

Table of Contents

State/Territory Name: California

State Plan Amendment (SPA) #: 09-004

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form/Summary Form (with 179-like data)
- 3) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
San Francisco Regional Office
90 Seventh Street, Suite 5-300 (5W)
San Francisco, CA 94103-6706



DIVISION OF MEDICAID & CHILDREN'S HEALTH OPERATIONS

February 16, 2016

Mari Cantwell
Chief Deputy Director, Health Care Programs
California Department of Health Care Services
P.O. Box 997413, MS 0000
Sacramento, CA 95899-7413

Dear Ms. Cantwell:

Enclosed is an approved copy of California State Plan Amendment (SPA) 09-004. This SPA was submitted to my office on March 30, 2009 to make revisions to the reimbursement methodologies for the Short-Doyle/Medi-Cal acute inpatient services and Short-Doyle/Medi-Cal outpatient, rehabilitation, case management and other services.

The effective date of this SPA is January 1, 2009. Enclosed are the following approved SPA pages that should be incorporated into your approved State Plan:

- Attachment 4.19-A, page 38 – 40.5
- Attachment 4.19-A, page 41-45.3
- Attachment 4.19-B, pages 21-25.11

If you have any questions, please contact Cheryl Young by phone at 415-744-3598 or by email at Cheryl.Young@cms.hhs.gov.

Sincerely,

/s/

Kristin Dillon
Acting Associate Regional Administrator
Division of Medicaid & Children's Health Operations

Enclosure

cc: Dianna Kokkos, California Department of Health Care Services (DHCS)
Charles Anders, DHCS
Nathaniel Emery, DHCS

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES**

1. TRANSMITTAL NUMBER

0 9 — 0 0 4

2. STATE

CA

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL
SECURITY ACT (MEDICAID)TO: REGIONAL ADMINISTRATOR
CENTERS FOR MEDICARE & MEDICAID SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

January 9, 2009 January 1, 2009

5. TYPE OF PLAN MATERIAL (Check One)

☐ NEW STATE PLAN☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION

42 CFR 447.252 of the Act 1902 (a) (13) of the Act
42 CFR 447.201 42 CFR 447.302 1902 (a) (30)

7. FEDERAL BUDGET IMPACT

a. FFY 2008-09 \$ 64,187 \$0b. FFY 2009-10 \$ 110,886 \$0

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

Attachment 4.19A - Pages 38-40.5

Attachment 4.19A Pages 41-45.3

Attachment 4.19B Pages 21-25.11

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable)Att. 4.19-A, pages 38-40Att. 4.19-A, pages 41-45Att. 4.19-B, pages 21-25

10. SUBJECT OF AMENDMENT

SPA 09-004 is amending the reimbursement methodology for targeted case management, rehabilitative mental health, and psychiatric inpatient hospital services. The amendments describe a reimbursement methodology for targeted case management and rehabilitative mental health services that is based upon the lower of the providers reasonable and allowable costs or customary charge. The amendments identify a specific group of hospitals that will be reimbursed the lower of their reasonable and allowable costs or customary charge for psychiatric inpatient hospital services. The amendments clarify the existing methodology for reimbursing all other hospitals that provide psychiatric inpatient hospital services.

11. GOVERNOR'S REVIEW (Check One)

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL☒ OTHER, AS SPECIFIED

12. SIGNATURE OF STATE AGENCY OFFICIAL

13. TYPED NAME

Mari Cantwell

14. TITLE

State Medicaid Director

15. DATE SUBMITTED

~~NOV 18 2005~~ March 30, 2009

16. RETURN TO

Department of Health Care ServicesAttn: State Plan Coordinator1501 Capitol Ave, MS 4506P.O. Box 997419Sacramento, CA 95899-7419**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED

March 30, 2009

18. DATE APPROVED

February 16, 2016

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL

January 1, 2009

20. SIGNATURE

21. TYPED NAME

Kristin Dillon

22. TITLE Acting Associate Regional Administrator,
Division of Medicaid & Children's Health Operations

23. REMARKS

Boxes 7, 8 & 9: CMS requested pen and ink changes via email on 1/5/16 to update budget impact to \$0 and add new pages to Box 8 and superceded pages to Box 9.

Boxes 4, 12-15: The original HCFA 179 on file with CMS was submitted under SMD Toby Douglas on March 30, 2009. The 2009 submission date is the basis for the January 1, 2009 effective date.

Box 16: CMS made pen and ink change to add the DHCS address on 1/8/16.

State/Territory California

Citation

Condition or Requirement

**REIMBURSEMENT OF PSYCHIATRIC INPATIENT HOSPITAL SERVICES
PROVIDED BY SHORT-DOYLE/MEDI-CAL HOSPITALS**

Psychiatric inpatient hospital services will be provided as part of a comprehensive program that provides rehabilitative mental health and targeted case management services to Medicaid (Medi-Cal) beneficiaries that meet medical necessity criteria established by the State.

A. GENERAL APPLICABILITY

Short-Doyle Medi-Cal (SD/MC) Hospitals will be eligible to be reimbursed under this segment for the provision of Psychiatric Inpatient Hospital Services. Reimbursement will be based upon each hospital's reasonable and allowable cost as determined in the CMS 2552 hospital cost report and supplemental schedules or its usual and customary charge, whichever is lower, unless the hospital is a nominal charge hospital. Reimbursement of Psychiatric Inpatient Hospital Services provided by SD/MC hospitals that are nominal charge hospitals is based upon each hospital's reasonable and allowable cost as determined in the CMS 2552 hospital cost report and supplemental schedules.

B. DEFINITIONS

"Acute psychiatric inpatient hospital services" means those services provided by a hospital to beneficiaries for whom the facilities, services, and equipment are medically necessary for diagnosis or treatment of a mental disorder.

"Administrative Day services" means psychiatric inpatient hospital services provided to a beneficiary who has been admitted to the hospital for acute psychiatric inpatient hospital services, and the beneficiary's stay at the hospital must be continued beyond the beneficiary's needs for acute psychiatric inpatient hospital services due to a temporary lack of residential placement options at non-inpatient hospital services due to a temporary lack of residential placement options at non-acute residential treatment facilities that meet the needs of the beneficiary.

"Hospital-based ancillary services" means services other than routine hospital services and psychiatric inpatient hospital professional services that are received by a beneficiary admitted to a SD/MC hospital

“Nominal charge hospital” means a hospital with charges that are less than or equal to sixty percent of the reasonable and allowable cost of psychiatric inpatient hospital services.

“Psychiatric inpatient hospital services” means acute psychiatric inpatient hospital services and administrative day services provided by a SD/MC hospital, which are reimbursed a per diem rate that includes the cost of routine hospital services and all hospital based ancillary services.

“Reconciled cost report” mean the amended cost report filed by a hospital no later than eighteen months after the close of the fiscal year, which reconciles the days and charges reported in the cost report with the State’s records pursuant to Section D.d of this segment.

“Reasonable and allowable cost means cost based on year-end CMS 2552 hospital cost reports and supplemental schedules; and Medicare principles of reimbursement as described at 42 CFR 413; the CMS Provider Reimbursement Manual, Publication 15-1; and other applicable federal directives that establish principles and standards for determining allowable costs and the methodology for allocating and apportioning those expenses to the Medicaid program.

“Routine hospital services” means bed, board, and all medical, nursing, and support services usually provided to an inpatient by a hospital. Routine services do not include hospital-based ancillary services, psychiatrist or other physician services, or psychologist services.

“Schedule of Maximum Interim Rates” means a statewide schedule of maximum rates per day that will be paid on an interim basis for acute psychiatric inpatient hospital services and administrative day services. These rates are updated and published annually.

