State of California—Health and Human Services Agency
Department of Health Care Services

JENNIFER KENT
DIRECTOR

EDMUND G. BROWN JR.
GOVERNOR

MAR 25 2016

Ms. Kristin Dillon
Acting Associate Regional Administrator
Division of Medicaid and Children's Health Operations
Centers for Medicare and Medicaid Services
90 Seventh Street, Suite 5-300 (5W)
San Francisco, CA 94103-6707

RE: California State Plan Amendment (SPA) 16-010

Dear Ms. Dillon,

The Department of Health Care Services (DHCS) is submitting the enclosed State Plan Amendment (SPA) to transfer the authority for Disproportionate Share Hospital (DSH) Replacement payments from California's Section 1115 demonstration project to the State Plan, as agreed to by the State and CMS during the waiver renewal negotiations late last year.

Effective January 1, 2016, this SPA would allow continued receipt of federal financial participation for supplemental DSH replacement payments made to eligible private hospitals. Effective September 1, 2005 and through December 31, 2015, the authority for such payments was derived from California's Section 1115 demonstration projects, entitled "Medi-Cal Hospital/ Uninsured Care Demonstration" and later "California Bridge to Reform Demonstration." As a component of negotiating the recently renewed demonstration (entitled "California Medi-Cal 2020 Demonstration"), it was mutually agreed that DHCS would submit a SPA to transfer this supplemental payment program to the State Plan and ensure continuing authority to make DSH Replacement payments to private hospitals going forward.

Because there is no change to the standards or methods for making DSH Replacement payments, it has been agreed that no public notice is required, including such notice pursuant to 42 CFR §447.205. In addition, no tribal consultation was required for SPA 16-010.

Please contact Mr. John Mendoza, Chief, Safety Net Financing Division, at (916) 552-9130 or by e-mail at John.Mendoza@dhcs.ca.gov if you have any questions.

ORIGINAL SIGNED

Mari Cantwell
Chief Deputy Director, Health Care Programs
State Medicaid Director
Department of Health Care Services

Enclosures

Cc: John Mendoza, Chief
Safety Net Financing Division
Department of Health Care Services
1501 Capitol Avenue, MS 4504
PO Box # 997436
Sacramento, CA 95899

Lindy Harrington, Deputy Director
Health Care Financing
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Ryan Witz, Assistant Deputy Director
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DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH CARE FINANCING ADMINISTRATION

FORM APPROVED
OMB NO. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER: **16-010**

2. STATE: California

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
January 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 $211,767,324
b. FFY 2017 $214,572.189

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
Attachment 4.19A, pages 28-29a

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*:
Attachment 4.19A, pages 28-29

10. SUBJECT OF AMENDMENT:
PRIVATE DISPROPORTIONATE SHARE HOSPITAL REPLACEMENT SUPPLEMENTAL PAYMENTS

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.

14. TITLE:
State Medicaid Director

MAR 23 2016

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:

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:

22. TITLE:

23. REMARKS:

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

PRIVATE DISPROPORTIONATE SHARE HOSPITAL REPLACEMENT SUPPLEMENTAL PAYMENTS

Federal financial participation (FFP) for Disproportionate Share Hospital (DSH) Replacement payments to eligible private hospitals was initially authorized pursuant to California's Section 1115 demonstration project entitled "Medi-Cal Hospital/ Uninsured Care" (No. 11-W-00193/9), effective on September 1, 2005 through October 31, 2010, and subsequently authorized pursuant to the successor project entitled "California Bridge to Reform Demonstration" (No. 11-W-00193/9), effective November 1, 2010 through December 31, 2015. This amendment will continue the prior demonstration-based authority under the State Plan to allow for receipt of FFP for DSH Replacement supplemental payments made to eligible private hospitals, effective on January 1, 2016.

DSH Replacement payments are fee-for-service inpatient hospital supplemental payments, and are subject to the private hospital upper payment limit as defined in 42 CFR 447.272. As such, DSH replacement payments shall not be considered payments made under Section 1923 and shall not be charged against California's federal DSH allotment for an applicable federal fiscal year as described in Section 1923(f).

DSH Replacement supplemental payments are available for private hospitals identified on the State's disproportionate share list issued by the Department, and shall be calculated pursuant to the DSH provisions of the State Plan in effect as of the 2004-05 payment adjustment year, set forth in Appendix 2 to this Attachment 4.19-A (entitled the "prior DSH methodology").

A. DSH REPLACEMENT SUPPLEMENTAL PAYMENT CALCULATION AND DISTRIBUTION

1. Interim payments shall be made for the first five months of each project year in the following manner:

    a. Interim payments shall be made to private hospitals identified on the tentative DSH list for the project year provided that the private hospital was also on the final DSH list for the prior project year. The amount of the monthly interim payments shall be equal to one-twelfth of the total payments, based on the private hospital's prior project year payments.

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b. The Department shall make the first interim payment for a project year to each eligible private hospital no later than 60 days after the issuance of the tentative DSH list for the project year and shall include the interim payment amount for all prior months in the project year.

2. Tentative adjusted monthly payments shall be made for the months of December through March of each project year to each eligible private hospital identified on the final DSH list for the project year and paid as follows:

   a. The Department shall compute an adjusted payment amount for each eligible private hospital in accordance with subdivisions (am) and (an) of Welfare and Institutions Code section 14105.98.

   b. The Department shall compute a tentative adjusted monthly payment amount for each eligible private hospital. The amount shall be equal to the adjusted payment amount for the hospital minus the aggregate interim payments made to the hospital for the project year divided by seven.

   c. The Department will make the first tentative adjusted monthly payment for a project year to each eligible private hospital by January 15, or within 60 days after the issuance of the final DSH list for a project year, whichever of these dates is later. This payment amount shall include the tentative adjusted monthly payment amounts for all prior months in the project year for which those payments are due.

3. Final Total Payments shall be paid to each private hospital identified on the final DSH list in the following manner:

   a. Eligible private hospitals identified on the final DSH list for the project year shall receive three corrected payments for the months of April through June of the project year. These payments shall be computed and paid as follows:

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i. The Department shall compute an annual data corrected payment amount for each eligible hospital. This payment amount shall reflect data corrections, hospital closures and any other revisions made by the Department.

ii. The Department shall compute a monthly data corrected payment amount for each eligible private hospital. This amount shall be equal to the annual data corrected payment amount for the hospital minus both the aggregate interim payments made to the hospital for the project year and the aggregate tentative adjusted monthly payments made by the hospital divided by three.