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State/Territory Name: California

State Plan Amendment (SPA) #: 13-011

This file contains the following documents in the order listed:

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, Maryland 21244-1850

CMS
CENTERS FOR MEDICARE & MEDICAID SERVICES
CENTER FOR MEDICAID & CHIP SERVICES

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 13-011

Dear Mr. Douglas:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid state plan submitted under transmittal number (TN) 13-011. This amendment provides that Construction Renovation Reimbursement 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 13-011 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,

/s/

Cindy Mann
Director

Enclosures

DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH CARE FINANCING ADMINISTRATION

FORM APPROVED
OMB NO. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER: **13-011**

2. STATE: CA

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
July 1, 2013

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:
~~Section 1115(a) demonstration (11-W-00193/9)~~
42 CFR 447 Subpart C

7. FEDERAL BUDGET IMPACT:
a. ~~FFY 2014 $48,689,500~~ FFY 2013 $12,172,375
b. ~~FFY 2015 $45,211,000~~ FFY 2014 $47,819,875

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
Supplement 3 to Attachment 4.19-A Pages 1-~~7~~ 8

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*:
None

10. SUBJECT OF AMENDMENT:
Construction Renovation Reimbursement 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:
/s/

13. TYPED NAME:
Toby Douglas

14. TITLE:
Director

15. DATE SUBMITTED: 9/16/13

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:
/s/

21. TYPED NAME: [redacted]

22. TITLE: Deputy Director, Policy & Financial Mgt. Grp.

23. REMARKS:

[redacted]8 by CMS regional office with permission from state by email dated 11/15/2013.

FORM HCFA-179 (07-92)

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

SUPPLEMENTAL REIMBURSEMENT FOR CONSTRUCTION-RENOVATION REIMBURSEMENT PROGRAM

I. CONSTRUCTION-RENOVATION REIMBURSEMENT PROGRAM

The Construction-Renovation Reimbursement Program (CRRP) was established on January 1, 1989 under a federal Section 1915(b) waiver (and starting in 2005 under a Section 1115(a) Medicaid Demonstration) granting the Department its authority to make CRRP supplemental payments to hospitals participating in the Selective Provider Contracting Program (SPCP), which ended on June 30, 2013. This amendment will allow the Department to retain its federal authority to provide supplemental reimbursement payments for the CRRP.

Supplemental reimbursement is available for the financed amounts associated with the construction, renovation, expansion, remodel, or replacement of an eligible hospital, and would be in addition to the rate of payment the hospital receives for acute care Medi-Cal services.

The supplemental payments determined under this segment of Attachment 4.19-A shall be made annually by State Fiscal Year (July 1st through June 30th) and hospitals participating in this program shall use the supplemental payments received under this program for the payment of debt service on the revenue bonds. The hospital shall include its pledge and the agreement with the state to use the payments in this manner in any agreement with the holders of the revenue bonds.

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

A. Definitions

1. Eligible projects shall include:

a. Capital projects funded by new debt for which final plans were submitted to the Office of the State Architect and the Office of Statewide Health Planning and Development after September 1, 1988, and prior to June 30, 1994.

b. Projects submitted between September 1, 1988, and June 30, 1989, shall be eligible only if the submitting hospital had all of the following additional characteristics during the entire 1989 calendar year:

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i. No less than 400 general acute care licensed beds;

ii. An average Medi-Cal patient census of not less than 30 percent of the total patient days;

iii. No less than 50,000 emergency department visits;

iv. An existing basic emergency department, obstetrical services, and a neonatal intensive care unit.

2. "Capital project" means the construction, expansion, replacement, remodel, or renovation of an eligible hospital, including buildings and fixed equipment. A "capital project" does not include furnishings or items of equipment that are not fixed equipment.

   a. Capital projects receiving funding under this program will include the upgrade or construction of buildings and equipment only to a level required by the most current accepted medical practice standards, including projects designed to correct Joint Commission on Accreditation of Hospitals and Health Systems, fire and life safety, seismic, or other federal and state related regulatory standards.

   b. Projects may also expand service capacity as needed to maintain current or reasonably foreseeable necessary bed capacity to meet the needs of Medi-Cal beneficiaries after giving consideration to bed capacity needed for other patients, including unsponsored patients.

3. Eligible projects shall include those capital projects funded by new debt for which final plans were submitted to the Office of the State Architect and the Office of Statewide Health Planning and Development after September 1, 1988, and prior to June 30, 1994.

4. Revenue bonds are defined as that term is defined in subdivision (b) of Section 15459 of the Government Code as that section reads as of February 22, 2013, and shall also include general obligation bonds and certificates of participation issued by or on behalf of eligible hospitals for projects of more than five million dollars ($5,000,000).

