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

Jennifer Kent
DIRECTOR

EDMUND G. BROWN JR.
GOVERNOR

September 30, 2016

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

CALIFORNIA STATE PLAN AMENDMENT 16-019

Dear Ms. Henrietta Sam-Louie:

The Department of Health Care Services (DHCS) is submitting the enclosed State Plan Amendment (SPA) 16-019 for the Public Hospital Outpatient Services Supplemental Reimbursement Program.

The Centers for Medicare and Medicaid Services approved SPA 02-018 on September 12, 2003 with an effective date of July 1, 2002. DHCS is seeking to amend the supplemental payment program currently located in Pages 46 – 50 Supplement 2 to Attachment 4.19-B to modify pages 46 and 49 of the State Plan to reflect the State of California Welfare and Institutions Code 14105.96. SPA 16-019 also proposes technical revisions to update the hospital participation criteria in the relevant State Plan pages, specifically those necessary to reflect the State law creation of hospital authorities to govern Alameda Health System and Kern Medical Center.

No tribal consultation was required for SPA 16-019.

Public Notice was published on June 24, 2016.
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.

Sincerely,

ORIGINAL SIGNED

Mari Cantwell
Chief Deputy Director
Health Care Programs
State Medicaid Director

cc:: See next page

Enclosure

cc: John Mendoza, Chief
Safety Net Financing Division
Department of Health Care Services

Lindy Harrington, Deputy Director
Health Care Financing
Department of Health Care Services

Ryan Witz, Assistant Deputy Director
Health Care Financing
Department of Health Care Services

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

FORM APPROVED
OMB No. 0938-0193

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

1. TRANSMITTAL NUMBER: 1 6 — 0 1 9

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 447.250 through 447.272

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, Page 46 and 49

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*
Attachment 4.19-B, Page 46 and 49

10. SUBJECT OF AMENDMENT
Supplemental Reimbursement for Public Hospital Outpatient 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

ORIGINAL SIGNED

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

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

SUPPLEMENTAL REIMBURSEMENT FOR PUBLIC OUTPATIENT HOSPITAL SERVICES

This program provides supplemental reimbursement for an outpatient department of a general acute care hospital that is owned or operated by a city, county, city and county, the University of California, health care district, or hospital authority, which meets specified requirements and provides outpatient hospital services to Medi-Cal beneficiaries.

Supplemental reimbursement under this program is available only for costs that are in excess of the payments the hospital receives per visit or per procedure for outpatient hospital services from any source of Medi-Cal reimbursement.

A. Definition of an Eligible Hospital

A hospital is determined eligible only if the local agency continuously has all of the following additional characteristics during the Department's rate year beginning August 1, 2002, and subsequent rate years:

1. Provides services to Medi-Cal beneficiaries.

2. Is an acute care hospital providing outpatient hospital services. For purposes of this section, "acute care hospital" means the facilities described at subdivision (a) or (b), or both, of Section 1250 of the Health and Safety Code.

3. Is owned or operated by a 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.

Local agencies of eligible hospitals must provide certification to the state that the amount claimed by them is eligible for federal financial participation.

B. Supplemental Reimbursement Methodology

Supplemental reimbursement provided by this program to an eligible hospital is intended to allow federal financial participation for certified

public expenditures. The supplemental reimbursement methodology is as follows:

1. As described in paragraph A, the expenditures certified by the local agency to the State shall represent the payment eligible for federal financial participation. Allowable certified public expenditures shall determine the amount of federal financial participation.

2. In no instance shall the amount certified pursuant to paragraph C.1, when combined with the amount received and payable from all other sources of reimbursement from the Medi-Cal program, exceed 100 percent of the costs for outpatient hospital services at each hospital.

3. The supplemental Medi-Cal reimbursement provided by this section shall be distributed under a payment methodology based on outpatient hospital services provided to Medi-Cal patients at the eligible hospital. Pursuant to paragraph C.1, the hospital shall certify to the Department, on an annual basis, the amount of its eligible costs for providing Medi-Cal outpatient hospital services.

4. Costs for outpatient services that are otherwise payable by or reimbursable under the prospective payment reimbursement for federally qualified health centers and rural health clinics set forth earlier in this Attachment, or the cost based reimbursement methodology set forth in Supplement 5 to this Attachment, are not eligible as certified public expenditures under this supplemental reimbursement methodology.

5. The hospital's Medicaid outpatient costs for the subject year will be computed in a manner consistent with Medicare cost accounting principles and will not include any Medi-Cal program non-reimbursable cost centers.

6. The hospital Medicaid outpatient costs will be derived by reducing each hospital's Medicaid outpatient charges less any amounts not payable by Medicaid including but not limited to third party payments and co-payments made by patients. The data used for the computations will come from each hospital's most recently available completed HCFA 2552 Medicare/Medicaid cost report and survey data provided by each hospital. The Medi-Cal cost report data will be reported in a manner consistent with the methods used to complete the Medicare cost report.

The State will reconcile annually, and for three years after the period for which the claim was submitted, cost information from filed hospital cost reports to cost information from settled/audited cost reports. In addition, the State will reconcile actual expenditures and payments to any amounts used initially to determine the supplemental payment. When any reconciliation results in an underpayment or overpayment to a facility, no less than annually the State will adjust the affected facility's supplemental payment.

