 2022

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

Dear Jacey 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, 2021 and has a control name of CA\_Fee\_PC.SP.BHO\_Renewal\_20220101-20221231.

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 for the rating period covering January 1, 2022 through December 31, 2022.

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 full SFY 2020 and CY 2021 evaluation findings with the state's CY 2023 preprint submission for prior approval under 42 CFR 438.6(c).

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](mailto:alexandra.loizias@cms.hhs.gov).

Sincerely,

**John  
Giles**

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