

March 30, 2026

*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 26-0004: SUPPLEMENTAL PAYMENTS FOR HOSPITAL  
INPATIENT SERVICES

Dear Ms. Miller:

The Department of Health Care Services (DHCS) is submitting State Plan Amendment (SPA) 26-0004 for your review and approval. This SPA proposes to make changes to California's Medicaid State Plan under Title XIX of the Social Security Act, as it proposes to update Appendix 13 to Attachment 4.19-A. DHCS seeks an effective date of January 1, 2026, for this SPA.

If approved, SPA 26-0004 will allow supplemental reimbursement to hospitals up to the aggregate upper payment limit (UPL) without supplanting payments to which hospitals would otherwise be entitled for the provision of inpatient services to Medicaid beneficiaries.

In accordance with federal regulations, a public notice for SPA 26-0004 was published on December 30, 2025. In addition, DHCS has determined that a Tribal notice is not necessary for this proposal.

The following SPA documents are enclosed for your review and approval:

- CMS 179 Form
- Appendix 13 to Attachment 4.19-A - NEW
- Public Notice and Addendum
- Responses to Inpatient Standard Funding Questions

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**Director's Office**

P.O. Box No. 997413 | MS 0000  
Sacramento, CA 95899-7413  
Phone (916) 440-7400 | [www.dhcs.ca.gov](http://www.dhcs.ca.gov)

**State of California**  
Gavin Newsom, Governor



California Health and Human Services Agency

Ms. Miller

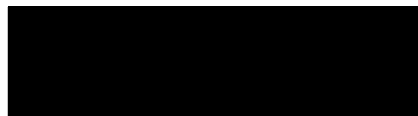
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- HQAF X Broad-Based Waiver Letter
- Inpatient Hospital UPL Guidance

If you have any questions or need additional information, please contact Ms. Katie Brooks, Chief, Safety Net Financing Division at (916) 345-7937 or by e-mail 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

cc: Saralyn M. Ang-Olson, JD, MPP  
Chief Compliance Officer  
Office of Compliance  
California Department of Health  
Care Services  
[Saralyn.Ang-Olson@dhcs.ca.gov](mailto:Saralyn.Ang-Olson@dhcs.ca.gov)

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Katie Brooks, Chief  
Safety Net Financing Division  
California Department of Health  
Care Services  
[Katie.Brooks@dhcs.ca.gov](mailto:Katie.Brooks@dhcs.ca.gov)

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

1. TRANSMITTAL NUMBER

2 6 — 0 0 0 4

2. STATE

CA

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

January 1, 2026

5. FEDERAL STATUTE/REGULATION CITATION  
42 C.F.R. Subpart C

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)

a. FFY 2025-26 \$ 666,611,540  
b. FFY 2026-27 \$ 222,203,847

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT  
Appendix 13 to Attachment 4.19-A pages New

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

None

9. SUBJECT OF AMENDMENT

Supplemental Payments for Hospital Inpatient Services

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

[Redacted Signature]

12. TYPED NAME  
Tyler Sadwith

13. TITLE  
State Medicaid Director and Chief Deputy Director

14. DATE SUBMITTED  
March 30, 2026

15. RETURN TO

Department of Health Care Services  
Attn: Director's Office  
P.O. Box 997413, MS 0000  
Sacramento, CA 95899-7413

**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 SECURITYACT

STATE: CALIFORNIA

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## SUPPLEMENTAL PAYMENTS FOR HOSPITAL INPATIENT SERVICES

This supplemental payment program provides supplemental payments to private hospitals that meet specified requirements and provide inpatient services to Medi-Cal beneficiaries.

Supplemental payments to hospitals will be made up to the aggregate upper payment limit.

Supplemental payments will be made periodically on a lump-sum basis throughout the duration of the program and will not be paid as individual increases to current reimbursement rates for specific services. The supplemental amounts shall be in addition to any other amounts payable to hospitals with respect to those services and shall not affect any other payments to hospitals.

This supplemental payment program will be in effect from January 1, 2026, through December 31, 2026.

### A. Amendment Scope and Authority

This amendment, Appendix 13 to Attachment 4.19-A, describes the payment methodology to provide supplemental payments to eligible hospitals from January 1, 2026, through December 31, 2026. If necessary due to a later State Plan Amendment approval date, payment distributions for calendar quarters that predate State Plan Amendment approval will be made on a condensed timeline.

### B. Eligible Hospitals

1. Hospitals eligible for supplemental payments under this Appendix are “private hospitals”, which means a hospital that meets all of the following conditions:
  - a. Is licensed pursuant to Health and Safety Code section 1250, subdivision (a).
  - b. 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 most recently filed Department of Health Care Access and Information (formerly known as the Office of Statewide Health Planning and Development) Annual Financial Disclosure Report, as of January 1, 2026.
  - c. Does not satisfy the Medicare criteria to be classified as a long-term care hospital, as those terms were defined on January 1, 2026, in the Social

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Security Act section 1886, subdivisions (d)(1)(B)(iv).

