

## **Table of Contents**

**State/Territory Name: California**

**State Plan Amendment (SPA) #: 15-003**

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



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**Financial Management Group**

**DEC 15 2015**

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

RE: California State Plan Amendment 15-003

Dear Ms. Cantwell:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid state plan submitted under transmittal number (TN) 15-003. This amendment updates the Private Hospital Supplemental Fund Program inpatient hospital supplemental payments for the program years from July 1, 2015 to June 30, 2018.

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 15-003 is approved effective July 1, 2015. 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 Kristin Fan.

Kristin Fan  
Director

Enclosures

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b>		1. TRANSMITTAL NUMBER: 15-003	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, 2015	
5. TYPE OF PLAN MATERIAL (Check One):  <input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> 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 2015 \$29,043,040 <del>\$29,600,000</del> b. FFY 2016 \$13,029,144 <del>\$147,700,000</del>	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:  Supplement 4 to Attachment 4.19A, pages 1-11		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):  Supplement 4 to Attachment 4.19A, pages 1-6	

10. SUBJECT OF AMENDMENT:  
SUPPLEMENTAL REIMBURSEMENT FOR QUALIFIED PRIVATE HOSPITALS

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:

[Redacted Signature]

13. TYPED NAME:

Mari Cantwell

14. TITLE:

State Medicaid Director

15. DATE SUBMITTED:

SEP 30 2015

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 15 2015
PLAN APPROVED - ONE COPY ATTACHED	
19. EFFECTIVE DATE OF APPROVED MATERIAL:	20. SIGNATURE OF REGIONAL OFFICIAL:
21. TYPED NAME: Kristin Fan JUL 01 2015	22. TITLE: Director, FMG
23. REMARKS:	

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**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 Years (SFY) 2015-16, 2016-17 and 2017-18 to provide supplemental reimbursement payments to private hospitals participating in the PHSF.

The SPA effective date is July 1, 2015.

**A. DEFINITION OF A PRIVATE HOSPITAL**

A private hospital is defined as a hospital that is Medi-Cal Certified and 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, 2015.
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, 2015.

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**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, 2015.
    - 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, 2015.
    - iii. A children's hospital, as defined in Welfare & Institutions Code section 14087.21, as the law was in effect on July 1, 2015, 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."

TN No. 15-003

Supersedes:

TN No. 14-008Approval Date DEC 15 2015 Effective Date: July 1, 2015

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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, 2015, 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, 2015.
  - 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, 2015.

**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 SFYs 2015-16, 2016-17 and 2017-18 will be as described below:

TN No. 15-003  
Supersedes:  
TN No. 14-008

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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 \$237,144,384 for SFY 2015-16 and \$236,800,000 for SFYs 2016-17 and 2017-18 will be paid to hospitals as follows:
  - i. If the hospital is eligible to participate in the applicable SFY supplemental program and also participated in the SFY 2014-15 supplemental program, 85 percent of the funding received for SFY 2014-15 will be its amount for the applicable SFY.
    - a. For a hospital eligible in the applicable SFY that did not participate in SFY 2014-15 supplemental program, but had participated in a prior supplemental program year, its amount for the applicable SFY will be 85 percent of the funding it received in its most recent year in which it participated.
  - ii. If the individual hospital's amount determined above in b.i. when divided by the sum of General Acute Care-Electronic Data System Fee For Service (GAC-EDS FFS), Administrative-Electronic Data System Fee For Service (Admin-EDS FFS), and the Well Baby-Electronic Data System Fee For Service (Well Baby-EDS FFS) inpatient days identified in the Final Medi-Cal Utilization Statistics for the current payment year (as specified on page 30, paragraph B of this Attachment), or the Tentative Medi-Cal Utilization Statistics for the current payment year if the Final is not available, as calculated by DHCS, is less than one hundred dollars (\$100) per diem, then the hospital will receive a payment increase to get them up to the \$100 per diem for its base supplemental payment amount.

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- iii. For any hospital eligible in the applicable SFY that has not previously been eligible to participate in PHSF distributions, a base supplemental payment amount for the applicable SFY will be calculated by multiplying a per diem payment of one hundred dollars (\$100) times the sum of the "GAC-EDS FFS", "Admin-EDS FFS" and the "Well Baby-EDS FFS" inpatient days identified in the Final Medi-Cal Utilization Statistics for the current payment year (as specified on page 30, paragraph B of this Attachment) as calculated by DHCS.
- iv. If a hospital eligible to participate in the SFY 2014-15 supplemental program divides into two or more separately licensed hospitals (i.e., the original licensed hospital and one or more newly licensed hospitals), and where one or more of those separately licensed hospitals continues after the separation to meet the eligibility criteria in Section B. for SFYs 2015-16, 2016-17 or 2017-18, the original licensed hospital's payment amount for the applicable SFY will be calculated in accordance with steps C.1.b.i. and ii, and the newly licensed hospital's payment amount for the applicable SFY will be calculated in accordance with step C.1.b.iii. The sum of the amounts calculated for the eligible separately licensed (original and new) hospitals for any of those SFYs shall not exceed the amount calculated for the original licensed hospital and the payment amount for the original licensed hospital will be adjusted by the amount calculated for the eligible newly licensed hospital. If prior to separation, the hospital participated during the previous five state fiscal years in the PHSF payment program, then the surviving, separated PHSF-eligible hospital will be considered to continue to meet the previous five-year participation requirement for payment eligibility.

