

## **Table of Contents**

**State/Territory Name: California**

**State Plan Amendment (SPA) #: 16-017**

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**

**NOV 22 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

RE: California State Plan Amendment 16-017

Dear Ms. Cantwell:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid state plan submitted under transmittal number (TN) 16-017. This amendment, effective July 1, 2016, provides an increase to the supplemental payment amount for Martin Luther King, Jr. – Los Angeles Healthcare Corporation (MLK-LA).

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 16-017 is approved effective July 1, 2016. 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,

A black rectangular box redacting the signature of Kristin Fan.

Kristin Fan  
Director

Enclosures

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

**FOR: HEALTH CARE FINANCING ADMINISTRATION**

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

1. TRANSMITTAL NUMBER:  
**16-017**

2. STATE  
California

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

4. PROPOSED EFFECTIVE DATE  
July 1, 2016

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: Pen & Ink Change  
a. FFY 2016 **\$13,500,000** \$1,000,000  
b. FFY 2017 **\$54,000,000** \$3,000,000  
\$4,000,000

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:  
Pen & Ink Change

Supplement 5 to Attachment 4.19A, ~~pages 1-9~~, Pages 4, 6-9.  
Pages 4-9

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 PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  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

Supplement 5 to Attachment 4.19A  
~~Pages 4~~  
~~Pages 7-9 6-9~~ Pages 4-9

10. SUBJECT OF AMENDMENT:  
Supplemental Reimbursement for Martin Luther King Jr. – Los Angeles Healthcare Corporation

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:

**Mari Cantwell**

14. TITLE:

**State Medicaid Director**

15. DATE SUBMITTED:

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: **NOV 22 2016**

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:  
**JUL 01 2016**

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME: **Kristin FAN**

22. TITLE: **Director, FMG**

23. REMARKS:

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

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**SUPPLEMENTAL PAYMENTS FOR  
MARTIN LUTHER KING JR. – Los Angeles Healthcare Corporation**

**C. INTERIM PAYMENTS**

1. Interim Medi-Cal payments will be made to MLK-LA, and shall provide compensation that is, in the aggregate, at least equal to the Minimum Payment Level.
2. The Department shall make interim Medi-Cal payments on an ongoing basis as MLK-LA submits inpatient Medi-Cal claims to the Fiscal Intermediary.
3. The Department shall monitor interim Medi-Cal payments to MLK-LA on a periodic basis (at least quarterly).
4. The Department shall determine the add-on payment by calculating the average DRG payment per claim needed to meet the Minimum Payment Level using the following methodology:
  - a) The number of claims needed to meet the minimum payment level is determined by taking the number of projected days and dividing by the monitored average length of stay.
  - b) The average Minimum Payment Level, per claim, is determined by dividing the Minimum Payment Level by the number of claims needed to meet the Minimum Payment Level.
  - c) The average DRG payment per claim is determined through periodic monitoring.
  - d) The add-on payment needed per claim is determined by subtracting the average Minimum Payment Level per claim, by the monitored average DRG payment.
  - e) If the current year's data is not yet available or is insufficient to make an appropriate projection, then average DRG payment per claim calculated in Paragraph C.4 of this Supplement may be estimated using the prior year's data.
5. If the APR-DRG payments (without add-on payments) do not exceed or are not projected to exceed the Minimum Payment Level for a state fiscal year, MLK-LA shall receive add-on payments through the APR-DRG system so that its total payments for a state fiscal year are equal or projected to be equal to the Minimum Payment Level. The add-on payments constitute interim Medi-Cal payments and are subject to the reconciliation process in Section D to ensure that Medi-Cal payments do not exceed the Minimum Payment Level.

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STATE: CALIFORNIA**

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**SUPPLEMENTAL PAYMENTS FOR  
MARTIN LUTHER KING JR. – Los Angeles Healthcare Corporation**

6. If the APR-DRG payments (without add-on payments) exceed or are projected to exceed the Minimum Payment Level or the projected cost for the state fiscal year, then MLK-LA shall retain those APR-DRG payments and shall not receive add-on payments for that state fiscal year. The subsequent state fiscal year will be subject to a new determination whether the APR-DRG payments require add-on payments.
7. The Medi-Cal payment calculations in Sections C and D shall not include payments made under the State's Hospital Quality Assurance Fee Program (Appendix 7 to this Attachment 4.19-A) or another successor State program funded in whole or in part by a statewide hospital fee or tax. Medi-Cal payments under this section shall not include Supplemental Reimbursement for Qualified Private Hospitals (Supplement 4 to Attachment 4.19 A), Private Disproportionate Share Hospital Replacement Supplemental Payments (Attachment 4.19-A), or supplemental payments made pursuant to Section E or any other future supplemental payments.