“SD/MC hospitals” means hospitals that claim reimbursement for psychiatric inpatient hospital services through the SD/MC claiming system and are the hospitals listed on page 40.5 of this segment.

“Usual and Customary Charge” means the regular rates that providers charge both Medi-Cal beneficiaries and other paying patients for the services furnished to them (42 CFR 413.13).

C. PSYCHIATRIC INPATIENT HOSPITAL SERVICES

Psychiatric Inpatient Hospital Services provided by SD/MC hospitals are both acute psychiatric inpatient hospital services and administrative day services provided in a SD/MC hospital and are reimbursed a per diem rate that includes the cost of routine hospital services and all hospital based ancillary services.

- a. Acute psychiatric inpatient hospital services are those services provided by a hospital to beneficiaries for whom the facilities, services, and equipment are medically necessary for diagnosis or treatment of a mental disorder.
- b. Administrative day services are psychiatric inpatient hospital services provided to a beneficiary who has been admitted to the hospital for acute psychiatric inpatient hospital services, and the beneficiary's stay at the hospital must be continued beyond the beneficiary's need for acute psychiatric inpatient hospital services due to a temporary lack of residential placement options and non-acute residential treatment facilities that meet the needs of the beneficiary.

D. REIMBURSEMENT METHODOLOGY AND PROCEDURES

The following steps will be taken to determine reasonable and allowable Medicaid costs and associated reimbursements.

a. Interim Rates

The State calculates an interim rate for acute psychiatric inpatient hospital services for each hospital and one statewide interim rate for administrative day services on an annual basis using the methodologies described below.

1. Administrative Day Services

The state calculates one statewide interim rate for administrative day services that is applied to all SD/MC hospitals that provide administrative day services. The statewide interim rate for administrative day services is calculated, to be effective from August 1st to July 31st of each rate year, using the following steps.

- Enter into a spreadsheet the skilled nursing facility rates calculated for each hospital that operates a distinct part nursing facility for the prospective nursing facility rate year, which runs from August 1st through July 31st.
- Identify the median rate among all hospitals that operate a distinct part nursing facility.

- The interim rate for administrative day services is equal to the median skilled nursing facility rate for hospitals that operate a distinct part nursing facility.

2. Acute Psychiatric Inpatient Hospital Services

Each hospital's interim rate for acute psychiatric inpatient hospital services is calculated using the following steps.

- Enter into a spreadsheet the allowable Medi-Cal acute psychiatric inpatient hospital service costs and total allowable Medi-Cal acute psychiatric inpatient days as determined and reported in the most recently filed CMS 2552 hospital cost report and supplemental schedules for each hospital.
- Divide gross costs by total patient days to calculate a cost per day for each hospital.
- The interim rate is equal to the lower of the cost per day multiplied by one plus the percentage increase from the midpoint (calendar year quarter 4) of the last updated rate year to the midpoint (calendar quarter 4) of the year for which the rates are being calculated from the Global Insight Inpatient Market Basket Index or the Schedule of Maximum Interim Rate (SMIR) for acute psychiatric inpatient hospital services.

b. Interim Payments

Interim payments of FFP are based upon an approximation of the Medicaid (Medi-Cal) costs that are eligible for Federal Financial Participation (FFP) without exceeding the Schedule of Maximum Interim Rate (SMIR). Interim payments for SD/MC hospitals will be based upon interim per diem rates that are established by the State on an annual basis as described in this segment of the State plan.

c. Cost Report Submission

Each SD/MC hospital will be required to file a CMS 2552 hospital cost report and supplemental schedules by December 31st following the close of the State Fiscal Year (i.e., June 30th).

d. Reconciliation

No later than fifteen months after the close of the State Fiscal Year, each SD/MC hospital will be provided an opportunity to reconcile its approved Medi-Cal days and charges to the State's records. Each hospital will be given ninety days to file an amended cost report that reconciles its Medi-Cal days and charges with the State's records. This amended cost report is called the reconciled cost report.

e. Interim Settlement

No later than twenty-four months after the close of the State Fiscal Year, the State will complete the interim settlement of each SD/MC hospital's most recently amended cost report. The interim settlement will compare interim payments made to each SD/MC hospital with the amount determined in the CMS 2552 cost report and supplemental schedules. The CMS 2552 hospital cost report and supplemental schedules will limit reimbursement to the lower of the SD/MC hospital's allowable costs or usual and customary charge for the acute psychiatric inpatient hospital services provided. The CMS 2552 hospital cost report and supplemental schedules will limit reimbursement to the lower of the SD/MC hospitals allowable costs, usual and customary charge, or SMIR for administrative day services. The State will pay the SD/MC hospital additional amounts due if the total reimbursement calculated in the cost report is more than the interim payments made to the hospital. Any overpayments are recouped, and the federal share of the overpayments is returned to the federal government in accordance with 42 CFR 433.316.

f. Final Settlement Process

The State will complete the audit of the interim settled CMS 2552 hospital cost report and supplemental schedules within three years of the date the reconciled CMS 2552 hospital cost report and supplemental schedules are submitted and certified. The audit performed by the State will determine whether the income, expenses, and statistical data reported on the CMS 2552 hospital cost report and supplemental schedules are reasonable, allowable, and in accordance with State and Federal rules, regulations, and Medicare principles of reimbursement issued by the Centers for Medicare and Medicaid Services (CMS). The audit will also determine that the SD/MC hospital's CMS 2552 hospital cost report and supplemental schedules represent the actual cost of providing Psychiatric Inpatient Hospital Services in accordance with the Specialty Mental Health Program's Cost and Financial Reporting System (CFRS), Generally Accepted Accounting Principles (GAAP), Title 42, Code of Federal Regulations (42 CFR), Office of Management and Budget (OMB) Circular A-87, Generally Accepted Governmental Auditing Standards as published by the Comptroller General of the United State and other State and Federal regulatory authorities. The State will pay the SD/MC hospital additional amounts due if the total reimbursement calculated in the cost report is more than the interim payments made to the hospital. Any overpayments are recouped, and the federal share of the overpayments is returned to the federal government in accordance with 42 CFR 433.316.

g. Cost Principles

For the purposes of paragraphs e and f, allowable costs will be determined using the CMS 2552 hospital cost report and the cost principles described in 42 CFR 413 and the Provider Reimbursement Manual, CMS Publication 15-1.

h. Apportioning Costs to Medicaid (Medi-Cal)

Total inpatient costs will be determined in the CMS 2552 hospital cost report and supplemental schedules. Total inpatient hospital costs will be apportioned to the Medi-Cal program using a cost per day for each routine hospital cost center and a cost-to-charge ratio for each ancillary and other hospital cost centers. For Los Angeles County-owned and –operated hospitals, relative value units are used instead of charges for apportionment. Intern and resident costs will be included in the total costs determined on the CMS 2552 and apportioned to the Medi-Cal program. The State does not reimburse these costs separately using a per resident amount methodology.

E. PROVIDERS OF PSYCHIATRIC INPATIENT HOSPITAL SERVICES

Short-Doyle/Medi-Cal (SD/MC) hospitals are eligible to provide services under this segment.

F. SCHEDULE OF MAXIMUM INTERIM RATES METHODOLOGY

The State Calculates the Schedule of Maximum Interim Rates on an annual basis and publishes those rates through an information notice that is posted to its website. The following describes the methodology used to calculate the statewide maximum interim rate for acute psychiatric inpatient hospital services and administrative day services provided by SD/MC hospitals.

a. Acute Psychiatric Inpatient Hospital Services

The Maximum Interim Rate for acute psychiatric inpatient hospital services was initially developed using cost reports filed for Fiscal Year 1989-90 (July 1, 1989 through June 30, 1990) using the following methodology.

