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State/Territory Name: CA

State Plan Amendment (SPA) #: CA-23-0028

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
7500 Security Boulevard, Mail Stop S3-14-28
Baltimore, Maryland 21244-1850



Financial Management Group

May 29, 2024

Tyler Sadwith
State Medicaid Director
California Department of Health Care Services
P.O. Box 997413, MS 0000
Sacramento, CA 95899-7413

RE: California State Plan Amendment Transmittal Number 23-0028

Dear State Medicaid Director Sadwith:

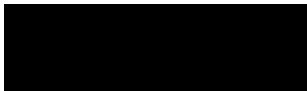
The Centers for Medicare & Medicaid Services (CMS) has reviewed the proposed California state plan amendment (SPA) to Attachment 4.19-D CA-23-0028, which was submitted to CMS on September 29, 2023. This plan amendment updates the rate setting methodology for freestanding pediatric subacute (FS/PSA) facilities effective July 1, 2023, and changes the FS/PSA rate year to a calendar year rate year effective January 1, 2024.

We reviewed your SPA submission for compliance with statutory requirements, including in sections 1902(a)(2), 1902(a)(13), 1902(a)(30), and 1903 as it relates to the identification of an adequate source for the non-federal share of expenditures under the plan, as required by 1902(a)(2), of the Social Security Act and the applicable implementing Federal regulations.

Based upon the information provided by the state, we have approved the amendment with an effective date of July 1, 2023. We are enclosing the approved CMS-179 and a copy of the new state plan pages.

If you have any additional questions or need further assistance, please contact Mark Wong at 415-744-3561 or via email at mark.wong@cms.hhs.gov.

Sincerely,



Rory Howe
Director

Enclosures

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

1. TRANSMITTAL NUMBER <u>2 3</u> — <u>0 0 2 8</u>	2. STATE <u>CA</u>
3. PROGRAM IDENTIFICATION: TITLE OF THE SOCIAL SECURITY ACT <input checked="" type="radio"/> XIX <input type="radio"/> XXI	

TO: CENTER DIRECTOR
CENTERS FOR MEDICAID & CHIP SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
July 1, 2023

5. FEDERAL STATUTE/REGULATION CITATION
Title 42 § CFR 447 Subpart B & C

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)
a. FFY 2023 \$ 700,000
b. FFY 2024 \$ 1,400,000

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT
Attachment 4.19-D, pages 15 and ~~15a~~ 15.1a


8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable)
Attachment 4.19-D, pages 15 and ~~15a~~ 15.1a

9. SUBJECT OF AMENDMENT
Freestanding Pediatric Subacute - Shift Reimbursement to Calendar Rate Year Basis and Gradually Unwind of COVID-19 PHE Increase

10. 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:
Please note: The Governor's Office does not wish to review the State Plan Amendment.

11. SIGNATURE OF STATE AGENCY OFFICIAL


12. TYPED NAME
Jacey Cooper

13. TITLE
State Medicaid Director

14. DATE SUBMITTED
September 29, 2023

15. RETURN TO
Department of Health Care Services
Attn: Director's Office
P.O. Box 997413, MS 0000
Sacramento, CA 95899-7413


FOR CMS USE ONLY

16. DATE RECEIVED
September 29, 2023

17. DATE APPROVED
May 29, 2024

PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL
July 1, 2023

19. SIGNATURE OF APPROVING OFFICIAL


20. TYPED NAME OF APPROVING OFFICIAL
Rory Howe

21. TITLE OF APPROVING OFFICIAL
Director, Financial Management Group

22. REMARKS

Pen-and-ink change made to Boxes 7 and 8 by CMS with state concurrence.

