



TOBY DOUGLAS
DIRECTOR

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



EDMUND G. BROWN JR.
GOVERNOR

September 23, 2013

Gloria Nagle, PhD, MPA
Associate Regional Administrator
Centers for Medicare and Medicaid Services
Division of Medicaid and Children's Health
90 Seventh Street, Suite 5-300 (5W)
San Francisco, CA 94103-6707

STATE PLAN AMENDMENT (SPA) 13-002

Dear Ms. Nagle:

The Department of Health Care Services (DHCS) is submitting the enclosed State Plan Amendment (SPA) for the Supplemental Reimbursement for the Private Hospital Supplemental Fund Program (PHSF).

DHCS needs Federal authority to continue making payments to hospitals that participate in the PHSF program. Since the program's inception, the authority to make PHSF payments has been tied to the Selective Provider Contracting Program (SPCP). The SPCP ended June 30, 2013.

The PHSF program provides crucial reimbursement payments to 64 participating hospitals. Without these crucial payments, the hospitals would experience a huge financial downfall. These private hospitals serve a disproportionate share of Medi-Cal beneficiaries in their community, while maintaining basic emergency room services. The participating hospitals depend on the PHSF reimbursements to assist in the continuation of access to Medi-Cal beneficiaries.

In compliance with the new policy set forth by the American Recovery and Reinvestment Act of 2009 (ARRA), on November 19, 2010, DHCS notified Indian Health Programs and Urban Indian Organizations of SPA 13-002. As of the date of this letter, no comments have been received from Indian Health Programs and Urban Indian Organizations.

Gloria Nagle, PhD, MPA
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Please contact Ms. Jennifer Brooks, Acting Chief of Safety Net Financing Division, at (916) 322-2551 or by e-mail at Jennifer.Brooks@dhcs.ca.gov if you have any questions.

Sincerely,

ORIGINAL DOCUMENT SIGNED BY:

Toby Douglas
Director

Enclosures

cc: Jennifer Brooks, Acting Chief
Safety Net Financing Division
Department of Health Care Services
1501 Capitol Avenue, MS 4504
PO Box # 997436
Sacramento, CA 95899

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL	1. TRANSMITTAL NUMBER: 13-002	2. STATE California
	3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
FOR: HEALTH CARE FINANCING ADMINISTRATION	4. PROPOSED EFFECTIVE DATE July 1, 2013	
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES		

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 447.304; 447.321; and 447.325	7. FEDERAL BUDGET IMPACT: a. FFY 2013-14 \$169,634,500 b. FFY 2014-15 \$122,460,000
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8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Supplement 4 to Attachment 4.19-A, pages 1-6	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (<i>If Applicable</i>): None
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10. SUBJECT OF AMENDMENT:

Private Hospital Supplemental Fund Program

11. GOVERNOR'S REVIEW (*Check One*):

GOVERNOR'S OFFICE REPORTED NO COMMENT OTHER, AS SPECIFIED:
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED The Governor's Office does not
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL wish to review the State Plan Amendment.

12. SIGNATURE OF STATE AGENCY OFFICIAL: ORIGINAL DOCUMENT SIGNED BY:	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
13. TYPED NAME: Toby Douglas	
14. TITLE: Director	
15. DATE SUBMITTED: SEPTEMBER 23, 2013	

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 QUALIFIED PRIVATE HOSPITALS

This segment of the State Plan describes an enhanced Medi-Cal payment for private hospitals that have a need for assistance in ensuring the availability of essential services for Medi-Cal beneficiaries, and that meet the requirements in Sections A and B below.

The Private Hospital Supplemental Fund Program (PHSF) was established under Social Security Act (SSA) section 1915(b) waiver (and starting in 2005 under a SSA section 1115(a) Medicaid Demonstration) granting the Department of Health Care Services (DHCS) its authority to make PHSF supplemental payments to hospitals participating in the Medi-Cal Selective Provider Contracting Program (SPCP). The SPCP ended on June 30, 2013 upon the implementation of the Diagnosis Related Group (DRG) reimbursement methodology for private hospitals. This section of Attachment 4.19-A is written to continue the Department's federal authority to provide supplemental reimbursement payments to private hospitals participating in the PHSF.

The SPA effective date is July 1, 2013 and replaces existing SPCP authority in the Demonstration.