1. Enter into a spreadsheet all hospitals, their reported gross costs for all patients' acute psychiatric inpatient hospital services, and all reported days for all patients' acute psychiatric inpatient hospital services.
2. Divide gross costs by total of days for all patients' acute psychiatric inpatient hospital services to calculate a cost per day for each hospital.
3. Remove from the data set those hospitals that have a cost per day that is one standard deviation above the mean.

4. After completing step 3, remove those hospitals that have a cost per day in the top ten percent of the remaining hospitals.
 5. From the remaining hospitals, calculate the sum of gross costs reported for acute psychiatric inpatient hospital services.
 6. From the remaining hospitals, calculate the sum of patient days reported for acute psychiatric inpatient hospital services.
 7. Divide the sum of gross costs determined in step 5 by the sum of patient days determined in step 6 to calculate the statewide average cost per day.
 8. The statewide average cost per day calculated in step 7 is increased on an annual basis by the increase from the midpoint (calendar year quarter 4) of the last updated rate year to the midpoint (calendar year quarter 4) of the year for which the rates are being calculated from the Global Insight Inpatient Market Basket Index.
- b. Administrative Day Services
- The maximum interim rate for administrative day services is equal to the prospective class median rate for nursing facilities that are distinct parts of acute care hospitals and offer skilled nursing services. The rate is updated and published on an annual basis (for each rate year from August 1st to July 31st consistent with the nursing facility rate year described in Attachment 4.19-D of the state plan).

Short Doyle/Medi-Cal Hospitals

1. Santa Barbara County Psychiatric Health Facility
2. San Mateo County Medical Center
3. Gateways Hospital and Community Mental Health Center
4. Kern County Medical Center
5. Riverside County Regional Medical Center
6. Kedren Hospital and Community Mental Health Center
7. Natividad Medical Center
8. LAC/USC Medical Center
9. Contra Costa Regional Medical Center
10. Harbor/UCLA Medical Center
11. Olive View/UCLA Medical Center
12. San Francisco General Hospital
13. Sempervirens Psychiatric Health Facility
14. Ventura County Medical Center
15. Santa Clara Valley Medical Center
16. Alameda County Medical Center
17. Arrowhead Regional Medical Center
18. Rady Children Adolescent Psychiatric Services
19. Mills Peninsula Hospital
20. Stanford University
21. Shasta Psychiatric Hospital

State/Territory California

Citation	Condition or Requirement
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**REIMBURSEMENT OF PSYCHIATRIC INPATIENT HOSPITAL SERVICES
PROVIDED BY FEE-FOR-SERVICE/MEDI-CAL (FFS/MC) HOSPITALS**

A. GENERAL APPLICABILITY

Reimbursement of FFS/MC Psychiatric Inpatient Hospital Services shall be as established below.

B. DEFINITIONS

“Acute psychiatric inpatient hospital service” means a service provided by a hospital to a Medi-Cal beneficiary for whom the facilities, services, and equipment are medically necessary for diagnosis or treatment of a mental disorder.

“Administrative day service” means inpatient hospital services provided to a Medi-Cal beneficiary who has been admitted to the hospital for acute psychiatric inpatient hospital services, and the Medi-Cal beneficiary’s stay at the hospital must be continued beyond the individuals’ need for acute psychiatric inpatient hospital services due to a temporary lack of residential placement options and non-acute residential treatment facilities that meet the needs of the Medi-Cal beneficiary.

“Allowable psychiatric accommodation code” means a reimbursable hospital billing code, based on room size and type of service that may be used by Fee-for-Service/Medi-Cal providers to claim payment for psychiatric inpatient hospital services provided to beneficiaries.

“Border community” means a community located outside, but in close proximity to, the California border. Limited to Pages 41 to 45.3, a border community is not considered to be out of state for the purpose of excluding coverage because of its proximity to California and historical usage of providers in the community by Medi-Cal beneficiaries.

“Disproportionate share hospital” means a FFS/MC hospital that serves a disproportionate share of low-income people as defined at page 18 and following of this Attachment 4.19-A.

“FFS/MC contract hospital” means a Fee-for-Service/Medi-Cal Hospital that is a disproportionate share hospital or a traditional hospital, or a hospital listed on page 45.3. FFS/MC contract hospitals contract with the negotiating entity to provide psychiatric inpatient hospital services.

“Fee-for-Service/Medi-Cal hospital” means a hospital that submits claims for reimbursement of psychiatric inpatient hospital services to the State’s fiscal intermediary and include all hospitals, except for those hospitals identified as SD/MC hospitals in Attachment 4.19-A, pages 38-40.5.

“Hospital-based ancillary services” means services other than routine hospital services and psychiatric inpatient hospital professional services that are received by a beneficiary admitted to a psychiatric inpatient hospital. .

“Negotiating Entity” means an entity which authorizes services and negotiates rates with the FFS/MC Hospitals. A negotiating entity may be a county, counties acting jointly, or another governmental entity.

“Per diem rate” means a daily rate, for each allowable psychiatric accommodation code, for reimbursable psychiatric inpatient hospital services for a beneficiary for the day of admission and each day that services are provided excluding the day of discharge.

“Psychiatric inpatient hospital professional services” means services provided to a beneficiary by a licensed mental health professional with hospital admitting privileges while the beneficiary is in a hospital receiving psychiatric inpatient hospital services. Psychiatric inpatient hospital professional services do not include all services that may be provided in an inpatient setting. Psychiatric inpatient hospital professional services include only those services provided for the purpose of evaluating and managing the mental disorder that resulted in the need for psychiatric inpatient hospital services. Psychiatric inpatient hospital professional services do not include routine hospital services or hospital-based ancillary services.

“Psychiatric inpatient hospital service” means an acute psychiatric inpatient hospital service or an administrative day service.

“Routine Hospital services” means bed, board, and all medical, nursing, and support services usually provided to an inpatient by a hospital. Routine hospital services do not include hospital-based ancillary services, psychiatrist or other physician services, or psychologist services.

“Traditional Hospital” means a FFS/MC hospital that, according to historical Medi-Cal payment data for the fiscal year that is two years prior to the fiscal year for which rates are being developed provided services to beneficiaries of the negotiating entity that account for at least five percent or twenty thousand dollars, whichever is more, of the total fiscal year Medi-Cal psychiatric inpatient hospital service payments made to FFS/MC hospitals for beneficiaries of the negotiating entity.

TN No. 09-004

Supersedes

TN No. 95-016

Approval Date: FEB 16, 2016

Effective Date: JAN 01, 2009

C. REIMBURSEMENT METHODOLOGIES AND PROCEDURES

1. RATE SETTING FOR PSYCHIATRIC INPATIENT HOSPITAL SERVICES PROVIDED BY FEE-FOR-SERVICE/MEDI-CAL CONTRACT HOSPITALS

- a. Reimbursement (a per diem rate) for acute psychiatric inpatient hospital services for each Fee-for-Service/Medi-Cal contract hospital will be based on a negotiated per diem rate negotiated between the negotiating entity and the hospital on an annual basis. The starting point for this negotiation will be the hospital's routine and ancillary costs of providing psychiatric inpatient hospital services as reported in its most recently filed CMS 2552 cost report. The negotiating entity and hospital will also consider the trend of the hospital's routine costs, the trend of the hospital's ancillary costs, and the hospital's usual and customary charge for psychiatric inpatient hospital services in negotiating the rate. The negotiated per diem rate negotiated between the negotiating entity and a hospital may be less than, equal to, or greater than the starting point and will not exceed the lower of the hospital's usual and customary charge or the maximum per diem rate for each accommodation code as calculated pursuant to the methodology described in Section C.1.d of this segment of the State plan.