5. Supplemental reimbursement received under this program combined with that received from all other sources dedicated exclusively to debt service, will not exceed 100 percent of the debt service stated at the time of OSHPD plan approval for the capital project over the life of the loan, revenue bond, or other financing mechanism.

B. Supplemental Reimbursement Methodology—General Provisions

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1. The Department will require that any hospital receiving supplemental reimbursement under this program enter into a written agreement with the Department for the purpose of implementing this program.

2. The total Medi-Cal reimbursement received by a hospital eligible under this program will not result in a reduction of the rate of payment to the hospital. However, the Medi-Cal supplemental payments are treated as Medicaid revenues in determining a hospital's uncompensated care costs for Disproportionate Share Hospital payment purposes.

3. The supplemental reimbursement provided by this program will not commence prior to the date the hospital submits to the Department a copy of the certificate of occupancy for the capital project.

4. All payments received by an eligible hospital must be placed in a special account. The funds in the special account will be used exclusively for the payment of expenses related to the eligible capital project.

5. In no instance will the total amount of supplemental reimbursement received under this program combined with that received from all other sources dedicated exclusively to debt service, exceed 100 percent of the debt service for the capital project over the life of the loan, revenue bond, or other financing mechanism.

6. A hospital qualifying for and receiving supplemental reimbursement pursuant to this program will continue to receive reimbursement: until the qualifying loan, revenue bond, or other financing mechanism is paid off; and as long as the hospital's eligible capital project continues to provide services and is available and accessible to Medi-Cal patients.

7. Total Medicaid reimbursement provided to eligible hospitals will not exceed applicable federal upper payment limits

C. Supplemental Reimbursement Determination Protocols

1. Supplemental reimbursement provided by this program will be distributed under a payment methodology based on acute care hospital services provided to Medi-Cal patients at the eligible hospital. An eligible hospital's supplemental reimbursement for a capital project qualifying for this program will be calculated and paid as follows:

   a. Eligible facilities will report to the Department the amount of debt service on the financing instruments issued to finance the capital project or subsequently refinanced

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and continues to meet the CRRP requirements to finance the eligible project. This amount represents the gross total payment of principle and interest to be considered for supplemental reimbursement. These amounts are stated in the payment schedule when the debt service instrument is drawn by the issuer of the debt. The gross total amount will be reduced by all other funds received by the hospital for the purpose of construction/renovation of an eligible project.

b. Only those projects, or portions thereof, that are available and accessible to Medi-Cal beneficiaries will be considered for supplemental reimbursement, and such supplemental reimbursement will only be made for eligible capital projects, or for that portion of eligible capital projects which provide Medi-Cal services.

c. The Department shall use the Disproportionate Share Hospital (DSH) Medicaid Utilization Rate (MUR) as determined pursuant to Section 4112 of the Omnibus Budget Reconciliation Act of 1987 (Public Law 100-203) to determine the ratio of the hospital's total paid Medi-Cal patient days to total patient days. The DSH MUR used to initially qualify DSH hospitals for a given DSH year is calculated using audited data that is two years in arrears. That DSH MUR data is then used in a calculation extracting mental health and administrative days with the outcome resulting as the CRRP MUR. For example, data files for calendar year 2010 are used to calculate the DSH MUR for state fiscal year 2012-13 DSH qualification. The interim CRRP MUR used for interim 2012-13 CRRP payments is calculated based on the DSH MUR data which has been used to initially qualify DSH hospitals in the 2012-13 DSH year (based on 2010 data).

d. In no instance, prior to the retirement of the debt, shall the CRRP MUR derived under paragraph (c) be decreased by more than 10 percent of the initial ratio determined at the time of final plan submission.

e. The supplemental Medi-Cal reimbursement to the hospital for each State Fiscal Year shall equal the amount determined in paragraph (a) multiplied by the percentage figure determined in paragraph (c). This payment is an interim supplemental payment only. Adjustments will be made to the previous year's reimbursements when the applicable CRRP MUR percentages are updated on an annual basis.

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D. Interim Supplemental Payment and Interim Reconciliation

1. The Department is authorized to make interim Medi-Cal supplemental payments to eligible hospitals. The interim supplemental payment for each hospital is based on the above Supplemental Reimbursement Determination Protocols (C). Eligible hospitals may file up to two supplemental payment claims for each program year, either during the program year or after, but no later than six months after the program year end. The state will make the interim Medi-Cal supplemental payment no later than four months after the claim is filed.

2. The interim CRRP MUR, as determined in accordance with paragraph C.1.c, will be used to calculate the interim supplemental payment. It serves as an interim rate so the hospitals can be compensated.

