

Table of Contents

State/Territory Name: California

State Plan Amendment (SPA) #: 16-022

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

DEC 08 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 16-022

Dear Ms. Cantwell:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid state plan submitted under transmittal number (TN) 16-022. This amendment, effective July 1, 2016, decreases a private hospital supplemental payment for St. Rose Hospital from \$16 million to \$10 million annually.

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.

In particular, since this is a state plan amendment (SPA) that proposes a reimbursement reduction, we evaluated whether the proposed change complies with the access requirement of Section 1902(a)(30)(A) and implementing regulations at 42 CFR 447.203-.204.

The state conducted an access public process, prior to SPA submission, to seek stakeholder input on beneficiary access to inpatient hospital services and the impact the SPA will have on continued access. Additionally, the state included with the SPA submission the following materials in accordance with 42 CFR 447.204(b):

- 42 CFR 447.204(b)(1) - an analysis which demonstrates that there is currently sufficient access to inpatient hospital services in the state (this SPA is effective prior to October 1, 2016, so the access analysis is done separately from the state's access monitoring review plan (AMRP) required under 42 CFR 447.203(b));
- 42 CFR 447.204(b)(2) - an analysis of the effect of the supplemental payment reduction proposed by this SPA; and

- 42 CFR 447.204(b)(3) - an analysis of the information and concerns expressed by stakeholders (the state documented its access public process and confirmed that it did not receive any stakeholder input or comments from the access public process or otherwise).

We considered the following as part of our review:

- This SPA only affects one hospital. Alameda County was providing IGT support for this private hospital, but the county is proposing to reduce its IGT support, resulting in an annual supplemental payment decrease for St. Rose from \$16M to \$10M.
- In state fiscal year (SFY) 13/14, this supplemental payment was \$3M. In SFY 14/15 this particular payment was increased to \$16M (and a SPA submitted in 2015 continued the same level of payment up to SFY 17/18). This new SPA will reduce the SFYs 16/17 and 17/18 annual amount to \$10M, which is still materially higher than what the hospital received in SFY 13/14.
- The hospital's DRG base payment rates have been increasing. The state converted to APR-DRG (All Patients Refined Diagnosis Related Groups) prospective payment system in 2013 which included a three-year transition period. Hospitals whose pre-DRG payment is lower than 100% DRG will gradually get increasing rates until end of transition. According to the state, St. Rose is such a hospital under APR-DRG transition, and its payment rates have been increasing over the transition period until it is paid 100% DRG.
- St. Rose continues to receive other fee-for-service inpatient hospital supplemental payments, including a state appropriations-funded supplemental payment and a hospital quality assurance fee-funded supplemental payment. The state appropriations-funded payment is relatively stable (showing slight decrease allocation to St. Rose over the last two years). The hospital quality assurance fee-funded supplemental payment round 4 is about to expire, but the state is expected to soon renew for round 5 (actual change is unknown at this time and will depend on the available upper payment limit room).
- Occupancy data for four surrounding hospitals all show there is capacity to absorb St. Rose utilization. The state presented this analysis for each inpatient bed category available at St. Rose.
- No feedback was received from the solicitation of public input on access or otherwise.
- General DRG monitoring conducted by the state on an ongoing basis does not indicate any inpatient hospital service access concerns in the state.

Based on the scope of this SPA and the above information from our review, we conclude that this reduction SPA complies with the access requirement per Section 1902(a)(30)(A) of the Act. Furthermore, we reasonably conclude that the SPA will not have any effect of diminishing access to inpatient hospital service. Therefore, we are not requiring the state to add inpatient hospital services to its AMRP for continuous monitoring for the next three years, as would have

been required by 42 CFR 447.203(b)(6)(ii). The state will continue to monitor inpatient hospital access as part of its ongoing DRG monitoring efforts.

This is to inform you that Medicaid State plan amendment TN 16-022 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 redaction box covering the signature of Kristin Fan.

Kristin Fan
Director

Enclosures

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES**

1. TRANSMITTAL NUMBER

1 6 — 0 2 2

2. STATE

California

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

TO: REGIONAL ADMINISTRATOR
CENTERS FOR MEDICARE & MEDICAID SERVICES
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 Subpart C

7. FEDERAL BUDGET IMPACT

a. FFY 2016 \$ ~~10,074,132~~ \$(750,000)

b. FFY 2017 \$ ~~8,884,482~~ \$(3,000,000)

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

Supplement 4 to Attachment 4.19A, Pages 9-10

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

Page 9

Page 10 of Supplement 4 to Attachment 4.19A

10. SUBJECT OF AMENDMENT

SUPPLEMENTAL REIMBURSEMENT FOR QUALIFIED PRIVATE HOSPITALS

11. GOVERNOR'S REVIEW (Check One)

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT

☒ OTHER, AS SPECIFIED

☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED

☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

12. SIGNATURE OF STATE AGENCY OFFICIAL



13. TYPED NAME

Mari Cantwell

14. TITLE

State Medicaid Director

15. DATE SUBMITTED

9/30/2016

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

18. DATE APPROVED

DEC 08 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, FMC

23. REMARKS

Pen-and-ink change made to Boxes 7 and 9 by regional office with state concurrence on 11/30/2016.

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

SUPPLEMENTAL REIMBURSEMENT FOR QUALIFIED PRIVATE HOSPITALS

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, or soon thereafter as practicable, 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	\$10,000,000
Children's Hospital and Research Center at Oakland	\$3,000,000

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

SUPPLEMENTAL REIMBURSEMENT FOR QUALIFIED PRIVATE HOSPITALS

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	\$10,000,000
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

1. 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

TN No.16-022

Supersedes:

TN No.15-003

Approval Date **DEC 08 2016** Effective Date: July 1, 2016