



Policy: FF.1004
Title: **Payment for Hospitals Contracted to Serve a CalOptima Health Direct Member, CalOptima Health Community Network Member, or a Member Enrolled in a Shared Risk Group**

Department: Claims Administration
Section: Not Applicable

CEO Approval: /s/ Michael Hunn 10/10/2024

Effective Date: 01/01/2007
Revised Date: 10/01/2024

Applicable to: ☒ Medi-Cal
☐ OneCare
☐ PACE
☐ Administrative

I. PURPOSE

This policy defines the CalOptima Health Direct reimbursement of a Contracted CalOptima Health Hospital and establishes the criteria to identify applicable tertiary hospitals and community hospitals. This policy applies to reimbursement for Members of CalOptima Health Direct (COHD), CalOptima Health Community Network (CHCN), or a Member enrolled in a Shared Risk Group for the Medi-Cal Program. For those Members enrolled in a Shared Risk Group, this policy shall only apply to Covered Services for which CalOptima Health is financially responsible in accordance with the Division of Financial Responsibility (DOFR).

II. POLICY

- A. Except as otherwise provided in Section III.B of this policy, CalOptima Health's reimbursement to a Contracted CalOptima Health Hospital shall be based on the All Patients Refined Diagnosis Groups (APR-DRG) or Per Diem Rate.
- B. Notwithstanding the provisions of this policy, CalOptima Health shall reimburse a Contracted CalOptima Health Hospital at a rate different from the rate established pursuant to Section III.A of this policy as follows:
 - 1. CalOptima Health shall reimburse a Contracted CalOptima Health Hospital for a Member of CalOptima Health Direct, CHCN, or a Member enrolled in a Shared Risk Group for:
 - a. A newborn delivery, at a single all-inclusive obstetric case rate unless there is an obstetric-specific APR-DRG Rate that is higher, in which case the APR-DRG Rate shall prevail;
 - b. An Administrative Day, at a per diem rate as set forth in the CalOptima Health Medi-Cal Hospital Contract; pursuant to Section III.B. of this Policy.
 - c. A Boarder Baby, at a per diem rate as set forth in the CalOptima Health Medi-Cal Hospital Contract;

- d. Covered Services that meet the facility and Diagnosis Related Group (DRG) criteria as defined in the CalOptima Health Medi-Cal Hospital Contract.
2. If a Hospital has executed a CalOptima Health Medi-Cal Contract which includes an Organ Transplant Hospital Service Agreement, CalOptima Health shall reimburse such CalOptima Health Contracted Hospital for Covered Services related to a Bone Marrow Transplant or Major Organ Transplant at rates set forth in the CalOptima Health Organ Transplant Hospital Service Agreement and CalOptima Health Policy FF.1005a: Special Payments – Bone Marrow Transplants and Major Organ Transplant.
- C. A Hospital that has executed a CalOptima Health Medi-Cal Contract may request reimbursement for Excluded Items in accordance with CalOptima Health Policy FF.1005c: Special Payments – High-Cost Exclusion Items.

III. PROCEDURE

- A. A tertiary hospital is an acute care hospital that meets at least one (1) of the following criteria continuously during the term of the CalOptima Health Hospital Services Contract:
 1. The hospital serves as a sponsoring institution for residency education programs, as identified by the Accreditation Council for Graduate Medical Education (ACGME) and listed on the ACGME Website.
 2. The hospital serves as a regional trauma care center, as identified by the American College of Surgeons (ACS) and listed on the ACS Website or as identified by the California Emergency Medical Services Administration.
 3. The hospital serves as a regional burn center, as identified by the American Burn Association (ABA) and the American College of Surgeons and listed on the ABA Website.
 4. The hospital provides organ transplantation programs certified by the California Department of Health Care Services (DHCS) or the Centers for Medicare & Medicaid Services (CMS). To qualify as a certified organ transplantation program, a hospital shall be certified by CMS for kidney transplantation or certified by DHCS for any other Major Organ Transplant or Bone Marrow Transplants.
 5. The hospital is a tertiary center as identified by the California Children's Services (CCS) and listed as a tertiary center on the CCS Website.
 6. The hospital meets Leapfrog criteria for full implementation of Intensive Care Unit (ICU) physician staffing. To qualify as a hospital that meets Leapfrog criteria for full implementation of ICU physician staffing, the hospital must be listed as meeting the criteria on the leapfrog website.
 7. The hospital meets Leapfrog criteria for Evidence-Based Hospital Referral qualifying as Good Early Effort, Good Progress, or Full Implementation in four (4) or more categories. To qualify, hospitals that meet Leapfrog criteria for Evidence Based Hospital Referral must be listed on the Leapfrog website. To meet this criterion, a hospital must qualify under the status of Good Early Effort, Good Progress, or Full Implementation, as defined by Leapfrog, in at least four (4) of the categories. There are currently six (6) categories of types of procedures, but other procedures may be used to qualify if more are added in the future.