3. A reconciliation of interim supplemental payments shall be done when current audited data is available to calculate the final CRRP MUR. The final CRRP MUR is the MUR computed using actual utilization data for the payment year (e.g., SFY 2012-2013 CRRP payments are reconciled using a final CRRP MURs computed using actual SFY 2012-2013 utilization data, which is derived from audited CY 2012 and CY 2013 data). If it is determined that the eligible hospital has been underpaid, the hospital's subsequent reimbursement claim payment will be adjusted accordingly. If the hospital has been overpaid, the overpayments will be handled in accordance with federal Medicaid overpayment rules and procedures.

4. Hospital audits will be conducted periodically to verify program requirement compliance and interim supplemental payments. If it is determined that the eligible hospital has been underpaid, the hospital's subsequent reimbursement claim payment will be adjusted accordingly. If the hospital has been overpaid, the overpayments will be handled in accordance with federal Medicaid overpayment rules and procedures.

E. Final Reconciliation

The Department will conduct a facility audit reviewing all CRRP documentation once the debt service instrument has been paid in full. Interim supplemental payments and interim reconciliations will be reconciled to the hospital's total reported bond amounts and payments. The final reconciliation will occur when all interim payments can be reconciled using the final CRRP MUR which is calculated when audited data is available. If at the final reconciliation, it is determined that the eligible hospital has been overpaid, the hospital will repay the Medi-Cal program the overpayment amount, and DHCS will follow federal Medicaid procedures for managing overpayments of federal Medicaid funds. If at the end of the final reconciliation, it is

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determined that the eligible hospital has been underpaid, the hospital will receive an adjusted supplemental payment amount.

F. Hospital Reporting Requirements

1. An eligible hospital is required to submit data necessary for the Department to determine that the claimed expenditures for the capital project are appropriate amounts and are eligible for federal financial participation.

2. An eligible hospital must submit documentation to the Department regarding debt service on revenue bonds or other financing instruments used for financing the capital project. This documentation includes, but is not limited to, a copy of the financing instrument(s) funding the eligible capital project(s).

3. In order to fully disclose reimbursement amounts to which the eligible hospital may be entitled, the hospital is required to keep, maintain, and have readily retrievable, records as specified by the Department. Such records include, but are not limited to, construction and debt service amounts.

4. Prior to receiving supplemental reimbursement an eligible hospital must submit to the Department a copy of the certificate of occupancy for the capital project.

5. Prior to paying any supplemental reimbursement, the Department will require the hospital to disclose all public and private funds it or its affiliated entities received for the purpose of financing the capital project.

6. Any and all funds expended pursuant to this program are subject to review by the Department. The Department will review, on a semiannual basis, the special account where all payments received by an eligible hospital are placed and used exclusively for the debt service on an eligible project to verify that funds are used exclusively for the payment of appropriate expenses related to the eligible capital project.

G. Department's Responsibilities

1. The Department will submit claims for FFP based on expenditures for CRRP services that are allowable expenditures under federal law.

2. The Department will, on annual basis, submit any necessary materials to the federal government to provide assurances that claim for FFP will include only those expenditures are allowable under federal law.

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3. Total Medi-Cal reimbursement provided to eligible acute care hospitals will not exceed applicable federal upper payment limit as described in 42 C.F.R 447-Payments For Services.

4. The Department will complete the audit and settlement process of the interim payment reconciliation for the claiming period within three years of the postmark date of the claim report and conduct desktop or on-site audits as necessary.

5. The Department will complete the final reconciliation per Paragraph E when the debt service instrument has been paid in full and when all interim payments can be reconciled using the final CRRP MUR. The final reconciliation will be completed within 36 months from the date the debt instrument has been paid in full.

6. The Department may, if necessary to obtain federal approval, limit the program to the financed amounts which are allowable expenditures under Title XIX of the federal Social Security Act (Subchapter 19 (commencing with Section 1396) of Chapter 7 of Title 42 of the United States Code).

H. Eligible Hospitals

Only hospitals which have already been deemed eligible by the Department for reimbursement under this section will be allowed to participate. The following hospitals have approved capital projects and are participating in the Construction, Renovation Reimbursement Program as of July 1, 2013.

Arrowhead Regional Medical Center
Contra Costa County Regional Medical Center
Children's Hospital Central California
Children's Hospital of Los Angeles
City of Hope National Medical Center
Los Angeles County – Harbor-UCLA Medical Center
Los Angeles County - Rancho Los Amigos National Rehabilitation Center
Los Angeles County - USC Medical Center
Natividad Medical Center
Rady Children's Hospital San Diego
Riverside County Regional Medical Center
San Joaquin General Hospital
San Mateo Medical Center
Santa Clara Valley Medical Center

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St. Francis Medical Center
U.C. Davis Medical Center
U.C. San Diego Medical Center
Ventura County Medical Center