When a hospital is owned or operated by the same organizational entity as the negotiating entity, the per diem rate will be submitted by the negotiating entity and is subject to approval by the State. The State will approve the per diem rate submitted by the negotiating entity if it is not greater than the lower of the following:

- Highest per diem rate within the State, negotiated by a different negotiating entity for a different hospital.
 - The hospital's customary charge.
 - The maximum rate calculated pursuant to C.1.d of this segment.
- b. The negotiated per diem rate includes routine hospital services and all hospital-based ancillary services.
 - c. Only one negotiated per diem rate for each allowable psychiatric accommodation code for each negotiated rate Fee-for-Service/Medi-Cal hospital may be established. The negotiated per diem rate will not be subject to retrospective adjustment to cost.
 - d. The Maximum negotiated reimbursement rate for each allowable accommodation code and rate region will be determined by the State on an annual basis pursuant to the following methodology:
 - i. The State will identify all Fee-for-Service/Medi-Cal Contract Hospitals in Fiscal Year 2013-14.

- ii. The State will obtain the number of days and direct expenses within the psychiatric acute inpatient cost center plus costs allocated to the psychiatric acute inpatient cost center from non-revenue producing cost centers for each hospital identified in (i) above from each hospital's audited 2013-14 Hospital Annual Disclosure Report filed with the Office of Statewide Health Planning and Development. Direct expenses may include salaries and wages, employee benefits, professional fees, supplies, purchased services, depreciation expense, leases and rentals, and other direct expenses within the psychiatric acute inpatient cost center. Direct expenses do not include professional costs and ancillary costs.
- iii. The State will calculate a weighted average direct expense per day using the data obtained in (ii) above. The weighted average will be equal to the total expenses within the psychiatric acute inpatient cost center summed across all hospitals identified in (i) above divided by the total patient days within the psychiatric acute inpatient cost center summed across all hospitals identified in (i) above.
- iv. The State will increase the weighted average expense per day as calculated in (iii) by 16 percent to incorporate the cost of ancillary services.
- v. The State will annually increase the rates calculated in (iv) by the percentage increase from the midpoint (calendar year quarter 4) of the last updated rate year to the midpoint (calendar year quarter 4) of the rate year for which the rates are being calculated from the Global Insight Inpatient Market Basket Index.
- e. The per-diem rate for administrative day services will be based upon the prospective class median rate for nursing facilities that are distinct parts of acute care hospitals and offer skilled nursing services, plus an allowance for the cost of ancillary services equal to 16 percent of the prospective class median rate. The state will calculate one statewide rate for administrative day services that is applied to all FFS/MC contract hospitals that provide administrative day services. The statewide rate for administrative day services, to be effective from August 1st through July 31st of each rate year, will be calculated using the following steps:
 - Enter into a spreadsheet the skilled nursing facility rates calculated under Attachment 4.19-D for each hospital that operates a distinct part nursing facility for the prospective nursing facility rate-year, which runs from August 1st through July 31st.

- Identify the median rate among all hospitals that operate a distinct part nursing facility.
 - The rate for administrative day services is equal to the median skilled nursing facility rate for hospitals that operate a distinct part nursing facility.
- f. Reimbursement for acute psychiatric inpatient hospital services provided by FFS/MC contract hospitals will be based on the negotiated per diem rate, less third party liability and patient share of cost.
- g. Reimbursement for administrative day services provided by FFS/MC contract hospitals will be based on the per diem rate for administrative day services less third party liability and patient share of cost.
- h. The negotiated per diem rate less third party liability and patient share of cost shall be considered to be payment in full for psychiatric inpatient hospital services provided to a beneficiary.

2. RATE SETTING FOR PSYCHIATRIC INPATIENT HOSPITAL SERVICES FOR NON-NEGOTIATED RATE, FEE-FOR-SERVICE/MEDI-CAL HOSPITALS

- a. Reimbursement rates (a per diem rate) for acute psychiatric inpatient hospital services for all FFS/MC hospitals except FFS/MC contract hospitals shall be determined by the State.
- i. The per diem rate will be calculated by the State prior to the beginning of each fiscal year and will not be modified for subsequent rate changes among Fee-for-Service/Medi-Cal negotiated rate hospitals or the addition of new Fee-for-Service/Medi-Cal negotiated rate hospitals.
 - ii. One per diem rate for each allowable psychiatric accommodation code per non-negotiated rate, Fee-for-Service/Medi-Cal hospital per Rate Region listed in (7) will be established and used.
 - iii. The per diem rate will not be subject to retrospective adjustment to cost.
- b. The per diem rate will include routine hospital services and all hospital-based ancillary services
- c. The per diem rate will equal the weighted average per diem rates negotiated for all Fee-for-Service/Medi-Cal hospitals within the Rate Region where the non-negotiated rate Fee-for-Service/Medi-Cal hospital is located. The per diem rate, when there are no Fee-for-Service/Medi-Cal hospitals with a negotiated rate within the Rate Region, will equal the weighted average per diem rate negotiated for all Fee-for Service/Medi-Cal hospitals statewide. The weighted average per diem rate, whether regional or statewide, will be calculated as follows:

- i. The Fee-for-Service/Medi-Cal acute psychiatric inpatient hospital services patient days by accommodation code and by Fee-for-Service/Medi-Cal contract hospital from two fiscal years prior to the fiscal year for which the rate is being computed will be multiplied by the negotiated per diem rate by accommodation code and by Fee-for-Service/Medi-Cal contract hospital for the fiscal year for which the rate is being computed.
- ii. The sum of the products from (a) by accommodation code for all Fee-for-Service/Medi-Cal contract hospitals within a Rate Region (or statewide when developing a statewide weighted average) will be divided by the Fee-for-Service/Medi-Cal acute psychiatric inpatient hospital services patient days by accommodation code for FFS/MC contract hospitals within the Rate Region (or statewide) that have a negotiated rate to compute the weighted average per diem rate for each accommodation code within the Rate Region (or statewide).

Reimbursement for administrative day services will be the rate based on the prospective class median rate for nursing facilities that are distinct parts of acute care hospitals and offer skilled nursing services, plus an allowance for the costs of ancillary service equal to 16 percent of the prospective class median rate. The state will calculate one statewide rate for administrative day services that is applied to all FFS/MC hospitals that provide administrative day services. The Statewide rate for administrative day services will be calculated, to be effective from August 1st through July 31st of each rate year, using the following steps:

- Enter into a spreadsheet the skilled nursing facility rates calculated under Attachment 4. 19-D for each hospital that operates a distinct part nursing facility for the prospective nursing facility rate year, which runs August 1st through July 31st.
 - Identify the median rate among all hospitals that operate a distinct part nursing facility.
 - The rate for administrative day services is equal to the median skilled nursing facility rate for hospitals that operate a distinct part nursing facility.
- d. For both acute psychiatric inpatient hospital services and administrative day services, reimbursement to the non-negotiated, Fee-for-Service/Medi-Cal hospital will be based on the lower of the hospitals customary charge or calculated per diem rate less third party liability and patient share of cost.

e. The Rate Regions, including specified border communities, are:

- i. Superior – Butte, Colusa, Del Norte, Glenn, Humboldt, Inyo, Lake, Lassen, Mendocino, Modoc, Nevada, Plumas, Shasta, Sierra, Siskiyou, Tehama and Trinity Counties and the border communities of Ashland, Brookings, Cave Junction, Jacksonville, Grants Pass, Klamath Falls, Lakeview, Medford, and Merrill Oregon.
- ii. Central Valley – Alpine, Amador, Calaveras, El Dorado, Fresno, Kings, Madera, Mariposa, Merced, Mono, Placer, Sacramento, San Joaquin, Stanislaus, Sutter, Tulare, Tuolumne, Yolo and Yuba Counties and the border communities of Carson City, Incline Village, Minden, Reno, Sparks, and Zephyr Cove, Nevada.
- iii. Bay Area – Alameda, Contra Costa, Marin, Monterey, Napa, San Benito, San Francisco, San Mateo, Santa Clara, Santa Cruz, Solano, and Sonoma Counties.
- iv. Southern California – Imperial, Kern, Orange, Riverside, San Bernardino, San Diego, San Luis Obispo, Santa Barbara and Ventura Counties and the border communities of Las Vegas, and Henderson, Nevada, and Kingman, Lake Havasu City, Parker and Yuma Arizona.
- v. Los Angeles County

The following is a list of FFS/MC contract hospitals that are not disproportionate share hospitals or traditional hospitals as those terms are defined in Attachment 4.19-A, pages 41-45.2.

