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**State/Territory Name: California**

**State Plan Amendment (SPA) #: 16-021**

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  
San Francisco Regional Office  
90 Seventh Street, Suite 5-300 (5W)  
San Francisco, CA 94103-6706



**DIVISION OF MEDICAID & CHILDREN'S HEALTH OPERATIONS**

December 6, 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

Dear Ms. Cantwell:

Enclosed is a copy of California State Plan Amendment (SPA) CA 16-021, which was submitted to the Centers for Medicare & Medicaid Services (CMS) on September 30, 2016. This amendment updates the clinic participation criteria to reflect the State law creation of hospital authorities to govern the designated public hospitals of Alameda Health System and Kern Medical Center.

The effective date of this SPA is July 1, 2016. Enclosed are the following approved SPA pages that should be incorporated into your approved state plan:

- Supplement 10 to Attachment 4.19-B, pages 1-2

If you have any questions, please contact Cheryl Young at 415-744-3598 or via email at [Cheryl.Young@cms.hhs.gov](mailto:Cheryl.Young@cms.hhs.gov).

Sincerely,

/s/

Henrietta Sam-Louie  
Associate Regional Administrator  
Division of Medicaid & Children's Health Operations

cc: John Mendoza, California Department of Health Care Services (DHCS)  
Shiela Mendiola, DHCS  
Wendy Ly, DHCS  
Nathaniel Emery, DHCS

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

1. TRANSMITTAL NUMBER:  
**16-021**

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, 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 447.321

7. FEDERAL BUDGET IMPACT:

a. FFY 2016 \$0  
b. FFY 2017 \$0

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-B  
Supplement 10, Pages 1-2

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 PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  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

Attachment 4.19-B  
Supplement 10, Pages 1-2

10. SUBJECT OF AMENDMENT:

Supplemental Reimbursement for Publicly Owned or Operated Clinic Services

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:

SEP 30 2016

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:  
September 30, 2016

18. DATE APPROVED:  
December 6, 2016

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:  
July 1, 2016

20. SIGNATURE OF REGIONAL OFFICIAL:  
/s/

21. TYPED NAME:  
Henrietta Sam-Louie

22. TITLE: Associate Regional Administrator,  
Division of Medicaid & Children's Health Operations

23. REMARKS:

## STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE: CALIFORNIA**SUPPLEMENTAL REIMBURSEMENT FOR PUBLICLY OWNED OR OPERATED CLINIC SERVICES**

This segment of the State Plan provides supplemental reimbursement for services provided by a public freestanding, non hospital-based clinic which is enrolled as a Medi-Cal provider and is owned or operated by the state, city, county, city and county, the University of California, health care district, or hospital authority; herein, referred to as an eligible clinic and which meets specified requirements and provides services to Medi-Cal beneficiaries. This Supplement applies only to Medi-Cal services rendered to Medi-Cal beneficiaries on or after October 14, 2006. Payment rules for State-owned and operated clinics are governed by the provisions set forth in Supplement 9 to Attachment 4-19-B, pages 1-5, effective July 1, 2008; therefore, effective July 1, 2008, such clinics will not be eligible to receive supplemental reimbursement under this segment of the State Plan.

Supplemental reimbursement under this program is available only for costs that are in excess of the payments the eligible clinic receives per-visit or per procedure for services from any source of reimbursement. The State is authorized to make interim Medi-Cal payments to eligible clinics identified in Section A on an annual basis each fiscal year, based on the facility's uncompensated Medicaid fee-for-service (FFS) costs.

**A. Definition of an Eligible Clinic**

A clinic is determined eligible only if it continuously maintains all of the following characteristics during each State Fiscal Year (SFY) beginning July 1, 2006:

1. Provides clinic services to Medi-Cal beneficiaries.
2. Is enrolled as a Medi-Cal provider.
3. Is owned or operated by the State, city, county, city and county, the University of California, health care district organized pursuant to Chapter 1 of Division 23 (commencing with Section 32000) of the Health and Safety Code, or hospital authority described in section 101850 or 101852, et seq. of the Health and Safety Code, as these laws were in effect as of July 1, 2016.

**B. Supplemental Reimbursement Methodology – General Provisions**

Supplemental reimbursement provided under this program to an eligible clinic is to allow FFP for Medi-Cal uncompensated care costs. Reimbursement to

an eligible clinic that is owned or operated by the state, city, county, city and county, University of California, health care district, or hospital authority as identified in Section A, will be based on allowable Medi-Cal outpatient clinic costs. All determinations will be made on an aggregate basis. The methodology for computing such costs and the required procedures for claiming federal reimbursement are detailed in this Supplement.

1. Costs, as required by this Supplement, will be computed in accordance with Title 42 of the Code of Federal Regulations (CFR) Part 413; the Provider Reimbursement Manual (CMS Pub. 15-1); and other applicable federal directives that establish principles and standards for determining allowable costs and the methodology for allocating and apportioning those expenses to the Medi-Cal program, except as expressly modified in this Supplement.
2. The allowable costs reimbursed under this methodology include direct, ancillary, physician/non physician practitioner, and overhead costs which are incurred in providing covered services to Medi-Cal beneficiaries in eligible facilities and determined to be allowable under the regulations and publications in Section B.1, above.
3. Eligible clinics that provide services to Medi-Cal enrollees in local initiatives, commercial plans, county organized health systems, and geographic managed care program health plans are not authorized to seek supplemental reimbursement under this Supplement for uncompensated costs of providing services to such enrollees.
4. Allowable costs will be derived from the eligible facility's general ledger, and reported on the approved clinic cost reporting forms. General ledger supporting schedules which group costs into direct service and overhead cost centers will accompany the filed clinic cost reports. Direct service costs and overhead expenses will be reported on separate cost center lines, and non-allowable costs will either be reclassified to non-reimbursable cost centers or removed through discrete adjustments. Reclassifications and adjustments to the working trial balance, including the assignment of costs to non-reimbursable cost centers, and the discrete disallowance of expenses, will be recorded on supporting schedules which will be submitted with the approved cost reporting forms.
5. Clinic overhead costs will be equitably allocated to non-allowable activities based on the use of such overhead costs by the non-allowable activities.