



JENNIFER KENT
DIRECTOR

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



EDMUND G. BROWN JR.
GOVERNOR

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 (SPA) 16-031

Dear Ms. Sam-Louie:

The Department of Health Care Services (DHCS) is submitting the enclosed SPA for the Non-Designated Public Hospital Supplemental Fund (NDPHSF) Program.

DHCS is requesting Federal authority to continue making payments to hospitals that participate in the NDPHSF. Since the program's inception in 2003, the authority to make NDPHSF payments has been tied to the Selective Provider Contracting Program (SPCP). The SPCP for NDPH facilities ended December 31, 2013. DHCS obtained Centers for Medicare and Medicaid Services approval last state fiscal year (SFY) under SPA 15-004 for SFY 2015-16 and currently seeks to secure Federal authority under SPA 16-031 for SFYs 2016-17 and 2017-18.

No tribal consultation was required for SPA 16-031.

Public Notice was published on May 6, 2016.

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

Sincerely,

ORIGINAL SIGNED

Mari Cantwell
Chief Deputy Director, Health Care Programs
State Medicaid Director

Ms. Henrietta Sam-Louie
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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

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**

1. TRANSMITTAL NUMBER:
16-031

2. STATE
California

FOR: HEALTH CARE FINANCING ADMINISTRATION

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
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 \$475,000
b. FFY 2017 \$1,900,000

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
Supplement 2 to Attachment 4.19A, pages 7-10

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (*If Applicable*):
Supplement 2 to Attachment 4.19A, pages 7-9

10. SUBJECT OF AMENDMENT:
SUPPLEMENTAL REIMBURSEMENT FOR QUALIFIED NON-DESIGNATED PUBLIC HOSPITALS

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.

12. SIGNATURE OF STATE AGENCY OFFICIAL:
ORIGINAL SIGNED

16. RETURN TO:

13. TYPED NAME:
Mari Cantwell

**Department of Health Care Services
Attn: State Plan Coordinator
1501 Capitol Avenue, Suite 71.326
P.O. Box 997417
Sacramento, CA 95899-7417**

14. TITLE:
State Medicaid Director

15. DATE SUBMITTED:

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 NON-DESIGNATED
PUBLIC HOSPITALS**

This segment of the State Plan describes an enhanced Medi-Cal payment for non-designated public 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 Non-Designated Public Hospital (NDPH) Supplemental Fund Program (Fund) 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) authority to make NDPH supplemental payments to hospitals participating in the Medi-Cal Selective Provider Contracting Program (SPCP). The SPCP for the NDPHs ended on December 31, 2013. This section of Attachment 4.19-A is written to continue DHCS' federal authority to provide supplemental reimbursement payments to NDPHs participating in the NDPH Supplemental Fund Program.

The SPA effective date is July 1, 2016.

A. DEFINITION OF A NON-DESIGNATED PUBLIC HOSPITAL

A non-designated public hospital is defined as a facility that is a public hospital defined in paragraph (25), of subdivision (a) of section 14105.98 of the Welfare & Institutions Code, as the law was in effect on July 1, 2016, excluding designated public hospitals as defined in subdivision (d) of section 14166.1 of the Welfare & Institutions Code.

B. DEFINITION OF AN ELIGIBLE NON-DESIGNATED PUBLIC HOSPITAL

An eligible hospital is a NDPH that is Medi-Cal Certified, had its SPCP contract inactivated on January 1, 2014 and that meets the criteria in paragraph (1) 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:

TN No. 16-031

Supersedes:

TN No. 15-004

Approval Date _____

Effective Date: July 1, 2016

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- 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, 2016.
- 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, 2016.
- iii. 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 regulation was in effect on July 1, 2016, and 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, 2016.

**C. PAYMENT METHODOLOGY FOR ELIGIBLE NON-DESIGNATED PUBLIC
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) 2016-17 and 2017-18 will be as described below; payment methodology for subsequent years will be submitted by DHCS via a revised State Plan Amendment:
 - a. DHCS shall identify DSH eligible hospitals for the applicable fiscal year from the Final DSH Eligibility List adopted by DHCS.
 - b. The aggregate supplemental payment amount of \$3,800,000, will be paid to hospitals on April 1, 2017 for SFY 2016-17 and will be paid to hospitals on April 1, 2018 for SFY 2017-18 or soon thereafter as practicable, as follows:
 - i. If the hospital is eligible to participate in the SFY 2016-17 supplemental program and also participated in the SFY 2015-16 supplemental program, the funding that hospital received in SFY 2015-16 will be its amount for the SFY 2016-17 program.

TN No. 16-031
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- ii. If the hospital is eligible to participate in the SFY 2016-17 program, but did not participate in the SFY 2015-16 program, then its amount will be the payment it received in the most recent year in which it participated.
- iii. For any hospital eligible to participate in the SFY 2016-17 that have not previously been eligible to participate in NDPH supplemental payment distributions, an amount of \$50,000 will be paid to the hospital for services rendered in SFY 2016-17.
- iv. If the fund balance is lower than the amount needed to pay after paragraph C.1.b.i., ii., and iii is determined, then a pro rata reduction will be applied to all SFY 2016-17 eligible hospitals. If the fund balance is higher than the amounts in paragraph C.1.b.i., ii., and iii, then DHCS will pro-rate any remaining funds to the SFY 2016-17 eligible hospitals.
- v. If the hospital is eligible to participate in the SFY 2017-18 supplemental program and also participated in the SFY 2016-17 supplemental program, the funding that hospital received in SFY 2016-17 will be its amount for the SFY 2017-18 program.
- vi. If the hospital is eligible to participate in the SFY 2017-18 program, but did not participate in the SFY 2016-17 program, then its amount will be the payment it received in the most recent year in which it participated.
- vii. For any hospital eligible to participate in the SFY 2017-18 that have not previously been eligible to participate in NDPH supplemental payment distributions, an amount of \$50,000 will be paid to the hospital for services rendered in SFY 2017-18.

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- viii. If the fund balance is lower than the amount needed to pay after paragraph C.1.b.v., vi., and vii is determined, then a pro rata reduction will be applied to all SFY 2017-18 eligible hospitals. If the fund balance is higher than the amounts in paragraph C.1.b.v., vi., and vii, then DHCS will pro-rate any remaining funds to the SFY 2017-18 eligible hospitals.

D. DEPARTMENT'S RESPONSIBILITIES

1. Aggregate Medi-Cal reimbursement provided to non-designated public hospitals will not exceed applicable federal upper payment limits, including title 42 Code of Federal Regulations sections 447.271 and 447.272.

TN No. 16-031

Supersedes:

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Approval Date _____

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