1. Eden Medical Center
2. Aurora Las Encinas Hospital
3. BHC Alhambra Hospital
4. Citrus Valley Medical Center
5. College Hospital Cerritos
6. Community Hospital Long Beach
7. East Valley Glendora
8. Encino Hospital Medical Center
9. Glendale Adventist Medical Center
10. Grancel Village
11. Henry Mayo Newhall
12. Huntington Memorial Hospital
13. Northridge Medical Center
14. Sherman Oaks Hospital
15. Southern CA Hospital at Culver City
16. Verdugo Hills Hospital
17. Los Alamitos Medical Center
18. St. Joseph Hospital
19. Corona Regional Medical Center
20. Redlands Community Hospital
21. Alvarado Parkway Institute
22. St. Mary's Medical Center
23. Catholic Healthcare West
24. Good Samaritan Hospital
25. Aurora Vista Del Mar

State/Territory California

Citation	Condition or Requirement
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REIMBURSEMENT OF REHABILITATIVE MENTAL HEALTH AND TARGETED CASE MANAGEMENT SERVICES

A. GENERAL APPLICABILITY

Reimbursement of rehabilitative mental health and targeted case management services provided by eligible private providers will be limited to the lower of the provider's reasonable and allowable cost, as determined in the CMS approved State-developed cost report, or usual and customary charge for the type of service provided for the reporting period. Reimbursement of rehabilitative mental health and targeted case management services provided by county owned and operated providers and county owned and operated hospital-based providers will be based upon the provider's certified public expenditures pursuant to Section 433.51 of Title 42 Code of Federal Regulations.

B. DEFINITIONS

"Service coordinating organization" means a privately operated entity that contracts with eligible providers and arranges with those providers for the delivery of rehabilitative mental health services and/or targeted case management services provided to Medi-Cal beneficiaries. A service coordination organization does not provide rehabilitative mental health services and/or targeted case management services.

"Cognizant agency" for county owned and operated providers means the California State Controller's Office. The Cognizant agency for other providers means the single federal agency that represents all other federal agencies in dealing with a grantee within common areas, such as the development of an indirect cost rate.

"County owned and operated hospital-based outpatient provider" means a hospital that is owned and operated by a county government and that provides rehabilitative mental health or targeted case management services to Medi-Cal beneficiaries on an outpatient basis.

"County owned and operated provider" means a provider of rehabilitative mental health and targeted case management services that is owned and operated by a county government, which provides services through employed or contracted licensed mental health professionals, waived/registered professionals and other qualified providers as those providers are defined in Supplement 1 and Supplement

TN No. 09-004

Supersedes

TN No. 93-009Approval Date: FEB 16, 2016Effective Date: JAN 01, 2009

3 to Attachment 3.1-A of the State plan. County government provider does not include a county government hospital-based outpatient provider, individual provider, group provider, or service coordinating organization.

“Eligible provider” means a county owned and operated hospital-based outpatient provider, state owned and operated hospital-based outpatient provider, private hospital-based outpatient provider, county owned and operated provider, state owned and operated provider, private organizational provider, individual provider, group provider, or other qualified provider.

“Group provider” means an organization that provides rehabilitative mental health services through two or more individual providers, such as independent practice associations. Group providers do not include hospital-based outpatient providers, county owned and operated providers, private organizational providers, or administrative service organizations.

“Individual provider” means a licensed mental health professional whose scope of practice permits the practice of psychotherapy without supervision. Individual provider includes licensed physicians, licensed psychologists, licensed clinical social workers, licensed marriage and family therapists, licensed professional clinical counselors, and registered nurses with a master’s degree.

“Private hospital-based outpatient provider” means a hospital that is owned and operated by a private entity that provides rehabilitative mental health or targeted case management services to Medi-Cal beneficiaries on an outpatient basis.

“Private organizational provider” means a provider of rehabilitative mental health services and/or targeted case management that is owned and operated by a private entity, which provides services through employed or contracted licensed mental health professionals, waived/registered professionals and other staff who are qualified to provide rehabilitative mental health and/or targeted case management services as described in Supplement 1, pages 8 through 17, and Supplement 3 to Attachment 3.1-A of the State Plan.

“Professional service contract” means a contract between a county owned and operated provider and an individual provider, group provider, service coordinating organization, or other qualified provider of rehabilitative mental health and/or targeted case management services.

“Psychiatric inpatient hospital professional services” means services provided to a beneficiary by a licensed mental health professional with hospital admitting privileges while the beneficiary is in a hospital receiving psychiatric inpatient hospital services. Psychiatric inpatient hospital professional services do not include all services that may be provided in an inpatient setting. Psychiatric inpatient hospital professional services include only those services provided for the purpose of evaluating and managing the mental disorder that resulted in the need for psychiatric inpatient hospital services. Psychiatric inpatient hospital professional services do not include routine hospital services or hospital-based ancillary services.

“Rehabilitative Mental Health Services” means any of the following: mental health services, medication support services, day treatment intensive, day rehabilitation, crisis intervention, crisis stabilization, adult residential treatment services, crisis residential treatment services, and psychiatric health facility services provided to individuals who meet medical necessity criteria as defined in Supplement 3 to Attachment 3.1-A of the State plan; and services provided in a treatment foster home.

“Relative value statistic” means a statistic that has been developed from dissimilar elements that acts as a common basis for the purpose of allocating a pool of costs.

“Schedule of Maximum Rates (SMR)” means a schedule of maximum rates per unit of service, as defined in Section G of this Segment, that will be paid for each type of service.

“SD/MC hospital” means a hospital as defined in Attachment 3.19-A, Pages 38-40 of the State Plan. A SD/MC hospital may be a UC hospital, may be owned and operated by a county government, or may be owned and operated by a private entity.

“State Owned and Operated Provider” means a provider that is owned and operated by the Regents of the University of California.

“Targeted Case Management” has the meaning defined in supplement 1 to attachment 3.1-A, pages 8-17 of the State Plan.

“Services Provided in a Treatment Foster Home” means a bundle of rehabilitative mental health services provided to children and youth up to 21 years of age who have been placed in a Residential Treatment Foster Home and who meet medical necessity criteria for this service as established by the State. The bundle of

rehabilitative mental health services includes plan development, rehabilitation, collateral, and crisis intervention, as those services are defined in Supplement 3 to Attachment 3.1-A of the State Plan. The bundle of services are provided by an other qualified provider under the direction of a licensed mental health professional as those provider types are defined in Supplement 3 to Attachment 3.1-A of the State Plan.

“Third party revenue” means revenue collected from an entity other than the Medi-Cal program for a service rendered.

“UC Hospital” means a hospital that is owned and operated by the University of California Regents.

C. REIMBURSEMENT METHODOLOGY AND PROCEDURES – COUNTY OWNED AND OPERATED PROVIDERS AND PRIVATE ORGANIZATIONAL PROVIDERS

The following steps will be taken to determine reasonable and allowable Medicaid costs and associated reimbursements for rehabilitative mental health and targeted case management services provided by county owned and operated providers and private organizational providers.