**D. RECONCILIATIONS**

1. Interim reconciliation of Medi-Cal payments shall be subject to an interim reconciliation based on the accepted as-filed cost report as specified in Section B. As per 42 CFR 413.24 all cost reports are due on or before the last day of the fifth month following the close of the period covered by the report. For cost reports ending on a day other than the last day of the month, cost reports are due 150 days after the last day of the cost reporting period. The Medi-Cal payments will be reconciled 2 months after DHCS accepts MLK-LA's as-filed cost report. If it is determined that MLK-LA has been paid less than the Minimum Payment Level, MLK-LA will receive an additional payment in the amount of the underpayment. If it is determined that MLK-LA received interim Medi-Cal payments exceeding the Minimum Payment Level, MLK-LA shall be subject to recovery of the interim Medi-Cal payments that exceeded the Minimum Payment Level pursuant to 42 CFR 433.316; provided that any such recovery shall not exceed the amount of the add-on payments.

TN No. 16-017

Supersedes:

TN No. 15-008Approval Date NOV 22 2016 Effective Date: July 1, 2016

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**SUPPLEMENTAL PAYMENTS FOR  
MARTIN LUTHER KING JR. – Los Angeles Healthcare Corporation**

2. Final Reconciliation of MLK-LA's total interim Medi-Cal payments and interim reconciliation adjustments for a MLK-LA fiscal year will be subsequently reconciled during the audit of the cost report (which occurs within three years from the date of submission of the original or amended Medi-Cal 2552-10, whichever is later) to the Minimum Payment Level as determined based the specified percentage of the allowable cost per the audited cost report for the same state fiscal year. As per 42 CFR 413.24 all cost reports are due on or before the last day of the fifth month following the close of the period covered by the report. For cost reports ending on a day other than the last day of the month, cost reports are due 150 days after the last day of the cost reporting period. If at the end of the final reconciliation process, it is determined that MLK-LA received an overpayment, the overpayment shall be recovered from MLK-LA provided that any such recovery shall not exceed the amount of the add-on payments. Conversely, if at the end of the final reconciliation process, it is determined that MLK-LA received an underpayment (payment less than the Minimum Payment Level), an additional payment shall be made to MLK-LA to bring it up to the Minimum Payment Level for the state fiscal year.

**E. SUPPLEMENTAL PAYMENTS TO MLK-LA**

Supplemental payments are equal to the difference between MLK-LA's Medi-Cal inpatient hospital fee-for-service charges and all amounts paid to MLK-LA for the fiscal year by the Medi-Cal program on a fee-for-service basis for inpatient hospital services, including, but not limited to interim Medi-Cal payments as defined above in Section A.1., Hospital Quality Assurance Fee Program payments attributable to inpatient fee-for-service (Appendix 7 to Attachment 4.19-A), Supplemental Reimbursement for Qualified Private Hospitals (Supplement 4 to Attachment 4.19 A), and Private Disproportionate Share Hospital Replacement Supplemental Payments (Attachment 4.19-A). The supplemental payments in Section E and the add-on payments described in Sections C and D are further limited to a cap of \$108 million.

The supplemental payments in this section shall be made on a quarterly basis and be considered an interim supplemental payment. An interim reconciliation and a final reconciliation will be conducted to ensure that MLK-LA's total Medi-Cal inpatient hospital fee-for-service payments do not exceed its Medi-Cal inpatient hospital fee-for-service charges. The methodology for computing the interim supplemental payments, interim reconciliation, and final reconciliation are detailed in the paragraphs below. The supplemental payments specified in this section shall be in addition to and shall not supplant any other payments to MLK-LA.

