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State/Territory Name: California

State Plan Amendment (SPA) #: 13-002

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
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, Maryland 21244-1850



DEC 11 2013

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

RE: California State Plan Amendment 13-002

Dear Mr. Douglas:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid state plan submitted under transmittal number (TN) 13-002. This amendment provides that Private Hospital Supplemental Fund Program inpatient hospital supplemental payments will continue to be made to eligible hospitals, under state plan authority effective July 1, 2013, after the expiration of California's Selective Provider Contracting Program.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(13), 1902(a)(30), 1903(a), and 1923 of the Social Security Act and the implementing Federal regulations at 42 CFR 447 Subpart C. This is to inform you that Medicaid State plan amendment TN 13-002 is approved effective July 1, 2013. We are enclosing the HCFA-179 and the amended plan pages.

If you have any questions, please call Mark Wong at 415-744-3561.

Sincerely,


Cindy Mann
Director

Enclosures

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL	1. TRANSMITTAL NUMBER: 13-002	2. STATE California
	3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
FOR: HEALTH CARE FINANCING ADMINISTRATION	4. PROPOSED EFFECTIVE DATE July 1, 2013	
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES		

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 447.304; 447.321; and 447.325 42 CFR 447 Subpart C	7. FEDERAL BUDGET IMPACT: a. FFY 2013 \$169,634,500 32,593,450 b. FFY 2014 \$122,460,000 97,780,350
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Supplement 4 to Attachment 4.19-A, pages 1-6	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): None

10. SUBJECT OF AMENDMENT:

Private Hospital Supplemental Fund Program

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:
The Governor's Office does not wish to review the State Plan Amendment.

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:
Toby Douglas

14. TITLE:
Director

15. DATE SUBMITTED: SEP 23 2013

16. RETURN TO:

Department of Health Care Services
Attn: State Plan Coordinator
1501 Capitol Avenue, Suite 71.326
P.O. Box 997417
Sacramento, CA 95899-7417

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

18. DATE APPROVED: DEC 11 2013

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL: JUL 01 2013

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME: [REDACTED]

22. TITLE: Deputy Director, Policy + Financial Mgt EMCS

23. REMARKS:

Pen-and-ink changes made to Boxes 6 and 7 by Regional Office with state concurrence.

**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
STATE: CALIFORNIA**

SUPPLEMENTAL REIMBURSEMENT FOR QUALIFIED PRIVATE HOSPITALS

This segment of the State Plan describes an enhanced Medi-Cal payment for private hospitals that have a need for assistance in ensuring the availability of essential services for Medi-Cal beneficiaries, and that meet the requirements in Sections A and B below.

The Private Hospital Supplemental Fund Program (PHSF) was established under Social Security Act (SSA) section 1915(b) waiver (and starting in 2005 under a SSA section 1115(a) Medicaid Demonstration) granting the Department of Health Care Services (DHCS) its authority to make PHSF supplemental payments to hospitals participating in the Medi-Cal Selective Provider Contracting Program (SPCP). The SPCP ended on June 30, 2013. This section of Attachment 4.19-A is written to continue the Department's federal authority to provide supplemental reimbursement payments to private hospitals participating in the PHSF.

The SPA effective date is July 1, 2013 and replaces existing SPCP authority in the Demonstration.

A. DEFINITION OF A PRIVATE HOSPITAL

A private hospital is defined as a hospital that meets all of the following conditions:

1. Is licensed pursuant to subdivision (a) of section 1250 of the Health and Safety Code, as the law was in effect on July 1, 2013.
2. Is in the Charitable Research Hospital peer group, as set forth in the 1991 Hospital Peer Grouping Report published by the Department, or is not designated as a specialty hospital in the hospital's Office of Statewide Health Planning and Development Annual Financial Disclosure Report for the hospital's latest fiscal year.
3. Does not satisfy the Medicare criteria to be classified as a long-term care hospital.
4. Is a nonpublic hospital, nonpublic converted hospital, or converted hospital as those terms are defined in paragraphs (26) to (28), inclusive, respectively, of subdivision (a) of section 14105.98 of the Welfare & Institutions Code, as the law was in effect on July 1, 2013.

