



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



EDMUND G. BROWN JR.
GOVERNOR

September 30, 2014

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

CALIFORNIA STATE PLAN AMENDMENT (SPA) 14-008

Dear Ms. Lee,

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

DHCS needs Federal authority to continue making payments to hospitals that participate in the PHSF. Since the program's inception in 2003, the authority to make PHSF payments has been tied to the Selective Provider Contracting Program (SPCP). The SPCP ended June 30, 2013. DHCS obtained Centers for Medicare and Medicaid Services (CMS) approval last state fiscal year (2013-14) under SPA 13-002 and currently seeks to secure Federal authority under SPA 14-008.

The PHSF provides crucial reimbursement payments to approximately 64 participating hospitals. 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.

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

SIGNED

Ms. Hye Sun Lee
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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: 14-008 | 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, 2014 | |
| 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 Subpart C | 7. FEDERAL BUDGET IMPACT: a. FFY 2014 \$59,200,000 b. FFY 2015 \$71,533,500 |
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|--|---|
| 8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Supplement 4 to Attachment 4.19A, pages 1-6 | 9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): None |
|--|---|

10. SUBJECT OF AMENDMENT:

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: Director | 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 |
| 15. DATE SUBMITTED: <i>9/29/14</i> | |

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. 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, 2014.

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, 2014.
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, 2014.

TN No. 14-008

Supersedes:

Approval Date _____

Effective Date: July 1, 2014

TN No. 13-002

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

SUPPLEMENTAL REIMBURSEMENT FOR QUALIFIED PRIVATE HOSPITALS

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, 2014.
 - 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, 2014.
 - iii. A children's hospital, as defined in Welfare & Institutions Code section 14087.21, as the law was in effect on July 1, 2014, 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)).
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 57 of the Department of Health Services (DHS) report dated May 1991, entitled "Hospital Peer Grouping".

TN No. 14-008
Supersedes:
TN No. 13-002

Approval Date _____ Effective Date: July 1, 2014

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

SUPPLEMENTAL REIMBURSEMENT FOR QUALIFIED PRIVATE HOSPITALS

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, 2014, 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.

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, 2014.
 - 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, 2014.

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) 2014-15 will be as described below; payment methodology for subsequent years will be submitted by DHCS via a revised State Plan Amendment:

TN No. 14-008

Supersedes:

Approval Date _____

Effective Date: July 1, 2014

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

SUPPLEMENTAL REIMBURSEMENT FOR QUALIFIED PRIVATE HOSPITALS

- a. Except for hospitals eligible under B.2, 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 1 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. The aggregate supplemental payment amount of \$236,800,000 will be paid to hospitals as follows:
 - i. If the hospital is eligible to participate in the SFY 2014-15 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 of the SFY 2014-15.
 - ii. If the hospital is eligible to participate in the SFY 2014-15 supplemental program, but did not participate in the SFY 2011-12 program, but had participated in any PHSF program year other than SFY 2013-14, then its amount will be the payment it received in the most recent year in which it participated.
 - iii. For any hospital eligible in SFY 2014-15 that has not previously been eligible to participate in PHSF distributions except SFY 2013-14, an amount will be paid to the hospital for services rendered in SFY 2014-15 to be calculated by multiplying a per diem payment of one hundred dollars (\$100) times the sum of the "GAC-EDS FFS" and the "Well Baby-EDS FFS" inpatient days identified in the Final Medi-Cal Utilization Statistics for the 2013-14 fiscal year as calculated by DHCS as of May 12, 2014.
- c. DHCS will pay the adjusted payment amounts in three distributions: hospitals eligible to receive a Round A installment payment shall be paid such payment no later than December 15, 2014 or as soon thereafter as practicable, hospitals eligible to receive a Round B installment payment shall be paid such amount by March 31, 2015

TN No. 14-008

Supersedes:

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STATE: CALIFORNIA**

SUPPLEMENTAL REIMBURSEMENT FOR QUALIFIED PRIVATE HOSPITALS

or as soon thereafter as practicable, and hospitals eligible to receive a Round C installment payment shall be paid such amount by April 1, 2015 or as soon thereafter as practicable.

