

June 30, 2025

*THIS LETTER SENT VIA EMAIL*

Ms. Courtney Miller, Director  
Division of Program Operations  
Medicaid and CHIP Operations Group  
Centers for Medicare & Medicaid Services  
601 East 12th Street, Room 355  
Kansas City, MO 64106

STATE PLAN AMENDMENT 25-0010: SUPPLEMENTAL REIMBURSEMENT FOR  
QUALIFIED PRIVATE HOSPITALS

Dear Ms. Miller:

The Department of Health Care Services (DHCS) is submitting State Plan Amendment (SPA) 25-0010 for your review and approval. This SPA proposes to extend the Supplemental Reimbursement for Qualified Private Hospitals program to June 30, 2026, and update payment amounts for SFY 2025-26. DHCS seeks an effective date of July 1, 2025, for this SPA.

On April 4, 2025, CMS informed DHCS that tribal notice was not required for this SPA. A Public Notice regarding SPA 25-0010 was published on May 30, 2025.

Included in this submission are the following documents:

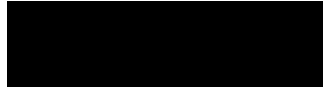
- CMS 179 Form
- Federal Budget Impact
- Public Notice
- Approval for Request for No Tribal Notice
- Revised Supplement 4 to Attachment 4.19-A (redline and clean versions)
- Inpatient Standard Funding Questions
- Inpatient Hospital Upper Payment Limit Guidance
- Non-Designated Public Hospital Upper Payment Limit Guidance



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If you have any questions or need additional information, please contact Katie Brooks, Chief, Safety Net Financing Division, at 916-345-7937 or by email at [Katie.Brooks@dhcs.ca.gov](mailto:Katie.Brooks@dhcs.ca.gov).

Sincerely,



Tyler Sadwith  
State Medicaid Director  
Chief Deputy Director, Health Care Programs  
California Department of Health Care Services

Enclosures

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

1. TRANSMITTAL NUMBER

2. STATE

3. PROGRAM IDENTIFICATION: TITLE OF THE SOCIAL  
SECURITY ACT XIX XXI

TO: CENTER DIRECTOR  
CENTERS FOR MEDICAID & CHIP SERVICES  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

5. FEDERAL STATUTE/REGULATION CITATION

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)  
a. FFY \_\_\_\_\_ \$ \_\_\_\_\_  
b. FFY \_\_\_\_\_ \$ \_\_\_\_\_

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  
OR ATTACHMENT (If Applicable)

9. SUBJECT OF AMENDMENT

10. 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:

Please note: The Governor's Office does not wish to review  
the State Plan Amendment.

11. SIGNATURE OF STATE AGENCY OFFICIAL

15. RETURN TO

12. TYPED NAME

13. TITLE

14. DATE SUBMITTED

**FOR CMS USE ONLY**

16. DATE RECEIVED

17. DATE APPROVED

**PLAN APPROVED - ONE COPY ATTACHED**

18. EFFECTIVE DATE OF APPROVED MATERIAL

19. SIGNATURE OF APPROVING OFFICIAL

20. TYPED NAME OF APPROVING OFFICIAL

21. TITLE OF APPROVING OFFICIAL

22. REMARKS

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**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 for State Fiscal Years (SFYs) 2015-16, 2016-17, 2017-18, 2018-19, 2019-20, 2020-21, 2021-22, 2022-23, 2023-24, 2024-25 and to extend the authority through SFY 2025-26, to provide supplemental reimbursement payments to private hospitals participating in the PHSF.

**A. DEFINITION OF A PRIVATE HOSPITAL**

A private hospital is defined as a hospital that is Medi-Cal Certified and 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, 2015.
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 Department of Health Care Access and Information 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 and Institutions Code, as the law was in effect on July 1, 2015.

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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, 2015, 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, 2015.
  - 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, 2015.

**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 SFYs 2015-16, 2016-17, 2017-18, 2018-19, 2019-20, 2020-21, 2021-22, 2022-23, 2023-24, 2024-25, and 2025-26 will be as described below (except as provided in Section C.2 which is only applicable to SFY 2023-24):

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- 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 \$237,144,384 for SFY 2015-16, \$236,800,000 for SFYs 2016-17, 2017-18, 2018-19, 2019-20, 2020-21, 2021-22, 2022-23, 2023-24, \$305,738,473.10 for 2024-25, and \$378,605,162 for SFY 2025-26 will be paid to hospitals as follows:
  - i. If the hospital is eligible to participate in the applicable SFY supplemental program and also participated in the SFY 2014-15 supplemental program, 85 percent of the funding received for SFY 2014-15 will be its amount for the applicable SFY.
    - a. For a hospital eligible in the applicable SFY that did not participate in the SFY 2014-15 supplemental program, but had participated in a prior supplemental program year, its amount for the applicable SFY will be 85 percent of the funding it received in the most recent year in which it participated.
  - ii. If the individual hospital's amount determined in C.1.b.i. when divided by the sum of General Acute Care-Electronic Data System Fee For Service (GAC-EDS FFS), Administrative-Electronic Data System Fee For Service (Admin-EDS FFS), and the Well Baby-Electronic Data System Fee For Service (Well Baby-EDS FFS) inpatient days identified in the Final Medi-Cal Utilization Statistics for the current payment year (as specified on page 30, paragraph B of this Attachment), or the Tentative Medi-Cal Utilization Statistics for the current payment year if the Final is not available, as calculated by DHCS, is less than one hundred dollars (\$100) per diem, then the hospital will receive a payment increase to get them up to the \$100 per