A. DEFINITION OF A PRIVATE HOSPITAL

A private hospital is defined as a hospital that meets all of the following conditions:

1. Is licensed pursuant to subdivision (a) of section 1250 of the Health and Safety Code, as the law was in effect on July 1, 2013.
2. Is in the Charitable Research Hospital peer group, as set forth in the 1991 Hospital Peer Grouping Report published by the Department, or is not designated as a specialty hospital in the hospital's Office of Statewide Health Planning and Development Annual Financial Disclosure Report for the hospital's latest fiscal year.
3. Does not satisfy the Medicare criteria to be classified as a long-term care hospital.
4. Is a nonpublic hospital, nonpublic converted hospital, or converted hospital as those terms are defined in paragraphs (26) to (28), inclusive, respectively, of subdivision (a) of section 14105.98 of the Welfare & Institutions Code, as the law was in effect on July 1, 2013.

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B. DEFINITION OF AN ELIGIBLE PRIVATE HOSPITAL

An eligible hospital is a private hospital that meets the criteria in paragraph (1), (2), (3), or (4) below:

1. The hospital meets all of the following criteria:
 - A. The hospital meets the criteria contained in the Medicaid State Plan for Disproportionate Share Hospital (DSH) status.
 - B. The hospital is one of the following:
 - i. A licensed provider of basic emergency services as described in section 70411 of title 22 of the California Code of Regulations, as the law was in effect on July 1, 2013.
 - ii. A licensed provider of comprehensive emergency medical services as defined in section 70451 of title 22 of the California Code of Regulations, as the law was in effect on July 1, 2013.
 - iii. A children's hospital, as defined in Welfare & Institutions Code section 14087.21, as the law was in effect on July 1, 2013, that satisfies clause (i) or (ii) above, or that jointly provides basic or comprehensive emergency services in conjunction with another licensed hospital.
 - iv. A hospital designated by the National Cancer Institute as a comprehensive or clinical cancer research center that primarily treats acutely ill cancer patients and that is exempt from the federal Medicare prospective payment system pursuant to SSA section 1886(d)(1)(B)(v) (42 U.S.C. § 1395ww(d)(1)(B)(v)).
 - C. The hospital has additional funding needs related to emergency services and other health care services, including infrequent yet high-cost services, such as anti-AB human antitoxin treatment for infant botulism (human botulinum immune globulin (HBIG), commonly referred to as "Baby-BIG"), that are made available or will be made available to Medi-Cal beneficiaries.
2. The hospital meets the definition of a university teaching hospital or major nonuniversity teaching hospital as set forth on page 51 and as listed on page

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57 of the Department of Health Services (DHS) report dated May 1991, entitled "Hospital Peer Grouping".

3. The hospital meets the definition of any of the following:
 - A. A large teaching emphasis hospital, as set forth on page 51 and listed on page 57 of the DHS report dated May 1991, entitled "Hospital Peer Grouping", and also satisfies the Medicaid State Plan criteria for DSH status.
 - B. A children's hospital, as the law was in effect on July 1, 2013, and also satisfies the Medicaid State Plan criteria for DSH status.
 - C. Notwithstanding the requirement in subparagraph (A) that a hospital must be listed on page 57 of the DHS report dated May 1991, entitled "Hospital Peer Grouping", any hospital whose license pursuant to chapter 2 (commencing with Section 1250) of division 2 of the Health and Safety Code was consolidated during the 1999 calendar year with a large teaching emphasis hospital that is listed on page 57 of the above-described report shall be eligible. All other requirements of paragraph (3) shall continue to apply.
4. The hospital meets all of the following criteria:
 - A. The hospital satisfies the Medicaid State Plan criteria for DSH status.
 - B. The hospital is a small and rural hospital as defined in section 124840 of the Health and Safety Code, as the law was in effect on July 1, 2013.
 - C. The hospital is a licensed provider of standby emergency services as described in section 70649 of title 22 of the California Code of Regulations, as the law was in effect on July 1, 2013.