9. ICF/DDs (except state operated facilities), ICF/DD-H and ICF/DD-N facilities will be reimbursed at the 65th percentile, instead of the median, in recognition of the fact that they serve a disproportionate share of low income patients with special needs.
10. Subacute services which are provided in both distinct parts of acute care hospitals and freestanding NFs shall be reimbursed at the lesser of costs as projected by the Department or the prospective class median rate, broken down by ventilator and non-ventilator and DP or freestanding NF.
 - 10.1 For dates of service on or after January 1, 2024, the rate year for Freestanding Pediatric Subacute (FS/PSA) facilities will be the calendar year and the reimbursement rates shall be the greater of: (1) the reimbursement rate established pursuant to paragraphs 10.3 through 10.5, or (2) the reimbursement rate in effect for the facility on December 31, 2023, inclusive of the COVID-19 Public Health Emergency (PHE) rate increase as calculated in accordance with pages 90g – 90l of Section 7.4 of the State Plan (COVID-19 Medicaid Disaster Relief).
 - 10.2 For dates of service from July 1, 2023, through December 31, 2023, FS/PSA reimbursement rates shall be established at the total per diem rate in effect on August 1, 2022, inclusive of the COVID-19 PHE rate increase then in accordance with pages 90g – 90l of Section 7.4 of the State Plan (COVID-19 Medicaid Disaster Relief).
 - 10.3 For the August 1, 2021 to July 31, 2022 rate year, and each rate year thereafter, FS/PSA reimbursement rates will be established at the lesser of the facility's costs as projected by the Department, or the rate based on the class median rates, broken down by ventilator and non-ventilator, including the projected cost of complying with new state or federal mandates. The facility's costs as projected by the Department are calculated using the historical model FS/PSA rates inflated to the current rate year. Class median rates are based on the most recently available audited cost report data, inflated to the midpoint of the rate year for which the class median rate is being calculated. For fiscal years in which the facility receives the supplemental payment described on page 37 of this Attachment, the supplemental payment amount will not be paid in addition to and concurrently with the base per diem rate as described in paragraph 2 on page 37, and instead will be accounted for and included in the reimbursement rate described in this paragraph. No adjustment will be made to increase the computed reimbursement rate by the supplemental payment amount.
 - 10.4. For the August 1, 2021 to July 31, 2022 rate year, and each rate year thereafter, FS/PSA Ventilator Weaning and Rehab Therapy ancillary reimbursement rates will be established at the lesser of the facility's costs as projected by the Department, or the rate based on the class median rates. Ancillary services are not eligible to receive the supplemental payments described on page 37 of this Attachment.
 - 10.5 For rate years in which there is insufficient audited cost data to calculate a cost based class median rate, FS/PSA reimbursement rates will be established at the facility's cost as projected by the Department, including the projected cost of complying with new state or federal mandates. For fiscal years in which the facility receives the supplemental payment described on page 37 of this Attachment, the supplemental payment amount will not be paid in addition to and concurrently with the base per diem rate as described in paragraph 2 on page 37, and instead will be accounted for and included in the non-ancillary reimbursement rate described in this paragraph. No adjustment will be made to increase

the computed reimbursement rate by the supplemental payment amount.

- 10.6 The per diem rates for FS/PSA are the rates established by the Department of Health Care Services, as published on the Medi-Cal website.
11. The subacute rate includes additional ancillary costs. Where available, the facility's projected cost is based on the audited ancillary cost data. In the event that audited ancillary costs are not available, the facility's projected cost is based on the median of the projected subacute ancillary costs of the facilities in the study that have audited ancillary costs.
12. For purposes of setting the DP/NF or subacute prospective class median rate, the Department shall use the facility's interim projected reimbursement rate when their audit report is not issued as of July 1st.
13. For the rate year 2005-06, and each rate year thereafter, a DP/NF subacute facility that experiences a reduction in costs in the previous rate year, which would result in a reduced reimbursement rate for the current rate year, will have its prospective reimbursement rate for the current rate year established at the reimbursement rate for the previous rate year. For example, if a DP/NF subacute facility's 2006-07 prospective reimbursement rate was less than the DP/NF subacute's 2005-06 prospective reimbursement rate, the DP/NF subacute's reimbursement rate for the 2006-07 rate year will be established at its 2005-06 prospective reimbursement rate. This subparagraph shall not apply to facilities with an interim rate established pursuant to Section IV.H of this Attachment.