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B. DEFINITION OF AN ELIGIBLE PRIVATE HOSPITAL

An eligible hospital is a private hospital that had its SPCP contract inactivated on June 30, 2013 and that meets the criteria in paragraph (1), (2), (3), or (4) below:

1. The hospital meets all of the following criteria:
 - a. The hospital meets the criteria contained in the Medicaid State Plan for Disproportionate Share Hospital (DSH) status.
 - b. The hospital is one of the following:
 - i. A licensed provider of basic emergency services as described in section 70411 of title 22 of the California Code of Regulations, as the law was in effect on July 1, 2013.
 - ii. A licensed provider of comprehensive emergency medical services as defined in section 70451 of title 22 of the California Code of Regulations, as the law was in effect on July 1, 2013.
 - iii. A children's hospital, as defined in Welfare & Institutions Code section 14087.21, as the law was in effect on July 1, 2013, that satisfies clause (i) or (ii) above, or that jointly provides basic or comprehensive emergency services in conjunction with another licensed hospital.
 - iv. A hospital designated by the National Cancer Institute as a comprehensive or clinical cancer research center that primarily treats acutely ill cancer patients and that is exempt from the federal Medicare prospective payment system pursuant to SSA section 1886(d)(1)(B)(v) (42 U.S.C. § 1395ww(d)(1)(B)(v)).
2. The hospital meets the definition of a university teaching hospital or major nonuniversity teaching hospital as set forth on page 51 and as listed on page 57 of the Department of Health Services (DHS) report dated May 1991, entitled "Hospital Peer Grouping".

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3. The hospital meets the definition of any of the following:
 - a. A large teaching emphasis hospital; as set forth on page 51 and listed on page 57 of the DHS report dated May 1991, entitled "Hospital Peer Grouping", and also satisfies the Medicaid State Plan criteria for DSH status.
 - b. A children's hospital, as the law was in effect on July 1, 2013, and also satisfies the Medicaid State Plan criteria for DSH status.
 - c. Notwithstanding the requirement in subparagraph (A) that a hospital must be listed on page 57 of the DHS report dated May 1991, entitled "Hospital Peer Grouping", any hospital whose license pursuant to chapter 2 (commencing with Section 1250) of division 2 of the Health and Safety Code was consolidated during the 1999 calendar year with a large teaching emphasis hospital that is listed on page 57 of the above-described report shall be eligible.

4. The hospital meets all of the following criteria:
 - a. The hospital satisfies the Medicaid State Plan criteria for DSH status.
 - b. The hospital is a small and rural hospital as defined in section 124840 of the Health and Safety Code, as the law was in effect on July 1, 2013.
 - c. The hospital is a licensed provider of standby emergency services as described in section 70649 of title 22 of the California Code of Regulations, as the law was in effect on July 1, 2013.

C. PAYMENT METHODOLOGY FOR ELIGIBLE PRIVATE HOSPITALS:

1. Supplemental reimbursement provided by this program will be distributed under a payment methodology based on hospital services provided to Medi-Cal patients at the eligible hospital. The payment methodology for State Fiscal Year (SFY) 2013-14 will be as described below; payment methodology for subsequent years will be submitted by DHCS via a revised State Plan Amendment:

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- a. Except for hospitals eligible under B.2, DHCS shall identify DSH eligible hospitals for the applicable fiscal year from the Final DSH Eligibility List adopted by DHCS. If the Final DSH Eligibility List is not available by November 1 of the SFY, then DHCS will utilize the Tentative DSH Eligibility List. DHCS will then identify any private DSH hospitals that meet other criteria for supplemental payment eligibility.
- b. The aggregate supplemental payment amount of \$242,602,942.00, will be paid to hospitals as follows:
 - i. If the hospital is eligible to participate in the SFY 2013-14 supplemental program and also participated in the SFY 2011-12 supplemental program, the funding that hospital received for SFY 2011-12 will be its amount of the SFY 2013-14.
 - ii. If the hospital is eligible to participate in the SFY 2013-14 supplemental program, but did not participate in the SFY 2011-12 program, but had participated in the SFY 2012-13 or any other PHSF program year, then its amount will be the payment it received in the most recent year in which it participated.
 - iii. For any hospital eligible in SFY 2013-14 that have not previously been eligible to participate in PHSF distributions, an amount of \$500,000 will be paid to the hospital for services rendered in SFY 2013-14.
- c. DHCS will pay the adjusted payment amounts in two distributions: hospitals eligible to receive a Round A installment payment shall be paid such payment no later than December 15, 2013 or as soon thereafter as practicable and hospitals eligible to receive a Round B installment payment shall be paid such amount by April 1, 2014 or as soon thereafter as practicable.
- d. Hospitals eligible to receive a Round A installment payment shall be those hospitals eligible under B.2 or those hospitals that are identified on the Final DSH Eligibility List adopted by DHCS or the

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Tentative DSH Eligibility List if the Final List is not available by November 1, and have been continuously eligible for PHSF payments during the previous four (4) State Fiscal Year PHSF payment programs: SFY 2009-10, 2010-11, 2011-12, and 2012-13 and received a Round A installment payment in SFY 2012-13. The amount of such Round A installment payments shall equal the Round A installment payment such eligible hospitals received in SFY 2012-13.

- e. All hospitals shall be eligible to receive Round B payments if they are eligible under B.2 or are identified as being a DSH Eligible Hospital on the Final DSH Eligibility List for SFY 2013-14 and meet the eligibility criteria. Round A installment payments shall be subtracted from the final adjusted payment amount to determine the Round B payment for each hospital.
- f. If the fund balance after Round A payment is lower than the amount needed to pay in Round B under paragraph C.1.b.i., ii., and iii, then a pro rata amount will be applied to the Round B amounts payable to all eligible hospitals. The total computable received in Round A will be subtracted from the \$242,602,942 to determine the remaining balance to be distributed in Round B. The remaining balance will be divided by the total computable for Round B as determined in i., ii., and iii. That percentage will be applied to each hospital's Round B amount as determined in i., ii., and iii to determine the Round B pro rata amounts.

D. Additional Supplemental Payments

Based on SPCP supplemental payments for SFYs 2011-12 and 2012-13, the following private hospitals shall receive additional supplemental funding for SFY 2013-14:

- 1. In addition to receiving PHSF payments under Section C, the following private hospitals shall receive additional supplemental payments for SFY 2013-14 in the listed amounts:

St. Rose Hospital	\$3,000,000
Children's Hospital and Research Center at Oakland	\$3,000,000

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SUPPLEMENTAL REIMBURSEMENT FOR QUALIFIED PRIVATE HOSPITALS

Grossmont Hospital	\$2,000,000
St. Francis Medical Center	\$2,157,014
California Hospital Medical Center	\$1,147,376
White Memorial Medical Center	\$1,300,576
Centinela Hospital Medical Center	\$1,718,962
Memorial Hospital of Gardena	\$966,314

2. The following hospitals will not receive PHSF supplemental funding for SFY 2013-14 under Section C, however, based on SPCP supplemental payments for SFYs 2011-12 and 2012-13, these private hospitals shall receive supplemental payments for SFY 2013-14 in the listed amounts:

Downey Regional Medical Center	\$849,814
Lakewood Regional Medical Center	\$713,017
Long Beach Memorial Medical Center	\$1,146,930
Silverlake Medical Center	\$143,600

E. DEPARTMENT'S RESPONSIBILITIES

1. Aggregate Medi-Cal reimbursement provided to private hospitals will not exceed applicable federal upper payment limits determined under title 42 Code of Federal Regulations part 447.272.

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