C. PAYMENT METHODOLOGY FOR ELIGIBLE PRIVATE HOSPITALS:

1. Supplemental reimbursement provided by this program will be distributed under a payment methodology based on hospital services provided to Medi-Cal patients at the eligible hospital. The payment methodology for State Fiscal Year (SFY) 2013-14 will be as described below; payment methodology for subsequent years will be submitted by DHCS via a revised State Plan Amendment:

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- A. DHCS shall identify DSH eligible hospitals for the applicable fiscal year from the Final DSH Eligibility List adopted by DHCS. If the Final DSH Eligibility List is not available by November 1st of the SFY, then DHCS will utilize the Tentative DSH Eligibility List. DHCS will then identify any private DSH hospitals that meet other criteria for supplemental payment eligibility.
- B. DHCS shall determine the total amount of funds budgeted and authorized in statute for the program SFY 2013-14 and the PHSF carry over balance fund from previous years. This amount will be paid to hospitals as follows and utilize a pro-rata amount for each hospital if the funds available for SFY 2013-14 are less than the aggregate amounts paid for SFY 2011-12, not including Intergovernmental Transfers (IGTs):
- i. If the hospital is eligible to participate in the SFY 2013-14 supplemental program and also participated in the SFY 2011-12 supplemental program, the funding that hospital received for SFY 2011-12 will be its amount, or pro-rata amount if applicable, of the SFY 2013-14.
 - ii. If the hospital is eligible to participate in the SFY 2013-14 supplemental program, but did not participate in the SFY 2011-12 program, but had participated in the SFY 2012-13 or a program year before SFY 2009-10 or after, then its amount, or pro-rata amount if applicable, will be the payment it received in the most recent year in which it participated.
 - iii. For any hospital eligible in SFY 2013-14 that has not participated since SFY 2009-10, an amount of \$500,000, or pro-rata amount if applicable, will be established for such hospital.
 - iv. If after the determinations have been made for items i, ii, and iii above and the PHSF fund balance did not invoke pro-rata reductions for eligible hospitals in accordance to i, ii, and iii above, then any remaining PHSF fund balance may be distributed to 2013-14 eligible hospitals at DHCS' discretion. Such distributions shall be in addition to the amounts received in i, ii, and iii stated above.
- C. Once the budgeted program size is determined and if the funds available for 2013-14 are less than the aggregate amounts paid for SFY 2011-12, not including IGT transfers; the sum of all pro-rata amounts will be calculated and

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then divided by the total program size to determine the adjusted payment amount for each eligible hospital.

- D. DHCS will pay the adjusted payment amounts in two distributions: hospitals eligible to receive a Round A installment payment shall be paid such payment no later than December 15, 2013 or as soon thereafter as practicable and hospitals eligible to receive a Round B installment payment shall be paid such amount by April 1, 2014 or as soon thereafter as practicable.
- E. Hospitals eligible to receive a Round A installment payment shall be those hospitals that are identified on the Final DSH Eligibility List adopted by DHCS or the Tentative DSH Eligibility List if the Final List is not available by November 1st and have been continuously eligible for PHSF payments during the previous four (4) State Fiscal Year PHSF payment programs: SFY 2009-10, 2010-11, 2011-12, and 2012-13 and received a Round A installment payment in SFY 2012-13. The amount of such Round A installment payments shall equal the Round A installment payment such eligible hospitals received in SFY 2012-13.
- F. All hospitals shall be eligible to receive Round B payments if they are identified as being a DSH Eligible Hospital on the Final DSH Eligibility List for SFY 2013-14 and meet the eligibility criteria. If the funds available for 2013-14 are less than the aggregate amount paid for SFY 2011-12, not including IGT transfers, the amount of the Round B installment payment shall be calculated by taking the sum of all pro-rata amounts revised to reflect any additions or subtractions from those amounts calculated based upon the Tentative DSH Eligibility List. This revised total of prorated amounts will then be divided by the total program size and the resulting percentage applied to the prorated amounts to determine the final adjusted payment amount for each eligible hospital. Round A installment payments shall be subtracted from the final adjusted payment amount to determine the Round B payment for each hospital.
- G. In addition to receiving PHSF funding and meeting all of the program requirements above, private hospitals are eligible for additional PHSF funding through IGTs if:
- i. PHSF payments to private hospitals that are eligible to receive PHSF payments may be made using funds transferred from governmental entities to the State, at the option of the governmental entity. Any PHSF

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payments funded by IGTs shall remain with the private hospital and shall not be transferred back to any unit of government. An amount equal to 25 percent of the amount of any IGT that results in a supplemental payment made to a PHSF hospital designated by the governmental entity that made the IGT shall be deposited in the fund for distribution as determined by DHCS. An amount equal to 75 percent shall be deposited in the fund and distributed to the PHSF-eligible private hospital(s) designated by the governmental entity.

D. DEPARTMENT'S RESPONSIBILITIES

1. Aggregate Medi-Cal reimbursement provided to private hospitals will not exceed applicable federal upper payment limits determined under title 42 Code of Federal Regulations part 447.321.

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