1. Interim Payments

Interim payments to county owned and operated providers and private organizational providers are intended to approximate the allowable Medicaid (Medi-Cal) costs incurred by the provider for services rendered to Medi-Cal beneficiaries. Interim payments for rehabilitative mental health and targeted case management services provided by county government providers and private organizational providers will be based upon interim rates that are established by the State on an annual basis. The State will follow the process described below to calculate an interim rate for each rehabilitative mental health service and targeted case management for each county government and private organizational provider when cost report data is available.

- Include the gross costs allocated to each type of service from the most recently filed CMS-approved State-developed cost report.
- Include the total units of service for each type of service from the most recently filed CMS-approved State-developed cost report.
- Divide the gross costs by the total units of service to calculate the cost per unit for each type of service.
- Multiply the cost per unit by one plus the percentage change in the CMS approved cost of living index.

When cost report data is not available for a rehabilitative mental health service or targeted case management, the State will set the interim rate at the SMIR calculated for the service as described in Section G of this segment.

2. Cost Report Submission

Each county owned and operated provider and private organizational provider that receives reimbursement for rehabilitative mental health and targeted case management services pursuant to this section is required to file a CMS-approved State-developed cost report by December 31st following the close of the State Fiscal Year (i.e., June 30th). Each county owned and operated provider must certify that its cost report is based on actual, total expenditures as necessary for claiming Federal Financial Participation pursuant to all applicable requirements of state and federal law including Sections 430.30 and 433.51 of Title 42 Code of Federal Regulations.

3. Cost Determination

The reasonable and allowable cost of providing rehabilitative mental health and targeted case management services for each county owned and operated provider and private organizational provider will be determined in the CMS-approved State-developed cost report pursuant to the following methodology.

- Total allowable costs include direct and indirect costs that are determined in accordance with the reimbursement principles in Part 413 of Title 42 of the Code of Federal Regulations, OMB Circular A-87 and CMS Medicaid non-institutional reimbursement policy.
- Allowable direct costs will be limited to the costs related to direct practitioners, medical equipment, medical supplies, and other costs, such as professional service contracts, that can be directly charged to rehabilitative mental health and targeted case management services.
- Indirect costs may be determined by applying the cognizant agency specific approved indirect cost rate to its net direct costs, allocating indirect costs based upon the allocation process in the agency's approved cost allocation plan, or allocating indirect costs based upon direct program costs.
- Indirect costs allocated pursuant to an approved cost allocation plan will be reduced by any unallowable amount based on CMS' Medicaid non-institutional reimbursement policy.

For the following subset of rehabilitative mental health services – Adult Residential Treatment Services, Crisis Residential Treatment Services, services provided in a treatment foster home and Psychiatric Health Facility Services – allowable costs are determined in accordance to the reimbursement principle in title 42 CFR 413, OMB

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Circular A-87 and CMS Medicaid non-institutional reimbursement policy. Allowable direct costs will be limited to the costs related to direct practitioners, medical equipment, medical supplies and overhead costs determined using one of the following methods:

- The provider may allocate overhead costs based upon an approved indirect cost rate.
- When there is not an approved indirect cost rate, the provider may allocate those overhead costs that are “directly attributable” to the professional component of providing the medical services using a CMS approved allocation methodology.
- Overhead costs that are not directly attributable to the provision of medical services but would “benefit” multiple purposes and generally be incurred at the same level if the medical service did not occur, will not be allowable (e.g. room and board, allocated cost from other related organizations).

4. Allocating Costs to Services

Allowable direct and indirect costs will be allocated to each type of rehabilitative mental health service and targeted case management using one or more of the following three methods;

- Direct assignment: Providers with the ability to determine costs at the service level may directly assign allowable direct and indirect costs.
- Time study: Providers may allocate allowable direct and indirect costs among services based upon the results of a CMS-approved time study.
- Relative value: Providers that render multiple types of service may allocate allowable direct and indirect costs among services based upon relative value statistics.

5. Apportioning Costs to Medicaid (Medi-Cal)

Total allowable direct and indirect costs allocated to a type of service will be apportioned to the Medi-Cal program based upon units of service. For each type of rehabilitative mental health and targeted case management service, the provider will report on the CMS-approved State-developed cost report, the total units of service it provided to all individuals. Units of service will be measured in increments of time as defined in Section H below. The total direct and indirect costs allocated to a particular type of rehabilitative mental health service or to targeted case management will be divided by the total units of service reported for the same type of service to determine the cost per unit of service.

For each type of rehabilitative mental health and targeted case management service, the provider will report the total units of service provided to Medi-Cal

beneficiaries. The cost per unit calculated for each rehabilitative mental health service and for targeted case management will be multiplied by the total units of that service provided to Medi-Cal beneficiaries to apportion costs to the Medi-Cal program.

For each type of rehabilitative mental health service and for targeted case management, the provider will also report all third party revenue and patient share of cost collected for the services rendered to Medi-Cal beneficiaries. The costs apportioned to the Medi-Cal program for each type of rehabilitative mental health service and for targeted case management will be reduced by the total third party revenue and patient share of cost the provider collected for each type of service rendered to determine the cost eligible for reimbursement.

6. Reconciliation

No later than eighteen months after the close of the State Fiscal Year, each county government provider and private organizational provider will reconcile the units of service that were provided to Medi-Cal beneficiaries as reported in its filed CMS-approved state-developed cost report with the provider's records received from the State regarding the result of the State's claims adjudication.

7. Interim Settlement

Not later than twenty-four months after the close of the State Fiscal Year, the State will complete the interim settlement of each county government provider's and private organizational provider's reconciled cost report. The interim settlement will compare interim payments made to each provider with the total reimbursable costs as determined in the CMS-approved State-developed cost report. Total reimbursable costs for private organizational providers are equal to the lower of the provider's reasonable and allowable costs or usual and customary charge for the services provided for the reporting period. Total reimbursable costs for county government providers are equal to the provider's reasonable and allowable costs for the services provided for the reporting period. If the total reimbursable costs are greater than the total interim payments, the State will pay the provider the difference. If the total interim payments are greater than the total reimbursable costs, the State will recoup the difference and return the Federal share to the Federal government in accordance with 42 CFR 433.316.

8. Final Settlement Process

The State will complete the audit process of the interim settled state-developed cost report, as described in Section C.7, within three years of the date the

certified reconciled state-developed cost report is submitted. The audit performed by the State will determine whether the income, expenses, and statistical data reported on the CMS-approved state-developed cost report are reasonable, allowable, and in accordance with State and Federal rules and regulations, including Medicare principles of reimbursement issued by CMS and CMS' Medicaid non-institutional reimbursement policy. The audit will also determine that the provider's CMS-approved state-developed cost report represents the actual cost of providing rehabilitative mental health and targeted case management services in accordance with the program's Cost and Financial Reporting System (CFRS), Generally Accepted Accounting Principles (GAAP), Title 42, Code of Federal Regulations (42 CFR), Office of Management and Budget (OMB) Circular A-87, CMS' Medicaid non-institutional reimbursement policy, Generally Accepted Governmental Auditing Standards (GAGAS) as published by the Comptroller General of the United State and other State and Federal regulatory authorities. The State will recoup any overpayments and return the Federal share to the Federal government in accordance with 42 CFR 433.316. If the total reimbursable costs are greater than the total interim payments, the state will pay the provider the difference.