- d. Round A installment payment shall be for services rendered through December 1, 2014. Hospitals eligible to receive a Round A installment payment shall be those hospitals eligible under B.2 or 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 1, and have been continuously eligible for PHSF payments during the previous four (4) State Fiscal Year PHSF payment programs: SFY 2010-11, 2011-12, 2012-13, and 2013-14 and received a Round A installment payment in SFY 2012-13. The amount of such Round A installment payment shall be prorated to the Round A installment payment such eligible hospitals received in SFY 2013-14.
- e. Round B installment payment shall be for services rendered through March 1, 2015 and shall include the remaining balance of the SFY 2013-14 Round A installment payment referenced in section d.
- f. Round C installment payment shall be for services rendered through June 1, 2015 and shall be distributed as follows. All hospitals shall be eligible to receive Round C payments if they are eligible under B.2 or are identified as being a DSH Eligible Hospital on the Final DSH Eligibility List for SFY 2014-15 and meet the eligibility criteria. Round A and B installment payments shall be subtracted from the final adjusted payment amount to determine the Round C payment for each hospital.
- g. If the fund balance after Round A and B payments is lower than the amount needed to pay in Round C under paragraph C.1.b.i., ii., and iii, then a pro rata amount will be applied to the Round C amounts payable to all eligible hospitals. The total computable received in Round A and B will be subtracted from the \$236,800,000 to determine the remaining balance to be distributed in Round C. The remaining balance will be divided by the total computable for Round C as determined in i., ii., and iii. That percentage will be applied to

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TN No. 13-002

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STATE: CALIFORNIA**

SUPPLEMENTAL REIMBURSEMENT FOR QUALIFIED PRIVATE HOSPITALS

each hospital's Round C amount as determined in i., ii., and iii to determine the Round C pro rata amounts.

D. Additional Supplemental Payments

Based on SPCP supplemental payments for SFYs 2011-12 and 2012-13, the following private hospitals shall receive additional supplemental funding for SFY 2014-15:

1. In addition to receiving PHSF payments under Section C, the following private hospitals shall receive additional supplemental payments for SFY 2014-15 in the listed amounts:

| | |
|--|--------------|
| St. Rose Hospital | \$16,000,000 |
| Children's Hospital and Research Center at Oakland | \$3,000,000 |
| Grossmont Hospital | \$2,000,000 |
| St. Francis Medical Center | \$1,886,458 |
| California Hospital Medical Center | \$1,022,482 |
| White Memorial Medical Center | \$994,908 |
| Centinela Hospital Medical Center | \$1,466,602 |
| Memorial Hospital of Gardena | \$746,040 |

2. The following hospitals will not receive PHSF supplemental funding for SFY 2014-15 under Section C, however, based on SPCP supplemental payments for SFYs 2011-12 and 2012-13, these private hospitals shall receive supplemental payments for SFY 2014-15 in the listed amounts:

| | |
|------------------------------------|-----------|
| Downey Regional Medical Center | \$703,212 |
| Lakewood Regional Medical Center | \$600,560 |
| Long Beach Memorial Medical Center | \$913,072 |

E. 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 447.272.

TN No. 14-008

Supersedes:

Approval Date _____

Effective Date: July 1, 2014

TN No. 13-002

14008 Public Notice

NOTICE PUBLICATION/REGULATIONS SUBMISSION

(See instructions on reverse)

For use by Secretary of State only

STD 400 (REV. 01-2013)

| | | | |
|------------------|--------------------------------------|--------------------------|------------------|
| OAL FILE NUMBERS | NOTICE FILE NUMBER Z-2014-0529-03 | REGULATORY ACTION NUMBER | EMERGENCY NUMBER |
|------------------|--------------------------------------|--------------------------|------------------|

For use by Office of Administrative Law (OAL) only

| | |
|---|--------------------|
| <p>RECEIVED FOR FILING PUBLICATION DATE</p> <p>MAY 28 '14 JUN 13 '14</p> <p>Office of Administrative Law</p> <p>NOTICE</p> | <p>REGULATIONS</p> |
|---|--------------------|

| | |
|--|-----------------------------|
| AGENCY WITH RULEMAKING AUTHORITY Department of Health Care Services | AGENCY FILE NUMBER (if any) |
|--|-----------------------------|

A. PUBLICATION OF NOTICE (Complete for publication in Notice Register)

| | | | |
|---|--|----------------------------------|--|
| 1. SUBJECT OF NOTICE Supplemental Payments to Hospitals | TITLE(S) | FIRST SECTION AFFECTED | 2. REQUESTED PUBLICATION DATE June 13, 2013 |
| 3. NOTICE TYPE <input type="checkbox"/> Notice re Proposed Regulatory Action <input checked="" type="checkbox"/> Other | 4. AGENCY CONTACT PERSON John Mendoza | TELEPHONE NUMBER 916-552-9130 | FAX NUMBER (Optional) |
| OAL USE ONLY <input type="checkbox"/> Approved as Submitted <input type="checkbox"/> Approved as Modified <input type="checkbox"/> Disapproved/Withdrawn | ACTION ON PROPOSED NOTICE | NOTICE REGISTER NUMBER | PUBLICATION DATE |

