

Table of Contents

State/Territory Name: California

State Plan Amendment (SPA) #: 14-008

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 AND HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, MD 21244-1850



Financial Management Group

OCT 24 2014

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

RE: California State Plan Amendment 14-008

Dear Mr. Douglas:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid state plan submitted under transmittal number (TN) 14-008. This amendment provides that Private Hospital Supplemental Fund Program inpatient hospital supplemental payments will continue to be made to eligible hospitals, effective July 1, 2014.

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 14-008 is approved effective July 1, 2014. We are enclosing the HCFA-179 and the amended plan pages.

If you have any questions, please call Mark Wong at (415) 744-3561 or Blake Holt at (415) 744-3754.

Sincerely,

A black rectangular box redacting the signature of Timothy Hill.

Timothy Hill
Director

A handwritten signature in black ink, appearing to be 'TH', located to the right of the printed name and title.

Enclosures

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**

1. TRANSMITTAL NUMBER:
14-008

2. STATE
California

FOR: HEALTH CARE FINANCING ADMINISTRATION

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, 2014

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 Subpart C

7. FEDERAL BUDGET IMPACT:
a. FFY 2014 ~~\$33,266,667~~ ~~\$59,200,000~~
b. FFY 2015 ~~\$79,800,000~~ ~~\$71,533,500~~

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Supplement 4 to Attachment 4.19A, pages 1-6

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable):

~~None~~ Supplement 4 to Attachment 4.19A,
pages 1-6

10. SUBJECT OF AMENDMENT:

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: 9/29/14

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:

OCT 24 2014

PLAN APPROVED -- ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

JUL 01 2014

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:

Kristin Fan

22. TITLE:

Deputy Director

23. REMARKS:

**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 for State Fiscal Year 2014-15 to provide supplemental reimbursement payments to private hospitals participating in the PHSF.

The SPA effective date is July 1, 2014.

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, 2014.
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, 2014.

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

SUPPLEMENTAL REIMBURSEMENT FOR QUALIFIED PRIVATE HOSPITALS

B. DEFINITION OF AN ELIGIBLE PRIVATE HOSPITAL

An eligible hospital is a private hospital 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, 2014.
 - 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, 2014.
 - iii. A children's hospital, as defined in Welfare & Institutions Code section 14087.21, as the law was in effect on July 1, 2014, 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".

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

SUPPLEMENTAL REIMBURSEMENT FOR QUALIFIED PRIVATE HOSPITALS

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, 2014, 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, 2014.
 - 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, 2014.

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) 2014-15 will be as described below:
 - 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

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

SUPPLEMENTAL REIMBURSEMENT FOR QUALIFIED PRIVATE HOSPITALS

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 \$236,800,000 will be paid to hospitals as follows:

- i. If the hospital is eligible to participate in the SFY 2014-15 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 2014-15.
- ii. If the hospital is eligible to participate in the SFY 2014-15 supplemental program, but did not participate in the SFY 2011-12 program, but had participated in any PHSF program year other than SFY 2013-14, 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 2014-15 that has not previously been eligible to participate in PHSF distributions except SFY 2013-14, an amount will be paid to the hospital for services rendered in SFY 2014-15 to be calculated by multiplying a per diem payment of one hundred dollars (\$100) times the sum of the "GAC-EDS FFS" and the "Well Baby-EDS FFS" inpatient days identified in the Final Medi-Cal Utilization Statistics for the 2013-14 fiscal year as calculated by DHCS as of May 12, 2014. If for any such eligible hospital the sum of the inpatient days is zero, then the inpatient days shall be as calculated via the same method identified in this subsection, using the Tentative Medi-Cal Utilization Statistics for the 2014-15 fiscal year as calculated by DHCS as of October 3, 2014.

- c. DHCS will pay the adjusted payment amounts in three distributions: hospitals eligible to receive a Round A installment payment shall be paid for services, not to exceed 50% of its total SFY 2014-15 payment, by December 1, 2014 or as soon thereafter as practicable; hospitals eligible to receive a Round B installment

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

SUPPLEMENTAL REIMBURSEMENT FOR QUALIFIED PRIVATE HOSPITALS

payment shall be paid for services, not to exceed 75% of its SFY 2014-15 payment when added with the hospital's Round A installment, by March 1, 2015 or as soon thereafter as practicable; and hospitals eligible to receive a Round C installment payment shall be paid, for services rendered in SFY 2014-15, by April 1, 2015 or as soon thereafter as practicable.

- d. Round A installment shall be equal to SFY 2011-12 Round A payment amount, and shall not exceed 50% of the SFY 2014-15 payment amount; and shall be for services rendered through the second quarter of SFY 2014-15. 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 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 2010-11, 2011-12, 2012-13, and 2013-14.
- e. Round B installment payment shall be for services rendered through the third quarter of SFY 2014-15 and shall, to the extent allowable under Section c, include the remaining balance of the SFY 2011-12 Round A installment payment.
- f. Round C installment payment shall be for services rendered through the fourth quarter of SFY 2014-15 and shall be distributed as follows. All hospitals shall be eligible to receive Round C 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 2014-15 and meet the eligibility criteria. Round A and B installment payments shall be subtracted from the final adjusted payment amount to determine the Round C payment for each hospital.
- g. If the fund balance after Round A and B payments is lower than the amount needed to pay in Round C under paragraph C.1.b.i., ii., and iii, then a pro rata amount will be applied to the Round C amounts payable to all eligible hospitals. The total computable received in Round A and B will be subtracted from the \$236,800,000 to determine the remaining balance to be distributed in Round C. The remaining balance will be divided by the total computable for Round

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

SUPPLEMENTAL REIMBURSEMENT FOR QUALIFIED PRIVATE HOSPITALS

C as determined in i., ii., and iii. That percentage will be applied to each hospital's Round C amount as determined in i., ii., and iii to determine the Round C 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 2014-15 and shall be paid in the fourth quarter of SFY 2014-15:

1. In addition to receiving PHSF payments under Section C, the following private hospitals shall receive additional supplemental payments for SFY 2014-15 in the listed amounts:

St. Rose Hospital	\$16,000,000
Children's Hospital and Research Center at Oakland	\$3,000,000
Grossmont Hospital	\$2,000,000
St. Francis Medical Center	\$1,886,458
California Hospital Medical Center	\$1,022,482
White Memorial Medical Center	\$994,908
Centinela Hospital Medical Center	\$1,466,602
Memorial Hospital of Gardena	\$746,040

2. The following hospitals will not receive PHSF supplemental funding for SFY 2014-15 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 2014-15 in the listed amounts:

Downey Regional Medical Center	\$703,212
Lakewood Regional Medical Center	\$600,560
Long Beach Memorial Medical Center	\$913,072

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.