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**SUPPLEMENTAL REIMBURSEMENT FOR QUALIFIED PRIVATE HOSPITALS**

diem for its base supplemental payment amount.

- iii. For any hospital eligible in the applicable SFY that has not previously been eligible to participate in PHSF distributions, a base supplemental payment amount for the applicable SFY will be calculated by multiplying a per diem payment of one hundred dollars (\$100) times the sum of the "GAC-EDS FFS", "Admin-EDS FFS" and the "Well Baby-EDS FFS" inpatient days identified in the Final Medi-Cal Utilization Statistics for the current payment year (as specified on page 30, paragraph B of this Attachment) as calculated by DHCS.
- iv. If a hospital eligible to participate in the SFY 2014-15 supplemental program divides into two or more separately licensed hospitals (i.e., the original licensed hospital and one or more newly licensed hospitals), and where one or more of those separately licensed hospitals continues after the separation to meet the eligibility criteria in Section B. for SFYs 2015-16, 2016-17, 2017-18, 2018-19, 2019-20, 2020-21, 2021-22, 2022-23, 2023-24, 2024-25, or 2025-26 the original licensed hospital's payment amount for the applicable SFY will be calculated in accordance with steps C.1.b.i. and ii, and the newly licensed hospital's payment amount for the SFY in which the separation occurs will be calculated in accordance with step C.1.b.iii. For subsequent SFYs, the newly licensed hospital's payment will be calculated in accordance with step C.1.b.i.a. The sum of the amounts calculated for the eligible separately licensed (original and new) hospitals for any of those SFYs shall not exceed the amount calculated for the original licensed hospital and the payment amount for the original licensed hospital will be adjusted by the amount calculated for the eligible newly licensed hospital. If prior to separation, the hospital participated during the previous five state fiscal years in the PHSF payment program, then the surviving, separated PHSF-eligible hospital will be considered to continue to meet the previous five-year participation requirement for payment eligibility.

Conversely, if two or more hospitals eligible to participate in the SFY 2014-15, or are newly eligible to participate in SFY's 2015- 16 or 2016-17 supplemental programs, consolidate and are eligible for SFYs 2015-16, 2016-17, 2017-18, 2018-19, 2019-20, 2020-21, 2021-22 2022-23, 2023-24, 2024-25, or 2025-26 then the amount calculated for step C.1.b.i for the consolidated hospital is equal to the sum of 85 percent of the pre-

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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 five (5) State Fiscal Year PHSF payment programs and are eligible for the current year.

- f. Round C installment payment shall be for services rendered up to and including the fourth quarter of the applicable SFY and shall be distributed as determined under Section C.1.b.i through v. Round A and B installment payments shall be subtracted from the final adjusted payment amount to determine the Round C payment for each hospital. 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 the applicable SFY and meet the eligibility criteria.
- i. For the applicable SFY, if a hospital is eligible under B.1 through B.4 and is paid a Round A and/or B installment payment based on the Tentative Medi-Cal Utilization Statistics for the applicable payment year, the Round A and/or B installment payments will be recalculated based on the Final Medi-Cal Utilization Statistics. The hospital's Round C payment will be adjusted to reflect the under or overpayment it received.
- ii. For the applicable SFY, if a hospital is eligible under B.1 through B.4 and is paid Round A and/or Round B installment payments based on being identified on the Tentative DSH Eligibility List, but is not identified on the Final DSH Eligibility List, then Round A and B payments will be recovered from the hospital and the hospital will not be eligible for Round C installment payment.
- iii. Payment(s) received by hospitals from the PHSF for SFYs 2015-16, 2016-17, 2017-18, 2018-19, 2019-20, 2020-21, 2021-22, 2022-23, 2023-24, 2024-25, and 2025-26 will be subject to recovery by the Department, if the Department determines that the hospital fails at any time during the respective fiscal years to meet eligibility criteria for PHSF distributions. If the hospital fails to return the funds within 30 calendar days from time of the Department's notification, the Department may

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offset the amount to be recovered against any Medi-Cal payments which otherwise would be payable by the Department to the hospital, pursuant to Welfare and Institutions Code section 14177.

