

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, Suite 355
Kansas City, MO 64106

**STATE PLAN AMENDMENT 25-0011: SUPPLEMENTAL REIMBURSEMENT FOR
QUALIFIED NON-DESIGNATED PUBLIC HOSPITALS**

Dear Ms. Miller:

The Department of Health Care Services (DHCS) is submitting State Plan Amendment (SPA) 25-0011 for your review and approval. This SPA proposes to extend the Supplemental Reimbursement for Qualified Non-Designated Public Hospitals program to June 30, 2026, at which time the program will sunset. Additionally, DHCS is seeking to restructure the payment methodology with expanded eligibility criteria for State Fiscal Year (SFY) 2025-26 to California State Plan, Supplement 2 to Attachment 4.19-A, pages 7-10. DHCS seeks an effective date of July 1, 2025, for this SPA.

A public notice for SPA 25-0011 was published on May 29, 2025. Tribal consultation was not required. DHCS received no comments at the time of SPA submission.

Included in this submission are the following documents:

- CMS 179 Form
- Federal Budget Impact
- Approval for Request for No Tribal Notice
- Public Notice
- Revised Supplement 2 to Attachment 4.19-A, pgs. 7-10 (redline and clean versions)
- Inpatient Standard Funding Questions
- Inpatient Hospital Upper Payment Limit Guidance
- Non-Designated Public Hospital Upper Payment Limit Guidance



Ms. Miller
Page 2
June 30, 2025

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.

Sincerely,



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

Enclosures

cc: Lindy Harrington
Assistant State Medicaid Director
Director's Office
Department of Health Care Services
Lindy.Harrington@dhcs.ca.gov

Saralyn M. Ang-Olson, JD, MPP
Chief Compliance Officer
Office of Compliance
Department of Health Care Services
Saralyn.Ang-Olson@dhcs.ca.gov

Rafael Davtian
Deputy Director
Health Care Financing
Department of Health Care Services
Rafael.Davtian@dhcs.ca.gov

Luke Koushmaro
Assistant Deputy Director
Health Care Financing
Department of Health Care Services
Luke.Koushmaro@dhcs.ca.gov

Katie Brooks, Chief
Safety Net Financing Division
Department of Health Care Services
Katie.Brooks@dhcs.ca.gov

**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

**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 Section A below.

The Non-Designated Public Hospital (NDPH) Supplemental Fund program (Fund) was established under a 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 effective date of this SPA is July 1, 2025.

A. DEFINITION OF AN ELIGIBLE NON-DESIGNATED PUBLIC HOSPITAL

1. 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, 2025, excluding designated public hospitals as defined in subdivision (d) of section 14166.1 of the Welfare & Institutions Code.
2. For payments described under Section B.1, 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 below:
 - a. The hospital meets all of the following criteria:
 - i. 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:

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

**SUPPLEMENTAL REIMBURSEMENT FOR QUALIFIED NON-DESIGNATED
PUBLIC HOSPITALS**

- 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, 2025.
 - 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, 2025.
 - 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, 2025, 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, 2025.
3. For payments described under Section B.2, an eligible hospital is Medi-Cal certified and an NDPH as defined in Section A.1.

B. 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) 2025-26 will be as described below:
 - 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, 2026, for SFY 2025-26 or as soon thereafter as practicable but no later than the end of the respective state fiscal year, as follows:
 - i. If the hospital is eligible to participate in the SFY 2025-26 supplemental program and also participated in the SFY 2024-25 supplemental program, the funding that the hospital received in SFY 2024-25 will be its amount for the SFY 2025-26 program.

TN No. 25-0011

Supersedes

TN No. 24-0014

Approval Date _____

Effective Date: July 1, 2025

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

**SUPPLEMENTAL REIMBURSEMENT FOR QUALIFIED NON-DESIGNATED
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- ii. If the hospital is eligible to participate in the SFY 2025-26 program, but did not participate in the SFY 2024-25 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 2025-26 program that has 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 2025-26.
 - iv. If the fund balance is lower than the amount needed to pay after paragraph B.1.b.i., ii., and iii is determined, then a pro rata reduction will be applied to all SFY 2025-26 eligible hospitals. If the fund balance is higher than the amounts in paragraph B.1.b.i., ii., and iii, then DHCS will pro-rate any remaining funds to the SFY 2025-26 eligible hospitals.
2. For SFY 2025-26, in addition to the aggregate supplemental payment amount identified in B.1.b for SFY 2025-26, an additional amount of \$14,055,445 will be distributed to eligible hospitals as defined in Section A.3, in SFY 2025-26 as described below:
- a. The supplemental payment distribution to eligible hospitals in SFY 2025-26 will be paid to hospitals on April 1, 2026, or as soon thereafter as practicable but no later than the end of the respective state fiscal year, as follows:

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

**SUPPLEMENTAL REIMBURSEMENT FOR QUALIFIED NON-DESIGNATED
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- i. The aggregate payment amount under paragraph B.2 will be distributed pro-rata amongst eligible hospitals utilizing a per diem distribution method based on Final DSH Medicaid Inpatient Utilization Rate (MIUR) fee for service (FFS) days for the applicable SFY. The per diem rate is calculated by dividing the aggregate payment amount under paragraph B.2 by FFS MIUR days for all eligible hospitals. The per diem rate is then multiplied by each eligible hospital's FFS MIUR days to arrive at the total payment amount for each eligible hospital.
- b. If there is a remaining balance after B.2.a.i, payments are calculated for each eligible hospitals, the remaining balance will be distributed using the same methodology described in B.2.a.i

C. 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.

D. The NDPH Supplemental Fund program shall sunset on June 30, 2026.