7. Consistent with Medicare cost accounting principles and excluding any Medi-Cal program non-reimbursable costs center, for the hospital facility component (excluding professional component costs but including the provider based component of physician costs determined under Medicare cost reporting), the following items will be identified at the hospital departmental level:

   - Total facility cost to total charges, regardless of payer type, ratios by department.

   - Total Medicaid outpatient charges less any amounts not payable by Medicaid including but not limited to third party payments and co-payments made by patients.

   The departmental cost to charge ratios will be multiplied by Medicaid outpatient hospital charges to derive cost. These departmental level totals will be added to yield the hospital's Medicaid outpatient costs. The cost-to-charge ratios, as reflected in the Medi-Cal Cost Report, will be used to reduce Medicaid outpatient charges to Medicaid outpatient costs by hospital department. A department is equivalent to a cost center on the Medicare Form 2552 hospital cost report.

8. The hospital's total Medi-Cal payments for outpatient hospital services for the facility component will be determined using Medi-Cal paid claims data for the same fiscal period. The hospital's total Medicaid outpatient costs determined under paragraph 7 will be reduced by the hospital's total Medi-Cal payments, less amounts paid by Medi-Cal for the professional component of the services, yielding the certified public expenditure amount.

C. Hospital Reporting Requirements

The local agency reporting on behalf of any eligible hospital must do all of the following:

1. Certify, in conformity with the requirements of Section 433.51 of Title 42 of the Code of Federal Regulations, that the claimed expenditures for hospital outpatient hospital services are eligible for federal financial participation.

2. Provide evidence supporting the certification as specified by the Department.

3. Submit data as specified by the Department to determine the appropriate amounts to claim as expenditures qualifying for federal financial participation.

4. Keep, maintain and have readily retrievable, such records as specified by the Department to fully disclose reimbursement amounts to which the eligible hospital is entitled, and any other records required by the Centers for Medicare & Medicaid Services.

D. Standards for Supplemental Reimbursement

1. The Department may require that any general acute care hospital owned or operated by a city, county, city and county, the University of California, or health care district receiving supplemental reimbursement under this program enter into a written interagency agreement with the Department for the purposes of implementing this program.

2. Supplemental reimbursement paid under this program must comply with the requirements of Section B, above.

E. Department's Responsibilities

1. The Department will submit claims for federal financial participation for the expenditures for services that are allowable expenditures under federal law.

2. The Department will, on an annual basis, submit any necessary materials to the federal government to provide assurances that claims for federal financial participation will include only those expenditures that are allowable under federal law.

3. The State share of the supplemental reimbursement under this program will be equal to the amount of the federal financial participation of eligible expenditures paid by city, county, city and county, the University of California or health care district funds and certified to the state as specified in Section C.1, above.

4. Aggregate Medi-Cal reimbursement provided to State government-owned or operated hospitals and non-state government-owned or operated facilities will not exceed applicable federal upper payment limits (UPL) determined under 42 C.F.R. §447.321. For purposes of determining the reasonable estimates of the amounts that would be paid for outpatient hospital services under Medicare payment principles required by the UPL, only the facility component of outpatient services will be considered. Medi-Cal payments for the facility component of hospital outpatient services, which will consist of the non-federal and federal share of the outpatient supplemental payments under this section for the facility component combined with all other Medi-Cal outpatient payments for the facility component, will be aggregated by hospital group and compared to the UPL determined for each group.

SPA Impact Form

State/Title/Plan Number:
CA/Supplemental Reimbursment for Public Outpatient Hospital Services/ SPA#16-019

Federal Fiscal Impact:
FY 2016 $0
FY 2017 $0

Number of People Affected by Enhanced Coverage, Benefits or Retained Eligibility: _____0_____

Number of Potential Newly Eligible People: _____0_____
or
Eligibility Simplification: No

Number of People Losing Medicaid Eligibility: _____0_____

Reduces Benefits: No

Provider Payment Increase: No

Delivery System Innovation: No

Comments/Remarks:
Assembly Bill 915 (Frommer, Chapter 747, Statutes of 2002); Welfare and Institutions Code Section 14105.96 requires the Department of Health Care Services (DHCS) to provide supplemental reimbursement for Medicaid fee-for-service outpatient hospital services on an annual basis. DHCS is required to establish, implement, and maintain the Public Hospital Outpatient Services Supplemental Program (AB915).

The Centers for Medicare and Medicaid Services (CMS) has approved SPA 02-018 on September 12, 2003 with an effective date for July 1, 2002. DHCS is seeking to amend the supplemental payment program currently located in Pages 46 – 50 Supplement 2 to Attachment 4.19-B to modify page 46 and 49 of the State Plan to reflect the State of California Welfare and Institutions Code 14105.96. SPA 16-019 also proposes technical revisions to update the hospital participation criteria in the relevant State Plan pages, specifically those necessary to reflect the State law creation of hospital authorities to govern Alameda Health System and Kern Medical Center. There is no anticipated impact to the total Federal Financial Participation for the stated time frames.

DHCS Contact:
Trinidad Perez
Trinidad.Perez@dhcs.ca.gov, (916) 449-5129
Date: