

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
7500 Security Boulevard, Mail Stop S3-14-28  
Baltimore, Maryland 21244-1850



**Center for Medicaid and CHIP Services**

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Toby Douglas, Director  
California Department of Health Care Services  
1501 Capitol Avenue, MS 0000  
P.O. Box 997413  
Sacramento, CA 95899-7413

SEP 26 2013

Dear Mr. Douglas:

On September 20, 2013, DHCS submitted to CMS a revised request for a Superior Systems Waiver (SSW) comprehensive renewal, from October 1, 2013 to September 30, 2015. This comprehensive waiver has been approved, and is effective October 1, 2013.

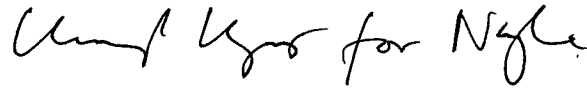
The comprehensive SSW describes how utilization review will function within a Diagnosis Related Group (DRG) payment methodology. The DRG payment methodology went into effect for private hospitals on July 1, 2013, and will go into effect for Non-Designated Public Hospitals (NDPH) on January 1, 2014. Private hospitals will continue to submit Treatment Authorization Requests (TAR) for inpatient admission days only. Coinciding with the implementation of the DRG payment methodology, on January 1, 2014 NDPHs will begin to transition from acute admission day TARs to evidence-based standardized medical review criteria, such as InterQual or Milliman, to determine medical necessity for hospital admissions. This transition is projected to take approximately two years. Designated Public Hospitals (DPH), which will continue to be reimbursed through Certified Public Expenditure, have successfully completed the transition from TARs to evidence-based standardized medical review criteria.

The State will submit a two-year SSW request to be effective from October 1, 2015 through September 30, 2017. This waiver will describe strategies to transition private hospitals from submitting admission TARs to using evidence-based standardized medical utilization review criteria.

CMS appreciates DHCS' collaboration on this matter. We look forward to continuing our work on the SSW, the DRG transition and the Public Hospital Project.

If you have any questions or need additional information, please contact Tyler Sadwith at (415) 744-3563, or Tom Schenck respectively at (415) 744-3589.

Sincerely

A handwritten signature in black ink that reads "Gloria Nagle for Nagle". The signature is written in a cursive style.

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

Enclosure

cc: Doug Robins, DHCS, Utilization Management Division  
Elizabeth Touhey, DHCS, Utilization Management Division  
Steve Chickering, CMS, Division of Survey & Certification  
Rufus Arthur, CMS, Division of Survey & Certification  
Mary Gessay, CMS, Division of Survey & Certification  
Tom Schenck, CMS, Division of Medicaid & Children's Health Operations  
Tyler Sadwith, CMS, Division of Medicaid & Children's Health Operations