Conversely, if two or more hospitals eligible to participate in the SFY 2014-15, or are newly eligible to participate in SFY's 2015-16 or 2016-17 supplemental programs, consolidate and are eligible for SFYs 2015-16, 2016-17 or 2017-18, then the amount calculated for step C.1.b.i for the consolidated hospital is equal to the sum of 85 percent of the pre-



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consolidation hospitals' SFY 2014-15 payment amounts (if the hospitals participated in SFY 2014-15) and the pre-consolidation hospitals' amounts computed in C.1.b.iii for the SFY prior to consolidation (if the hospitals newly participated in a year subsequent to SFY 2014-15 but prior to the consolidation). If the consolidated hospital's total amount determined for the applicable SFY when divided by the sum of the "GAC-EDS FFS", "Admin-EDS FFS" and the "Well Baby-EDS FFS" inpatient days identified in the Final Medi-Cal Utilization Statistics for the current payment year (as specified on page 30, paragraph B of the Attachment), or the Tentative Medi-Cal Utilization Statistics for the current payment year if the Final is not available, as calculated by DHCS, is less than \$100 dollars per diem, then the consolidated hospital will receive a payment increase to get them up to the \$100 per diem for its base supplemental payment amount. If prior to consolidation, the hospitals participated during the previous five state fiscal years in the PHSF payment program, then the surviving, consolidated PHSF eligible hospital will be considered to continue to meet the previous five-year participation requirement for payment eligibility.

Any of the separately licensed hospitals and consolidated hospitals that continue to meet the PHSF eligibility criteria in Section B. after separation or consolidation, shall be eligible for Round A, Round B, and Round C payments if the hospitals are eligible to receive the round installments payments as provided in C.1. d. through f.

- v. Upon completion of steps C.1.b.i through iv. DHCS shall then calculate the amount, if any, which remains undistributed. Any undistributed amount will be distributed pro-rata amongst all eligible hospitals utilizing the per diem distribution method described next. DHCS shall calculate the per diem to be paid by dividing the undistributed amount by the sum of the "GAC-EDS FFS", the "Admin-EDS FFS", and the "Well Baby-EDS FFS" inpatient days for all eligible hospitals identified in the Final Medi-Cal Utilization Statistics

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for the current payment year (as specified on page 30, paragraph B of this Attachment) as calculated by DHCS. A payment amount for each eligible hospital will then be calculated by multiplying the resulting per diem amount by the hospital's sum of the "GAC-EDS FFS", the "Admin-EDS FFS", and the "Well Baby-EDS FFS" inpatient days identified in the Final Medi-Cal Utilization Statistics for the current payment year (as specified on page 30, paragraph B of this Attachment) as calculated by DHCS.

- 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, or tentative total if using a tentative DSH List, applicable SFY payment, in the second quarter of the applicable SFY or as soon thereafter as practicable; hospitals eligible to receive a Round B installment payment shall be paid for services, not to exceed 75% of its applicable SFY payment when added with the hospital's Round A installment, in the third quarter of the applicable SFY or as soon thereafter as practicable; and hospitals eligible to receive a Round C installment payment shall be paid, for services rendered in the applicable SFY, in the fourth quarter of the applicable SFY or as soon thereafter as practicable.
- d. Round A installment shall not exceed 50% of the payment amount as determined under paragraph C.1.b.i. through v. and shall be for services rendered through the second quarter of the applicable SFY. 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 five (5) State Fiscal Year PHSF payment programs and are eligible for the current year.
- e. Round B installment payment shall be for services rendered through the third quarter of the applicable SFY and shall not exceed 25% of the payment amount as determined under paragraph C.1.b.i. through v. Hospitals eligible to receive a Round B installment payment shall be those hospitals eligible under B.2 or

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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 five (5) State Fiscal Year PHSF payment programs and are eligible for the current year.