B. Administrative Days are days approved in an acute inpatient facility which provides a higher level of medical care than that currently needed by the Member.

1. Providers shall bill administrative days at two (2) levels:

a. Level 1: is a lower level of service rendered to a Member in an acute care hospital awaiting placement in a Nursing Facility Level A, a Nursing Facility Level B billed with revenue code 169 and are payable to Providers reimbursed according to APR-DRG and non-DRG methodologies, requiring the following non-acute care:

i. Obstetric Care: available for a pregnant patient who does not require an acute level of care but who has medical, or nursing treatment needs that require medical and/or monitoring skills not available in any other setting; and

ii. Tuberculosis Care: available for a patient with confirmed or suspected TB, who no longer meets an acute level of care but who continues to require isolation to prevent the transmission or spread of TB disease to the community.

b. Level 2: reimbursed at a higher rate than level 1 days. These services are rendered to a member awaiting placement in a Subacute Nursing Facility and are reimbursable only to DRG providers. Level 2 care is billed with revenue code 199 for adults and 190 for children.

2. The Provider can bill both level 1 and level 2 on an interim basis for any length of stay, with appropriate patient status code as listed on Attachment A of this policy.

3. Administrative days level 1 and level 2 are subject to authorization requirements in accordance with CalOptima Health Policy GG.1516: Acute Administrative Days.

4. CalOptima Health and the Health Network shall not cover claims containing a mixture of administrative days and any other revenue code as listed on Attachment A of this policy.

C. A Community Hospital is an acute care hospital that is not a Tertiary Hospital.

D. Prior to execution of a CalOptima Health Hospital Contract, a hospital shall:

1. Confirm that the proposed rate for its Hospital Services Contract does not exceed the greater of its APR-DRG Rate or Per Diem Rate;

2. Execute an attestation in form and substance acceptable to CalOptima Health relating to such information; and

3. If necessary, provide supporting written documentation that the hospital meets definition of a Tertiary Hospital.

E. CalOptima Health may change a Contracted CalOptima Health Hospital's rate during the term of a Hospital Services Contract based upon the following:

