August 29, 2018

**RE: Private Hospital Directed Payment (PHDP)**

Dear Participating Hospitals,

The California Department of Health Care Services' (DHCS) Hospital Quality Assurance Fee (HQAF) program provides funding for supplemental payments to California private hospitals that serve Medi-Cal and uninsured patients. The Private Hospital Directed Payment (PHDP) structure will not change the Medi-Cal Managed Care Plans (MCPs) existing base reimbursement amounts for these private hospitals. The new directed payment program will replace approximately half of the existing supplemental payment program (California's Hospital Quality Assurance Fee (HQAF) Program/waiver, see CA Welfare & Institutions Code §14169.50, et. seq.).

In accordance with 42 CFR 438.6(c), the Centers for Medicare & Medicaid Services (CMS) reviewed and approved California's submission of a proposal for delivery system and provider payment initiatives under Medicaid managed care plan contracts; specifically, Uniform Dollar Increase per adjudicated claim for private hospitals as defined in CA Welfare & Institutions Code §14169.51 for the rating period covering July 1, 2017 through June 30, 2018.

DHCS is splitting State Fiscal Year (SFY) 17/18 into two (2) phases:
- Phase 1:
    - Service period: July 01, 2017 – December 31, 2017
    - Encounters due to DHCS: December 31, 2018
    - Estimated payment to Plans: September 2019
- Phase 2:
    - Service period: January 01, 2018 – June 30, 2018
    - Encounters due to DHCS: June 30, 2019
    - Estimated payment to Plans: March 2020

**Private Hospital Directed Payment (PHDP)**
Final PHDP payments will be implemented using a statewide pool approach, with separate sub-pools for:
- • Inpatient services
- • Hospital Outpatient and Emergency Room services

Additionally, final PHDP payments will be based on the actual utilization of contract services as reflected in the Medi-Cal managed care encounter data received by DHCS. For more information regarding Private Hospital Directed Payment (PHDP), please reference the PHDP Program toolkit.

In order to ensure both your organization and L.A. Care Health Plan (L.A. Care) adequately complete any necessary encounter remediation analysis and comply with the timelines set for the PHDP program, please reference the chart below:

| Timeline | Task |
|---|---|
| 08/24/2018 (Hospitals to analyze DHCS data, begin review, and prepare for submission.) | L.A. Care will provide the following data files:<br><br>• Encounter data that L.A. Care has accepted but was not submitted to DHCS due to additional back-end edits<br>• Encounter data that was submitted to, but rejected by DHCS.<br><br>It will be available via an sFTP process that requires security credentials provided by the L.A. Care IT Department (see "L.A. Care Health Plan's sFTP Access" section below). |
| 09/30/2018 | L.A. Care will communicate to its hospital network the process by which DHCS data errors will be corrected by L.A. Care and submitted to DHCS. |
| Between now and 10/31/2018 (Hospitals to audit and submit encounters.) | Hospitals will complete internal analysis between hospital's encounter data and what DHCS provided to hospital. Hospitals are encouraged to exhibit due diligence by conducting thorough internal encounter analysis before submission to L.A. Care to ensure that the data received and eventually sent to DHCS for the determination of payment is updated and accurate. Hospitals should follow normal business processes to submit withheld and remediated encounter data.<br><br>As an additional resource, please reference the PHDP Program toolkit to ensure the successful submission of encounter data.<br><br>***To accommodate turnaround times for claims and encounter data processing, Hospitals should strive to ensure all claims have been submitted by 10/31/2018.*** |
| 09/10/2018 – 10/31/2018 (L.A. Care to troubleshoot problems with Hospitals and Plan Partners) | Plan Partners can request assistance from their assigned L.A. Care Plan Partner Analyst to resolve encounter data problems that they could not resolve themselves.<br><br>Hospitals that submit encounter data directly to L.A. Care can participate in weekly PHDP calls host to obtain more information and remediation assistance, hosted by L.A. Care's Enterprise Shared Services department.<br><br>Note: L.A. Care will attempt to conduct encounter analysis support on a first-come, first-serve basis and cannot guarantee we will get to all submissions should they be sent towards the end of the deadline. Therefore, we recommend that hospitals begin submitting their encounters as soon as possible to allow for sufficient review and remediation time. |
| 11/01/2018 – 11/30/2018<br><br>(L.A. Care to assist Hospitals with remediated resubmissions.) | Should L.A. Care receive hospital encounter submissions timely, and pursuant to the volume of submissions from our private hospital network, we will, to the best of our ability, review and provide hospitals with feedback regarding what encounter data needs to be remediated. Resubmissions will only be accepted until 11/30/18.<br><br>Note: Hospital encounter submission does not guarantee encounter analysis by L.A. Care and we encourage hospitals to perform a thorough encounter analysis to capture missing data and remediate before submission. |

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**Remediation Assistance for Hospitals**

L.A. Care's Shared Services department will host a weekly PHDP Informational Exchange WebEx where the point of contact in your organization (POC) can receive updates on the remediation process and have an opportunity to have their questions answered.

The first call is tentatively scheduled for early September. A communication with finalized dates and additional information is forthcoming.

**L.A. Care Health Plan's sFTP Access**

A Secure Connection Credentials (PGP) using an sFTP protocol must be established to send and receive encounter data.  To do this, L.A. Care will need a static IP address that we will use to grant permissions to the site.   If you do not currently have one, your Internet provider should be able to set one up for you. Once you have the static IP address, contact your L.A. Care Account Manager and please do the following:

- Provide the IP address
- Provide the contact information for the POC who will be responsible for sending and receiving the Encounter data on the sFTP site

Once received, credentials to access the sFTP site will be granted to your POC and we will verify that: 1) your ability to send data on the sFTP site and 2) it can be accessed by L.A. Care.

Should you have any questions/concerns regarding the elements of this communication, please contact: PNMProjects@lacare.org.

Thank you,

Edward Calles
Senior Director, Network Development
Provider Network Management

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