D. REIMBURSEMENT METHODOLOGY AND PROCEDURES – COUNTY OWNED AND OPERATED HOSPITAL-BASED OUTPATIENT PROVIDERS, STATE OWNED AND OPERATED HOSPITAL-BASED OUTPATIENT PROVIDERS AND PRIVATE HOSPITAL-BASED OUTPATIENT PROVIDERS

The following steps will be taken to determine reasonable and allowable Medicaid costs and associated reimbursements for rehabilitative mental health and targeted case management services provided by county owned and operated hospital-based outpatient providers, state owned and operated hospital-based outpatient providers and private hospital-based outpatient providers.

1. Interim Payments

Interim payments to county owned and operated hospital-based outpatient providers, state owned and operated hospital-based outpatient providers and private hospital-based outpatient providers are intended to approximate the Medicaid (Medi-Cal) costs incurred by the provider for services rendered to Medi-Cal beneficiaries. Interim payments for rehabilitative mental health and targeted case management services provided by county owned and operated hospital-based outpatient providers, state owned and operated hospital-based outpatient providers and private hospital-based outpatient providers will be based upon interim rates that are established by the State on an annual basis. The State will follow the process described below to calculate an interim rate for each

rehabilitative mental health service and targeted case management for each county owned and operated and private hospital-based outpatient provider.

- Include the gross costs allocated to each type of service from the most recently filed CMS 2552 and supplemental schedules.
- Include the total units of service for each type of service from the most recently filed CMS 2552 and supplemental schedules.
- Divide the gross costs by the total units of service to calculate the cost per unit for each type of service.
- Multiply the cost per unit by one plus the percentage change in a CMS approved cost of living index.

When cost report data is not available for a rehabilitative mental health service or targeted case management, the State will set the interim rate at the SMIR calculated for the service as described in Section G of this segment.

2. Cost Report Submission

Each county owned and operated hospital-based outpatient provider, state owned and operated hospital-based outpatient provider and private hospital-based outpatient provider that receives reimbursement for rehabilitative mental health and targeted case management services pursuant Section D will be required to file a CMS 2552 hospital cost report and supplemental schedules by December 31st following the close of the State Fiscal Year (i.e., June 30th). Each county owned and operated hospital-based outpatient provider must certify that it's cost report is based on actual, total expenditures as necessary for claiming Federal Financial Participation pursuant to all applicable requirements of state and federal law including Sections 430.30 and 433.51 of Title 42 Code of Federal Regulations.

3. Cost Determination

The reasonable and allowable cost of providing outpatient services for each county owned and operated hospital-based outpatient provider and private hospital-based outpatient provider will be determined on the CMS 2552 hospital cost report and supplemental schedules.

4. Apportioning Costs to Medicaid (Medi-Cal)

The reasonable and allowable cost of providing outpatient services as determined on the CMS 2552 hospital cost report will be apportioned to rehabilitative mental health services (except for adult residential treatment, crisis residential treatment, services provided in a treatment foster home, and psychiatric health facilities) and targeted case management, as described under

Section H, provided to Medi-Cal beneficiaries based upon a cost-to-charge ratio. Each hospital-based outpatient provider will transfer the total costs for each outpatient cost center as determined on the CMS 2552 hospital cost report to a supplemental schedule. Each hospital will report its total charges for outpatient services provided in each outpatient cost center on the supplemental schedule. The supplemental schedule will divide the total costs by the total charges for each outpatient cost center to calculate the cost-to-charge ratio. Each hospital based outpatient provider will report on the supplemental schedules, the total charges for rehabilitative mental health and targeted case management services provided in each outpatient cost center to Medi-Cal beneficiaries. The supplemental schedules will multiply the Medi-Cal charges for rehabilitative mental health and targeted case management services by the cost-to-charge ratio for each outpatient cost center to calculate the outpatient costs apportioned to the Medi-Cal program for each outpatient cost center.

5. Reconciliation

No later than eighteen months after the close of the State Fiscal Year, each hospital-based outpatient provider will reconcile the Medi-Cal charges it reported on the supplemental schedules for rehabilitative mental health and targeted case management services. Each hospital-based outpatient provider will reconcile the Medi-Cal charges it reported with records it received from the State regarding the results of claims adjudication.

6. Interim Settlement

No later than twenty-four months after the close of the State Fiscal Year, the State will complete the interim settlement of the CMS 2552 hospital cost report and supplemental schedules submitted by each county owned and operated hospital-based outpatient provider, state owned and operated hospital-based outpatient provider and private hospital-based outpatient provider. The interim settlement will compare interim payments made to each county owned and operated hospital-based outpatient provider and private hospital-based outpatient provider with the total reimbursable costs. The CMS 2552 and supplemental schedules is used to calculate total reimbursable costs. Total reimbursable costs for private hospital-based outpatient providers and state-owned and operated hospital-based outpatient providers are equal to the lower of the provider's allowable costs determined in the CMS 2552 hospital cost report and supplemental schedules or usual and customary charge for the services provided. Total reimbursable costs for county owned and operated hospital-based outpatient providers are equal to the provider's reasonable and allowable costs determined in the CMS 2552 hospital cost report and supplemental

schedules for the services provided for the reporting period. The State will pay the provider an additional amount if the total reimbursable cost is more than the interim payments made to the provider. Any overpayments will be recouped and returned to the Federal government in accordance with 42 CFR 433.316.

7. Final Settlement Process

The State will complete its audit of the interim settled CMS 2552 hospital cost report and supplemental schedules within three years of the date the certified reconciled CMS 2552 hospital cost report and supplemental schedules are submitted. The audit performed by the State will determine whether the income, expenses, and statistical data reported on the CMS 2552 hospital cost report and supplemental schedules are reasonable, allowable, and in accordance with State and Federal rules, regulations, and Medicare principles of reimbursement issued by the CMS. The audit will also determine that the provider's CMS 2552 hospital cost report and supplemental schedules represent the actual cost of providing rehabilitative mental health and targeted case management services in accordance with the program's Cost and Financial Reporting System (CFRS), Generally Accepted Accounting Principles (GAAP), Title 42, Code of Federal Regulations (42 CFR), Office of Management and Budget (OMB) Circular A-87, Generally Accepted Governmental Auditing Standards (GAGAS) as published by the Comptroller General of the United State and other State and Federal regulatory authorities. The State will pay the provider an additional amount if the total reimbursable cost is more than the interim payments made to the provider. Any overpayments will be recouped and returned to the Federal government in accordance with 42 CFR 433.316.

E. REIMBURSEMENT METHODOLOGY AND PROCEDURES – PSYCHIATRIC HOSPITAL PROFESSIONAL SERVICES PROVIDED IN SD/MC HOSPITALS

The following steps will be taken to determine reasonable and allowable Medicaid costs and associated reimbursements for psychiatric hospital professional services provided in SD/MC hospitals.

1. Interim Payments

Interim payments for psychiatric hospital professional services provided in SD/MC hospitals are intended to approximate the Medicaid (Medi-Cal) costs incurred by the SD/MC hospital for the services rendered to Medi-Cal beneficiaries. Interim payments for psychiatric hospital professional services provided in SD/MC hospitals will be based upon interim rates that are established by the State on an annual basis. The State will follow the process described below to calculate an interim rate for psychiatric hospital professional services provided in each SD/MC hospital.

- Include the gross costs allocated to each type of service from the most recently filed CMS 2552 and supplemental schedules.
- Include the total units of service for each type of service from the most recently filed CMS 2552 and supplemental schedules.
- Divide the gross costs by the total units of service to calculate the cost per unit for each type of service.
- Multiply the cost per unit by one plus the percentage change in a CMS approved cost of living index.

2. Cost Report Submission

Each SD/MC hospital that receives reimbursement for psychiatric hospital professional services pursuant to this section will be required to file a CMS 2552 hospital cost report and supplemental schedules by December 31st following the close of the State Fiscal Year (i.e., June 30th). Each SD/MC hospital that is owned and operated by a county government must certify that its cost report is based on actual, total expenditures as necessary for claiming Federal Financial Participation pursuant to all applicable requirements of state and federal law including Sections 430.30 and 433.51 of Title 42 Code of Federal Regulations.