1. A change in a Contracted CalOptima Health Hospital's ability to meet tertiary hospital criteria; or

2. A change to a Contracted CalOptima Health Hospital's APR-DRG Rate or Per Diem.

- F. CalOptima Health shall review APR-DRG Rate or Per Diem Rate when they become publicly available and recoup funds plus interest (at the lesser of (a) ten percent (10%) per year or (b) the maximum rate allowed by law) from a Contracted CalOptima Health Hospital if such Contracted CalOptima Health Hospital's APR-DRG or Per Diem Rate is lower than one defined and attested to by the Contracted CalOptima Health Hospital.
- G. In non-administrative day transfer cases a hospital's DRG payment may be subject to a Transfer Pricing Adjustment that is dependent on the pre-transfer length of stay reduced when it transfers a Member to another acute care hospital. The reduction depends on the pre-transfer length of stay. DHCS refers to this as a "Transfer Pricing Adjustment". This payment method applies to both fee-for-service hospitals and Contracted CalOptima Health Hospitals.
 - 1. Each hospital will receive a DRG payment. However, payment to the first hospital may be subject to a Transfer Pricing Adjustment depending on the length of stay. The receiving hospital would receive full DRG payment and is not subject to a Transfer Pricing Adjustment.
 - 2. If a Member is not discharged, sent to a second hospital for a procedure, and then returns to the original hospital, the original hospital shall receive a single DRG payment.
 - a. It shall be the responsibility of the original hospital to negotiate payment to the second hospital; the second hospital shall not receive a DRG payment and shall not bill Medi-Cal.
 - 3. CalOptima Health's reimbursement for services provided to a Member for which CalOptima Health is financially responsible, are subject to authorization requirements in accordance with CalOptima Health Policy GG.1500: Authorization Instructions for CalOptima Health Direct and CalOptima Health Community Network Providers.
 - 4. It is not considered a Member transfer when movement of the stable Member from an originating facility to another hospital if the Member is only going to another hospital for tests, will not remain there overnight, and will return to originating facility after testing.
- H. A Contracted CalOptima Health Hospital shall submit claims to CalOptima Health in accordance with CalOptima Health Policy FF.2001: Claims Processing for Covered Services for which CalOptima Health is Financially Responsible, except as follows:
 - 1. A Contracted CalOptima Health Hospital shall submit claims for Exclusion Items in accordance with CalOptima Health Policy FF.1005c: Special Payments: High-Cost Exclusion Items; and
 - 2. A Contracted CalOptima Health Hospital that has executed a CalOptima Health Organ Transplant Hospital Service Agreement shall submit claims for Covered Services related to a Bone Marrow Transplant or Major Organ Transplant in accordance with CalOptima Health Policy FF.1005a: Special Payments – Bone Marrow Transplant and Major Organ Transplant.

IV. ATTACHMENT(S)

A. Administrative Days

V. REFERENCE(S)

A. Accreditation Council for Graduate Medical Education: <http://www.acgme.org/adspublic/>

- B. American Burn Association and the American College of Surgeons:
<http://www.ameriburn.org/pub/VerificationInformation.pdf/>
- C. American College of Surgeons: <http://www.facs.org/trauma/verified.html/>
- D. California Children's Services: <http://www.dhs.ca.gov/pcfh/cms/ccs/paneled.htm>
- E. California Code of Regulations (CCR), Title 22, Sections 51542 and 51511
- F. California Emergency Medical Services Administration:
http://www.emsa.cahwnet.gov/emsddivision/trma_ctr.pdf
- G. CalOptima Health Contract with Department of Health Care Services (DHCS)
- H. CalOptima Health Hospital Services Contract
- I. CalOptima Health Policy FF.1005a: Special Payments – Bone Marrow Transplant and Major Organ Transplant
- J. CalOptima Health Policy FF.1005c: Special Payments: High-Cost Exclusion Items
- K. CalOptima Health Policy FF.2001: Claims Processing for Covered Services for which CalOptima Health is Financially Responsible
- L. CalOptima Health Policy GG.1516: Acute Administrative Days
- M. Department of Health Care Services (DHCS) Medi-Cal Billing Manual:
<https://www.dhcs.ca.gov/provgovpart/Documents/Billing-Manual-v-1-1-June-2022.pdf>
- N. Department of Health Care Services (DHCS): Administrative Days
<https://www.dhcs.ca.gov/services/medi-cal/Pages/Administrative-Day-Rate-Level-1.aspx>
- O. Leapfrog criteria: <http://www.leapfroggroup.org/cp/>

VI. REGULATORY AGENCY APPROVAL(S)

Date	Regulatory Agency	Response
05/03/2022	Department of Health Care Services (DHCS)	File and Use Attestation
12/07/2023	Department of Health Care Services (DHCS)	File and Use

