



Administrator
Washington, DC 20201

NOV 18 2010

Mr. Toby Douglas, Chief Deputy Director
Health Care Programs
Department of Health Care Services
1501 Capitol Avenue, 6th Floor
MS 0002
Sacramento, CA 95814

Dear Mr. Douglas:

I am responding to your request for approval of the following California Medicaid State plan amendments (SPAs) which propose to reduce the reimbursement rates for certain services furnished under the approved State plan:

- TN 08-009A – Reduction in reimbursement for non-contracting hospitals (submitted on September 29, 2008);
- TN 08-009B-1 – Reduction in reimbursement for various outpatient services (submitted on September 29, 2008);
- TN 08-009B-2 – Reduction in reimbursement for prescription drugs (submitted on September 29, 2008);
- TN 08-009D – Reduction in reimbursement for certain nursing facility services (submitted on September 29, 2008); and
- TN 08-019 – Additional limitations on certain non-contracting hospitals (submitted on December 31, 2008).

The Centers for Medicare & Medicaid Services (CMS) is unable to approve these SPAs because California has not demonstrated that it would meet the conditions set out in section 1902(a)(30)(A) of the Social Security Act (Act). This action does not prevent the State from submitting other rate related SPAs in the future; please let us know if you would like to discuss how California might proceed, if it decides to do so.

Section 1902(a)(30)(A) of the Act requires that State plans assure that “payments [to providers]... are sufficient to enlist enough providers so that care and services are available under the [State’s Medicaid] plan [to recipients] at least to the extent that such care and services are available to the general population in the geographic area.”

When the SPAs were initially submitted, the State did not provide information concerning the impact of the proposed reimbursement reductions on beneficiary access to services, even though available national data indicate that this may be an issue for California. In the Requests for Additional Information (RAI) for SPAs TN 08-009A, TN 08-009B-1, TN 08-009D, (sent to the State in December 2008), and 08-019 (sent to the State in March, 2009), CMS requested information about beneficiary access to services; but California has not responded. Additionally,

CMS is concerned that, given the time that has elapsed since these SPAs were submitted, the cumulative effect of a retroactively effective approval of these reimbursement reductions would only serve to exacerbate access concerns. As indicated in the guidance on the SPA review process in our January 2, 2001, Letter to State Medicaid Directors, CMS may initiate disapproval action if information responding to an RAI is not received within 90 days after the request.

Because considerably more time has elapsed since the issuance of the RAI, we are disapproving the SPAs.

For these reasons, and after consulting with the Secretary as required by Federal regulations at 42 CFR 430.15(c)(2), I am disapproving these SPAs.

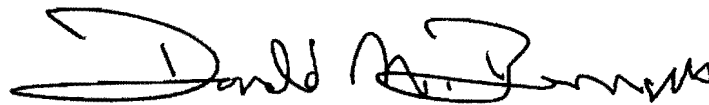
If you are dissatisfied with this determination, you may petition for reconsideration within 60 days of the receipt of this letter, in accordance with the procedure set forth in Federal regulations at 42 CFR section 430.18. Your request for reconsideration may be sent to:

Ms. Cynthia Hentz
CMS, Center for Medicaid, CHIP and Survey & Certification
7500 Security Boulevard, Mailstop S2-25-22
Baltimore, Maryland 21244-1850

If you have any questions, or wish to discuss this determination further, please contact:

Ms. Gloria Nagle, Associate Regional Administrator
CMS Region IX, Division of Medicaid and Children's Health
Department of Health and Human Services
90 7th Street, #5-300 (5W)
San Francisco, California 94103-6706

Sincerely,

A handwritten signature in black ink, appearing to read "Donald M. Berwick". The signature is fluid and cursive, with a large initial "D" and "B".

Donald M. Berwick, M.D.