3. Cost Determination

The reasonable and allowable cost of providing psychiatric hospital professional services for each SD/MC hospital will be determined on the CMS 2552 hospital cost report and supplemental schedules.

4. Apportioning Costs to Medicaid (Medi-Cal)

The reasonable and allowable cost of providing psychiatric hospital professional services as determined on the SD/MC hospital's CMS 2552 hospital cost report will be apportioned to the Medi-Cal program based upon a cost-to-charge ratio. Each SD/MC hospital will transfer the total costs for hospital professional services as determined on the CMS 2552 hospital cost report to a supplemental schedule. Each hospital will report its total professional services charges for each cost center on the supplemental schedule. The supplemental schedule will divide the total costs by the total charges for each cost center containing hospital professional service costs and charges. Each SD/MC hospital will report, on another supplemental schedule, the total charges for psychiatric hospital professional services provided to Medi-Cal beneficiaries in each cost center. The supplemental schedule will multiply the Medi-Cal charges for psychiatric hospital professional services by the

cost-to-charge ratio for each cost center to calculate the hospital professional service costs apportioned to the Medi-Cal program for psychiatric hospital services.

5. Reconciliation

No later than eighteen months after the close of the State Fiscal Year, each SD/MC hospital will reconcile the Medi-Cal charges it reported on the supplemental schedules for psychiatric hospital professional services. Each SD/MC hospital will reconcile the Medi-Cal charges it reported with records it received from the State regarding the results of claims adjudication.

6. Interim Settlement

No later than twenty-four months after the close of the State Fiscal Year, the State will complete the interim settlement of the CMS 2552 hospital cost report and supplemental schedules submitted by each SD/MC hospital. The interim settlement will compare interim payments made to each SD/MC hospital with the total reimbursable cost. The CMS-approved state developed cost report is used to calculate the total reimbursable costs. Total reimbursable costs for SD/MC hospitals that are owned and operated by a private entity are equal to the lower of the SD/MC hospital's allowable costs determined in the CMS 2552 hospital cost report and supplemental schedules or usual and customary charge for the psychiatric hospital professional services provided. Total reimbursable costs for SD/MC hospitals that are a UC hospital or owned and operated by a county government are equal to the provider's reasonable and allowable costs determined in the CMS 2552 hospital cost report and supplemental schedules. The State will pay the SD/MC hospital an additional amount if the total reimbursable costs are more than the interim payments made to the provider. Any overpayments will be recouped and returned to the Federal government in accordance with 42 CFR 433.316.

7. Final Settlement Process

The State will complete its audit of the interim settled CMS 2552 hospital cost report and supplemental schedules within three years of the date the certified reconciled CMS 2552 hospital cost report and supplemental schedules are submitted. The audit performed by the State will determine whether the income, expenses, and statistical data reported on the CMS 2552 hospital cost report and supplemental schedules are reasonable, allowable, and in accordance with State and Federal rules, regulations, and Medicare principles of reimbursement issued by the Centers for Medicare and Medicaid Services (CMS). The audit will also determine that the provider's CMS 2552 hospital cost report and supplemental

schedules represent the actual cost of providing rehabilitative and targeted case management services in accordance with the program's Cost and Financial Reporting System (CFRS), Generally Accepted Accounting Principles (GAAP), Title 42, Code of Federal Regulations (42 CFR), Office of Management and Budget (OMB) Circular A-87, Generally Accepted Governmental Auditing Standards (GAGAS) as published by the Comptroller General of the United States and other State and Federal regulatory authorities. The State will pay the provider an additional amount if the total reimbursable costs is more than the interim payments made to the provider. Any overpayments will be recouped and returned to the Federal government in accordance with 42 CFR 433.316.

F. REIMBURSEMENT METHODOLOGY AND PROCEDURES – INDIVIDUAL AND GROUP PROVIDERS AND OTHER QUALIFIED PROVIDERS

Individual and group providers and other eligible providers that render rehabilitative mental health services and/or targeted case management services will be reimbursed based upon the SMIR.

G. SCHEDULE OF MAXIMUM RATES

The State originally calculated the Schedule of Maximum Interim Rates (SMIR) for targeted case management services and rehabilitative mental health services, except crisis stabilization, crisis residential treatment, and adult residential treatment, using data from state fiscal year 1998-99 cost reports. These rates are updated on an annual basis and published in an information notice that is posted to the single state agency's website. The following describes the methodology the State used to calculate the original SMIR and the methodology the state will use to annually update those rates.

1. Extract from each provider's cost report the reported gross costs for each type of service and reported units of service for each type of service. Gross costs do not include county administrative and utilization review costs.
2. Divide gross costs by units of service for each type of service.
3. Remove from the data set those providers that have a cost per unit that is one standard deviation above the mean.
4. After completing step 3, remove those providers that have a cost per day in the top ten percent of the remaining providers.
5. From the remaining providers, calculate the sum of gross costs reported for each type of service.

6. From the remaining providers, calculate the sum of the units of service reported for each type of service.
7. Divide the sum of gross costs determined in step 5 by the sum of the units of service as determined in step 6 to calculate the statewide average cost per unit for each type of service.
8. The statewide average cost per unit calculated in step 7 will be increased on an annual basis, effective the first day of each state fiscal year, using the change in the home health agency market basket index.

The State originally calculated the SMIR for crisis stabilization using a cost survey of fourteen county programs that provided services for up to 24 hours in an emergency room setting. The statewide average cost per unit for crisis stabilization services will be increased on an annual basis, effective the first day of each fiscal year, using the change in the home health agency market basket index. The annually updated cost per unit for crisis stabilization services will be published in an annual information notice that is posted to the single state agency's website.

The State originally calculated the SMIR for crisis residential treatment and adult residential treatment services based on a cost survey from approximately sixty facilities. The survey distinguished between the cost of treatment from the cost for room and board, which is excluded from the SMIR for crisis residential treatment and adult residential treatment. The statewide average cost per unit for crisis residential treatment and adult residential treatment will be increased on an annual basis, effective the first day of each fiscal year, using the change in the home health agency market basket index. The annually updated cost per unit for crisis residential treatment and adult residential treatment will be published in an annual information notice that is posted to the single state agency's website.

The SMIR for services provided in a treatment foster home will initially be set at \$87.40 per day and the State will annually increase this SMIR based upon the change in the home health agency market basket index. The \$87.40 daily rate is based upon the existing rate the State pays providers for a similar service called intensive treatment foster care. The treatment component of these rates are based upon an hourly rate of \$23 for an in-home support counselor multiplied by the number of hours the in-home support counselor is likely to provide treatment to the child. The most intensive level of treatment expects the in-home support counselor to provide 114 hours of treatment per month, which is 3.8 hours per day. The hourly rate of \$23 multiplied by 3.8 hours per day of treatment equals the daily rate of \$87.40.

H. ALLOWABLE SERVICES

Allowable Rehabilitative Mental Health and Targeted Case Management
Services and units of service are as follows:

<u>Service</u>	<u>Units of Service</u>
Mental Health Services	One Minute Increments
Medication Support Services	One Minute Increments
Day Treatment Intensive	Half-Day or Full-Day
Day Rehabilitation	Half-Day or Full-Day
Crisis Intervention	One Minute Increments
Crisis Stabilization	One-Hour Blocks
Adult Residential Treatment Services	Day (Excluding room and board)
Crisis Residential Treatment Services	Day (Excluding room and board)
Psychiatric Health Facility Services	Day (Excluding room and board)
Targeted Case Management	One Minute Increments
Services provided in a treatment home	Day (Excluding room and board)