VII. BOARD ACTION(S)

None to Date

VIII. REVISION HISTORY

Action	Date	Policy	Policy Title	Program(s)
Effective	01/01/2007	FF.1004	Payment for Hospitals Contracted to Serve a CalOptima Member or a Member Enrolled in a Shared Risk Group	Medi-Cal
Revised	01/01/2011	FF.1004	Payment for Hospitals Contracted to Serve a CalOptima Member or a Member Enrolled in a Shared Risk Group	Medi-Cal
Revised	03/01/2015	FF.1004	for Hospitals Contracted to Serve a CalOptima Direct Member, CalOptima Community Network Member, or a Member Enrolled in a Shared Risk Group	Medi-Cal
Revised - transferred to Claims	04/01/2022	FF.1004	Payments for Hospitals Contracted to Serve a CalOptima Direct Member, CalOptima Community Network Member, or a Member Enrolled in a Shared Risk Group	Medi-Cal

Action	Date	Policy	Policy Title	Program(s)
Revised	02/01/2023	FF.1004	Payments for Hospitals Contracted to Serve a CalOptima Health Direct Member, CalOptima Health Community Network Member, or a Member Enrolled in a Shared Risk Group	Medi-Cal
Revised	11/01/2023	FF.1004	Payments for Hospitals Contracted to Serve a CalOptima Health Direct Member, CalOptima Health Community Network Member, or a Member Enrolled in a Shared Risk Group	Medi-Cal
Revised	04/01/2024	FF.1004	Payments for Hospitals Contracted to Serve a CalOptima Health Direct Member, CalOptima Health Community Network Member, or a Member Enrolled in a Shared Risk Group	Medi-Cal
Revised	09/01/2024	FF.1004	Payments for Hospitals Contracted to Serve a CalOptima Health Direct Member, CalOptima Health Community Network Member, or a Member Enrolled in a Shared Risk Group	Medi-Cal
Revised	10/01/2024	FF.1004	Payments for Hospitals Contracted to Serve a CalOptima Health Direct Member, CalOptima Health Community Network Member, or a Member Enrolled in a Shared Risk Group	Medi-Cal

IX. GLOSSARY

Term	Definition
Centers for Medicare & Medicaid Services (CMS)	The federal agency under the United States Department of Health and Human Services responsible for administering the Medicare and Medicaid programs.
Contracted CalOptima Health Hospital	A hospital that has entered into a CalOptima Health Hospital Services Contract to provide Hospital Services to CalOptima Health Direct Members
Covered Services	<p>Those health care services, set forth in W&I sections 14000 et seq. and 14131 et seq., 22 CCR section 51301 et seq., 17 CCR section 6800 et seq., the Medi-Cal Provider Manual, the California Medicaid State Plan, the California Section 1115 Medicaid Demonstration Project, this Contract, and APLs that are made the responsibility of CalOptima Health pursuant to the California Section 1915(b) Medicaid Waiver authorizing the Medi-Cal managed care program or other federally approved managed care authorities maintained by DHCS.</p> <p>Covered Services do not include:</p> <ol style="list-style-type: none"> 1. Home and Community-Based Services (HCBS) program as specified in Exhibit A, Attachment III, Subsections 4.3.15 (Services for Persons with Developmental Disabilities), 4.3.20 (Home and Community-Based Services Programs) regarding waiver programs, 4.3.21 (In-Home Supportive Services), and Department of Developmental Services (DDS) Administered Medicaid Home and Community-Based Services Waiver. HCBS programs do not include services that are available as an Early and Periodic Screening, Diagnosis and Treatment (EPSDT) service, as described in 22 CCR sections 51184, 51340 and 51340.1. EPSDT services are covered under this Contract, as specified in Exhibit A, Attachment III, Subsection 4.3.11 (Targeted Case Management Services), Subsection F4 regarding services for Members less than 21 years of age. CalOptima Health is financially responsible for the payment of all EPSDT services; 2. California Children's Services (CCS) as specified in Exhibit A, Attachment III, Subsection 4.3.14 (California Children's Services), except for Contractors providing Whole Child Model (WCM) services; 3. Specialty Mental Health Services as specified in Exhibit A, Attachment III, Subsection 4.3.12 (Mental Health Services); 4. Alcohol and SUD treatment services, and outpatient heroin and other opioid detoxification, except for medications for addiction treatment as specified in Exhibit A, Attachment III, Subsection 4.3.13 (Alcohol and Substance Use Disorder Treatment Services); 5. Fabrication of optical lenses except as specified in Exhibit A, Attachment III, Subsection 5.3.7 (Services for All Members); 6. Direct Observed Therapy for Treatment of Tuberculosis (TB) as specified in Exhibit A, Attachment III, Subsection 4.3.18 (Direct Observed Therapy for Treatment of Tuberculosis); 7. Dental services as specified in W&I sections 14131.10, 14132(h), 14132.22, 14132.23, and 14132.88, and EPSDT dental services as described in 22 CCR section 51340.1(b). However, CalOptima Health