B. SUBMISSION OF REGULATIONS (Complete when submitting regulations)

| | |
|------------------------------|--|
| 1a. SUBJECT OF REGULATION(S) | 1b. ALL PREVIOUS RELATED OAL REGULATORY ACTION NUMBER(S) |
|------------------------------|--|

| | |
|---|--------|
| 2. SPECIFY CALIFORNIA CODE OF REGULATIONS TITLE(S) AND SECTION(S) (Including title 26, if toxics related) | ADOPT |
| SECTION(S) AFFECTED (List all section number(s) individually. Attach additional sheet if needed.) | AMEND |
| TITLE(S) | REPEAL |

| | | | | |
|-------------------|---|---|---|---|
| 3. TYPE OF FILING | <input type="checkbox"/> Regular Rulemaking (Gov. Code §11346) | <input type="checkbox"/> Certificate of Compliance: The agency officer named below certifies that this agency complied with the provisions of Gov. Code §§11346.2-11347.3 either before the emergency regulation was adopted or within the time period required by statute. | <input type="checkbox"/> Emergency Readopt (Gov. Code, §11346.1(h)) | <input type="checkbox"/> Changes Without Regulatory Effect (Cal. Code Regs., title 1, §100) |
| | <input type="checkbox"/> Resubmittal of disapproved or withdrawn nonemergency filing (Gov. Code §§11349.3, 11349.4) | <input type="checkbox"/> Resubmittal of disapproved or withdrawn emergency filing (Gov. Code, §11346.1) | <input type="checkbox"/> File & Print | <input type="checkbox"/> Print Only |
| | <input type="checkbox"/> Emergency (Gov. Code, §11346.1(b)) | | <input type="checkbox"/> Other (Specify) | |

4. ALL BEGINNING AND ENDING DATES OF AVAILABILITY OF MODIFIED REGULATIONS AND/OR MATERIAL ADDED TO THE RULEMAKING FILE (Cal. Code Regs, title 1, §44 and Gov. Code §11347.1)

| | | | | |
|--|---|--|---|--|
| 5. EFFECTIVE DATE OF CHANGES (Gov. Code, §§ 11343.4, 11346.1(d); Cal. Code Regs., title 1, §100) | <input type="checkbox"/> Effective January 1, April 1, July 1, or October 1 (Gov. Code §11343.4(a)) | <input type="checkbox"/> Effective on filing with Secretary of State | <input type="checkbox"/> §100 Changes Without Regulatory Effect | <input type="checkbox"/> Effective other (Specify) |
|--|---|--|---|--|

| | | | |
|--|--|--|---|
| 6. CHECK IF THESE REGULATIONS REQUIRE NOTICE TO, OR REVIEW, CONSULTATION, APPROVAL OR CONCURRENCE BY, ANOTHER AGENCY OR ENTITY | <input type="checkbox"/> Department of Finance (Form STD, 399) (SAM 56660) | <input type="checkbox"/> Fair Political Practices Commission | <input type="checkbox"/> State Fire Marshal |
| <input type="checkbox"/> Other (Specify) | | | |

| | | | |
|-------------------|------------------|-----------------------|---------------------------|
| 7. CONTACT PERSON | TELEPHONE NUMBER | FAX NUMBER (Optional) | E-MAIL ADDRESS (Optional) |
|-------------------|------------------|-----------------------|---------------------------|

8. I certify that the attached copy of the regulation(s) is a true and correct copy of the regulation(s) identified on this form, that the information specified on this form is true and correct, and that I am the head of the agency taking this action, or a designee of the head of the agency, and am authorized to make this certification.

| | |
|---|-----------------|
| SIGNATURE OF AGENCY HEAD OR DESIGNEE | DATE 5/28/14 |
| TYPED NAME AND TITLE OF SIGNATORY John Mendoza, Division Chief Safety Net Financing Division | |

For use by Office of Administrative Law (OAL) only

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DEPARTMENT OF HEALTH CARE SERVICES

NOTICE OF GENERAL PUBLIC INTEREST

THE DEPARTMENT OF HEALTH CARE SERVICES MAY EXTEND SUPPLEMENTAL REIMBURSEMENT FOR QUALIFIED PRIVATE HOSPITALS

This notice is to provide information of public interest with respect to the proposed State Plan Amendment (SPA) 14-008 for supplemental reimbursement to specified private hospitals meeting requirements that provide services to Medi-Cal beneficiaries. The effective date for SPA 14-008 is July 1, 2014.

Currently, the Department of Health Care Services has federal authority through SPA 13-002, to make supplemental reimbursement for private hospitals meeting specified requirements and provide services to Medi-Cal beneficiaries. In anticipation of SPA 13-002 terminating June 30, 2014, the department is preparing SPA 14-008 to seek the continuation of federal authority to make supplemental reimbursement to qualified hospitals meeting specific criteria.

The proposed SPA is subject to approval by the Federal Centers for Medicare & Medicaid Services.

Any written comments concerning the proposed SPA may be mailed to Pamela Tello, Chief, Medi-Cal Supplemental Payments Unit, Department of Health Care Services, Safety Net Financing Division, MS 4504, P.O. Box 997436, Sacramento, CA 95899-7436 or emailed to Pamela.Tello@dhcs.ca.gov.