TN No. 16-017

Supersedes:

TN No. 15-008

Approval Date NOV 22 2016 Effective Date: July 1, 2016

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STATE: CALIFORNIA**

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**SUPPLEMENTAL PAYMENTS FOR  
MARTIN LUTHER KING JR. – Los Angeles Healthcare Corporation**

1. Interim supplemental payments. DHCS will make quarterly interim supplemental payments to MLK-LA. Prior to the start of the fiscal year, MLK-LA will report its Medi-Cal inpatient hospital fee-for-service projected charges, as agreed upon between DHCS and MLK-LA, and its total Medi-Cal inpatient hospital fee-for-service projected payments for the reporting period. The aggregated difference between the projected charges and the projected payments will be divided by four quarters to estimate the maximum quarterly interim supplemental payments.
2. Interim supplemental payments for each quarter are equal to the amount determined as the maximum quarterly interim supplemental payment and, when combined with the add-on payments in Sections C and D, shall not exceed \$108 million.
3. In the event MLK-LA is certified to participate in Medi-Cal for less than an entire state fiscal year, MLK-LA may receive supplemental payments equal to its adjusted allowable charges multiplied by a fraction, the numerator of which is the number of days during the state fiscal year during which MLK-LA is certified to participate in Medi-Cal and the denominator of which is 365.
4. Interim Reconciliation. The quarterly interim supplemental payments, as determined in Section E.1, will be reconciled to MLK-LA's actual Medi-Cal inpatient hospital fee-for-service charges from MLK-LA's accepted as-filed cost report that is submitted to DHCS as specified in Section B.1 less all Medi-Cal fee-for-service payments received for inpatient hospital services and shall not exceed \$108 million when combined with the add-on payments in Sections C and D. The quarterly interim supplemental payments will be reconciled 4 months after DHCS accepts MLK-LA's as-filed cost report.
5. If at the end of the interim reconciliation it is determined that MLK-LA has been overpaid because aggregate Medi-Cal inpatient hospital fee-for-service payments exceed aggregate Medi-Cal inpatient hospital fee-for-service charges or because the supplemental payments in this Section E exceed \$108 million when combined with the add-on payments in Sections C and D, MLK-LA will repay the Medi-Cal program, and DHC

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will follow federal Medicaid procedures for managing overpayments of federal Medicaid funds.

6. If at the end of the interim reconciliation it is determined that MLK-LA's annual aggregate Medi-Cal inpatient hospital fee-for-service charges exceed MLK-LA's annual Medi-Cal inpatient hospital fee-for-service payments, MLK-LA will receive an additional supplemental payment amount equal to the amount determined in the interim reconciliation, subject to the \$108 million cap when combined with the add-on payments in Sections C and D.
7. Final Reconciliation. Within four years after the as-filed cost report is submitted, supplemental payments will be reconciled to MLK-LA's audited cost report as audited and settled by DHCS. MLK-LA's Medi-Cal inpatient hospital fee-for-service charges will be based on the finalized audited cost report. The actual adjusted allowable charges will be those charges as audited and settled less all Medi-Cal inpatient hospital fee-for-service payments and shall not exceed \$108 million when combined with the add-on payments in Sections C and D.
8. If at the end of the final reconciliation it is determined that MLK-LA has been overpaid because aggregate Medi-Cal inpatient hospital fee-for-service payments exceed aggregate Medi-Cal inpatient hospital fee-for-service charges or because the supplemental payments in this Section E exceed \$108 million when combined with the add-on payments in Sections C and D, MLK-LA will repay the Medi-Cal program, and DHCS will follow federal Medicaid procedures for managing overpayments of federal Medicaid funds.
9. If at the end of the final reconciliation it is determined that MLK-LA has been underpaid because MLK-LA's annual aggregate Medi-Cal inpatient hospital fee-for-service charges exceed MLK-LA's annual Medi-Cal inpatient hospital fee-for-service payments, MLK-LA will receive an additional final supplemental payment amount equal to the amount determined in the final reconciliation, subject to the \$108 million cap when combined with the add-on payments in Sections C and D.

**F. DEPARTMENT'S RESPONSIBILITIES**

TN No. 16-017

Supersedes: Approval Date NOV 22 2016 Effective Date: July 1, 2016

TN No. 15-008



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**SUPPLEMENTAL PAYMENTS FOR  
MARTIN LUTHER KING JR. – Los Angeles Healthcare Corporation**

1. Aggregate Medi-Cal reimbursement provided to private hospitals will not exceed applicable federal upper payment limits, including 42 CFR 447.271 and 447.272.
2. Monitoring and acceptance of annual cost reports required from providers in accordance with 42 CFR 413.24 and CMS Publication 15-1 Section 2413.
3. Final cost report audit pursuant to Welfare and Institutions Code section 14170, as the law was in effect on May 1, 2015.