Term	Definition
	<p>is responsible for all Covered Services as specified in Exhibit A, Attachment III, Subsection 4.3.17 (Dental) regarding dental services;</p> <p>8. Prayer or spiritual healing as specified in 22 CCR section 51312;</p> <p>9. Educationally Necessary Behavioral Health Services that are covered by a Local Education Agency (LEA) and provided pursuant to a Member's Individualized Education Plan (IEP) as set forth in Education Code section 56340 et seq., Individualized Family Service Plan (IFSP) as set forth in California Government Code (GC) section 95020, or Individualized Health and Support Plan (IHSP). However, CalOptima Health is responsible for all Medically Necessary Behavioral Health Services as specified in Exhibit A, Attachment III Subsection 4.3.16 (School-Based Services);</p> <p>10. Laboratory services provided under the State serum alpha-feto-protein-testing program administered by the Genetic Disease Branch of California Department of Public Health (CDPH);</p> <p>11. Pediatric Day Health Care, except for Contractors providing Whole Child Model (WCM) services;</p> <p>12. State Supported Services;</p> <p>13. Targeted Case Management (TCM) services as set forth in 42 USC section 1396n(g), W&I sections 14132.48 and 14021.3, 22 CCR sections 51185 and 51351, and as described in Exhibit A, Attachment III, Subsection 4.3.11 (Targeted Case Management Services). However, if Members less than 21 years of age are not eligible for or accepted by a Regional Center (RC) or a local government health program for TCM services, CalOptima Health must ensure access to comparable services under the EPSDT benefit in accordance with APL 23-005;</p> <p>14. Childhood lead poisoning case management provided by county health departments;</p> <p>15. Non-medical services provided by Regional Centers (RC) to individuals with Developmental Disabilities, including but not limited to respite, out-of-home placement, and supportive living;</p> <p>16. End of life services as stated in Health and Safety Code (H&S) section 443 et seq., and APL 16-006; and</p> <p>17. Prescribed and covered outpatient drugs, medical supplies, and enteral nutritional products when appropriately billed by a pharmacy on a pharmacy claim, in accordance with APL 22-012.</p>
Department of Health Care Services (DHCS)	The single State department responsible for the administration of the Medi-Cal Program, California Children's Services (CCS), Genetically Handicapped Persons Program (GHPP), and other health related programs as provided by statute and/or regulation.
Division of Financial Responsibility (DOFR)	A matrix that identifies how CalOptima Health identifies the responsible parties for components of medical associated with the provision of Covered Services. The responsible parties include, but are not limited to, Physician, Hospital, CalOptima Health and the County of Orange.
Member	A Medi-Cal eligible beneficiary as determined by the County of Orange Social Services Agency, the California Department of Health Care Services (DHCS) Medi-Cal Program, or the United States Social Security Administration, who is enrolled in the CalOptima Health program.

Term	Definition
Shared Risk Group (SRG)	A Health Network who accepts delegated clinical and financial responsibility for professional services for assigned Members, as defined by written contract and enters into a risk sharing agreement with CalOptima Health as the responsible partner for facility services.
Transfer Pricing Adjustment	A payment method that applies to both fee-for-service hospitals and managed care in-network hospitals in which payment may be reduced when it transfers a patient to another acute care hospital.