- 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., 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 \$237,144,384 for SFY 2015-16, \$236,800,000 for SFYs 2016-17, 2017-18, 2018-19, 2019-20, 2020-21, 2021-22, 2022-23, 2023-24, \$305,738,473.10 for 2024-25, and \$378,605,162 for 2025-26 to determine the remaining balance to be distributed in Round C of the respective SFY. The remaining balance will be divided by the total computable for Round C as determined in C.1.f. That percentage will be applied to each hospital's Round C amount as determined in C.1.f. to determine the Round C pro rata amounts.
2. For SFY 2023-24, in addition to the aggregate supplemental payment amount identified in C.1.b. for SFY 2023-24, an additional amount of \$374,464,345 will be distributed to hospitals eligible for PHSF in SFY 2023-24.
  - a. The first portion of the supplemental payment pool distribution to hospitals eligible for PHSF in SFY 2023-24 will be calculated as follows, based on payments for hospitals that participated in the PHSF Program for SFYs 2013-14 through 2021-22.
    - i. For each hospital, using California Medicaid Management Information System paid claims data, the Medi-Cal FFS payment percentage of combined Affordable Care Act (ACA) newly eligible aid codes to total Medi-Cal FFS payments for all aid codes is calculated to determine a hospital-specific ACA ratio for each SFY or partial SFY from SFYs 2013-14 through 2021-22.

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2023-24, the remaining balance will be distributed pro rata to hospitals eligible for PHSF in SFY 2023-24 based on each hospital's amounts computed in C.2.a and b.

**D. Additional Supplemental Payments**

Based on historical payments, the following private hospitals shall receive additional supplemental funding for SFYs 2015-16, 2016-17, 2017-18, 2018-19, 2019-20, 2020-21, 2021-22, 2022-23, 2023-24, 2024-25, and 2025-26.

No payment under this supplement is dependent on any agreement or arrangement for providers or related entities to donate money or services to a governmental entity.

1. In addition to receiving PHSF payments under Section C, the following private hospitals shall receive additional supplemental payments in the fourth quarter, or soon thereafter as practicable, of each SFY for the listed periods in the listed amounts:

SFY 2015-16

St. Rose Hospital	\$16,000,000
UCSF Benioff Children's Oakland	\$3,000,000
Grossmont Hospital	\$2,000,000

TN No. 25-0010  
Supersedes  
TN No. 24-0013

Approval Date \_\_\_\_\_

Effective Date: July 1, 2025

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SFY 2025-26

St. Rose Hospital	\$36,015,000
UCSF Benioff Children's Oakland	\$35,000,000
Grossmont Hospital	\$16,000,000
Children's Hospital of Orange County	\$389,322
South Coast Global Medical Center	\$83,196
Garden Grove Hospital & Medical Center	\$348,436
Anaheim Global Medical Center	\$101,592
Orange County Global Medical Center	\$75,292
Anaheim Regional Medical Center	\$81,770
Watsonville Community Hospital	\$4,000,000

2. Notwithstanding any other provision of this Supplement 4, each of the following private hospitals listed below are eligible to receive supplemental funding for SFYs 2015-16, 2016-17 and 2017-18 under this Section D.2, regardless of whether the hospital qualifies for and receives PHSF supplemental funding under Section C or other provisions of Section D, based on their special historical and current role in providing emergency and inpatient care access in the underserved South Los Angeles area. The supplemental funding under this paragraph D.2 shall end at the close of SFY 2017-18.

Table No. 1

St. Francis Medical Center
California Hospital Medical Center
White Memorial Medical Center
Centinela Hospital Medical Center
Memorial Hospital of Gardena
Downey Regional Medical Center
Lakewood Regional Medical Center
Long Beach Memorial Medical Center

The supplemental payments to hospitals pursuant to this Section D.2, to ensure the availability of essential services for Medi-Cal beneficiaries, are in addition to all other amounts payable for inpatient hospital services under Attachment 4.19-A. Supplemental payments to each hospital for each SFY

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shall be determined by multiplying the number of uninsured inpatient days provided by the hospital in the SFY immediately prior to the relevant payment SFY times \$2,100, except that, in the case of St. Francis Medical Center, the number of prior year uninsured inpatient days will be multiplied by \$2,400. The number of uninsured inpatient days in the prior SFY for purposes of this determination shall be as reported by participating hospitals to, and verified by, the County of Los Angeles as of the February 1 prior to the close of the relevant payment SFY.

The supplemental payments to hospitals under this Section D.2 shall not exceed \$4,000,000 in the aggregate for each SFY. Payments to hospitals shall be reduced on a pro rata basis as necessary to ensure the annual aggregate annual limit is not exceeded. Supplemental payments made under this Section D.2 shall be made in the fourth quarter of the current payment year or soon thereafter as practicable.

**E. DEPARTMENT'S RESPONSIBILITIES**

- a. Medi-Cal reimbursement provided to private hospitals will not exceed applicable federal upper payment limits, including title 42 Code of Federal Regulations sections 447.271 and 447.272.
- b. The payments in this Supplement 4 for each SFY will be made no later than the end of the next SFY.