- f. Round C installment payment shall be for services rendered up to and including the fourth quarter of the applicable SFY and shall be distributed as determined under Section C.1.b.i through v. Round A and B installment payments shall be subtracted from the final adjusted payment amount to determine the Round C payment for each hospital. 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 the applicable SFY and meet the eligibility criteria.
  - i. For the applicable SFY, if a hospital is eligible under B.1 through B.4 and is paid a Round A and/or B installment payment based on the Tentative Medi-Cal Utilization Statistics for the applicable payment year, the Round A and/or B installment payments will be recalculated based on the Final Medi-Cal Utilization Statistics. The hospital's Round C payment will be adjusted to reflect the under or overpayment it received.
  - ii. For the applicable SFY, if a hospital is eligible under B.1 through B.4 and is paid Round A and/or Round B installment payments based on being identified on the Tentative DSH Eligibility List, but is not identified on the Final DSH Eligibility List, then Round A and B payments will be recovered from the hospital and the hospital will not be eligible for Round C installment payment.
  - iii. Payment(s) received by hospitals from the PHSF for SFYs 2015-16, 2016-17, and 2017-18 will be subject to recovery by the Department, if the Department determines that the hospital fails at any time during the respective fiscal years to meet eligibility criteria for PHSF distributions. If the hospital fails to return the funds within 30 calendar days from the time of the Department's notification, the Department may

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offset the amount to be recovered against any Medi-Cal payments which otherwise would be payable by the Department to the hospital, pursuant to Welfare and Institutions Code section 14155.5

- 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., 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 \$237,144,384 for SFY 2015-16 and \$236,800,000 for SFYs 2016-17 and 2017-18 to determine the remaining balance to be distributed in Round C of the respective SFY. The remaining balance will be divided by the total computable for Round C as determined in C.1.f. That percentage will be applied to each hospital's Round C amount as determined in C.1.f. to determine the Round C pro rata amounts.

**D. Additional Supplemental Payments**

Based on historical payments, the following private hospitals shall receive additional supplemental funding for SFYs 2015-16, 2016-17 and 2017-18.

No payment under this supplement is dependent on any agreement or arrangement for providers or related entities to donate money or services to a governmental entity.

1. In addition to receiving PHSF payments under Section C, the following private hospitals shall receive additional supplemental payments in the fourth quarter of each SFY for the listed periods in the listed amounts:

SFY 2015-16

St. Rose Hospital	\$16,000,000
Children's Hospital and Research Center at Oakland	\$3,000,000
Grossmont Hospital	\$2,000,000

SFY 2016-17

St. Rose Hospital	\$16,000,000
Children's Hospital and Research Center at Oakland	\$3,000,000

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Grossmont Hospital	\$2,000,000
Children's Hospital of Orange County	\$291,948
Coastal Communities Hospital	\$116,240
Fountain Valley Regional Hospital & Medical Center	\$382,504
Garden Grove Hospital & Medical Center	\$1,200,900
Western Medical Center-Anaheim	\$104,072
Western Medical Center-Santa Ana	\$497,392

SFY 2017-18

St. Rose Hospital	\$16,000,000
Children's Hospital and Research Center at Oakland	\$3,000,000
Grossmont Hospital	\$4,000,000
Children's Hospital of Orange County	\$145,974
Coastal Communities Hospital	\$58,120
Fountain Valley Regional Hospital & Medical Center	\$191,252
Garden Grove Hospital & Medical Center	\$600,450
Western Medical Center-Anaheim	\$52,036
Western Medical Center-Santa Ana	\$248,696

2. Notwithstanding any other provision of this Supplement 4, each of the following private hospitals listed below are eligible to receive supplemental funding for SFYs 2015-16, 2016-17 and 2017-18 under this Section D.2, regardless of whether the hospital qualifies for and receives PHSF supplemental funding under Section C or other provisions of Section D, based on their special historical and current role in providing emergency and inpatient care access in the underserved South Los Angeles area.

St. Francis Medical Center
California Hospital Medical Center
White Memorial Medical Center
Centinela Hospital Medical Center
Memorial Hospital of Gardena
Downey Regional Medical Center
Lakewood Regional Medical Center
Long Beach Memorial Medical Center

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The supplemental payments to hospitals pursuant to this Section D.2, to ensure the availability of essential services for Medi-Cal beneficiaries, are in addition to all other amounts payable for inpatient hospital services under Attachment 4.19-A. Supplemental payments to each hospital for each SFY shall be determined by multiplying the number of uninsured inpatient days provided by the hospital in the SFY immediately prior to the relevant payment SFY times \$2,100, except that, in the case of St. Francis Medical Center, the number of prior year uninsured inpatient days will be multiplied by \$2,400. The number of uninsured inpatient days in the prior SFY for purposes of this determination shall be as reported by participating hospitals to, and verified by, the County of Los Angeles as of the February 1 prior to the close of the relevant payment SFY.

The supplemental payments to hospitals under this Section D.2 shall not exceed \$4,000,000 in the aggregate for each SFY. Payments to hospitals shall be reduced on a pro rata basis as necessary to ensure the annual aggregate annual limit is not exceeded. Supplemental payments made under this Section D.2 shall be made in the fourth quarter of the current payment year or soon thereafter as practicable.

**E. DEPARTMENT'S RESPONSIBILITIES**

1. Medi-Cal reimbursement provided to private hospitals will not exceed applicable federal upper payment limits, including title 42 Code of Federal Regulations sections 447.271 and 447.272.