- d. Is a nonpublic hospital, nonpublic converted hospital, or converted hospital, as those terms were defined on January 1, 2026, in Welfare and Institutions Code section 14105.98, subdivision (a), paragraphs (26) to (28).
  - e. Is not a non-designated public hospital or designated public hospital, as those terms were defined on January 1, 2026, in Welfare and Institutions Code section 14169.51, subdivisions (j) and (aj).
2. A hospital that is eligible pursuant to Paragraph 1 for supplemental payments under this Appendix will become ineligible if any of the following occur:
- a. The hospital becomes a Private to Public Converted hospital pursuant to Paragraph 1 of Section C.
  - b. The hospital is a new hospital as defined in Paragraph 2 of Section C.
  - c. The hospital does not meet all the requirements as set forth in Paragraph 1.
  - d. Any period during which the hospital is deemed closed pursuant to Welfare and Institutions Code section 14169.61, subdivision (c) as in effect on January 1, 2026.
  - e. The hospital does not have any Medi-Cal fee-for-service inpatient hospital utilization for the respective subject fiscal quarter.

### C. Definitions

For purposes of this attachment, the following definitions apply:

1. “Private to Public Converted hospital” means a private hospital that becomes a designated public hospital or a non-designated public hospital on or after January 1, 2026.
2. “New hospital” means a hospital operation, business or facility functioning under current or prior ownership as a private hospital that does not have a days data source or a hospital that has a days data source in whole, or in part, from a previous operator where there is an outstanding monetary obligation owed to the state in connection with the Medi-Cal program and the hospital is not, or does not agree to become, financially responsible to the department for the outstanding monetary obligation.
3. “Acute psychiatric days” means the total number of Medi-Cal specialty mental health service administrative days, Medi-Cal specialty mental health service

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acute care days, acute psychiatric administrative days and acute psychiatric acute days, identified in the Final Medi-Cal Utilization Statistics for the state fiscal year 2025-26 as calculated by the department as of October 1, 2025, and were paid directly by the department and were not the financial responsibility of a mental health plan.

4. “General acute care days” means the total number of Medi-Cal general acute care days, including well baby days, less any acute psychiatric inpatient days, paid by the department to a hospital for services in the 2023 calendar year, as reflected in the state paid claims file on October 1, 2025.
5. “High acuity days” means Medi-Cal coronary care unit days, pediatric intensive care unit days, intensive care unit days, neonatal intensive care unit days, and burn unit days paid by the department to a hospital for services in the 2023 calendar year, as reflected in the state paid claims file prepared by the department on October 1, 2025.
6. “Program period” means the time period from January 1, 2026, through December 31, 2026, inclusive.
7. “Days data source” means either: (1) if a hospital’s Annual Financial Disclosure Report for its fiscal year ending in the 2023 calendar year includes data for a full fiscal year of operation, the hospital’s Annual Financial Disclosure Report retrieved from the Department of Health Care Access and Information as retrieved by the department on October 2, 2025, pursuant to Welfare & Institutions Code section 14169.59, for its fiscal year ending in the 2023 calendar year; or (2) if a hospital’s Annual Financial Disclosure Report for its fiscal year ending in the 2023 calendar year includes data for more than one day, but less than a full year of operation, the department’s best and reasonable estimates of the hospital’s Annual Financial Disclosure Report if the hospital had operated for a full year.
8. “Subject fiscal year” means state fiscal years 2025-26, and 2026-27.
9. “Hospital inpatient services” means all services covered under Medi-Cal and furnished by hospitals to patients who are admitted as hospital inpatients and reimbursed on a fee-for-service basis by the department directly or through its fiscal intermediary. Hospital inpatient services include outpatient services furnished by a hospital to a patient who is admitted to that hospital within 24 hours of the provision of the outpatient services that are related to the condition for which the patient is admitted. Hospital inpatient services do not include professional services or services for which a managed health care plan is financially responsible.
10. “Subject fiscal quarter” means the quarter to which the supplemental payment is applied. Note that there are only two subject fiscal quarters for subject fiscal year 2025-26, and there are two subject fiscal quarters for subject fiscal year 2026-27.

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11. “Subacute supplemental rate” means a fixed proportional supplemental payment for acute inpatient services based on a hospital’s prior provision of Medi-Cal subacute services.
12. “Calendar year” means the year beginning on or after the first day of the third quarter of a state fiscal year and ending on the last day of the second quarter for the following state fiscal year. Calendar year 2026 begins on January 1, 2026, and ends on December 31, 2026.
13. “Medicaid Inpatient Utilization Rate” means the Medicaid utilization rate as defined in Section 1396r-4 of Title 42 of the United States Code and as set forth in the Final Medi-Cal Utilization Statistics for state fiscal year 2025-26, as retrieved by the department as of November 5, 2025. The department may correct any identified material and egregious errors in the data.
14. “Medi-Cal fee-for-service days” means inpatient hospital days as reported on the days data source where the service type is reported as “acute care,” “psychiatric care,” or “rehabilitation care,” and the payer category is reported as “Medi-Cal traditional” for purposes of the Annual Financial Disclosure Report submitted by hospitals to the Department of Health Care Access and Information.

#### D. Supplemental Payment Methodology for Private Hospitals

1. Private hospitals will be paid supplemental amounts for the provision of hospital inpatient services for the program period. The supplemental amounts will be in addition to any other amounts payable to hospitals with respect to those services and will not affect any other payments to hospitals.
2. Private hospitals will be paid from the total amount of one billion, five hundred thirty-two million, four hundred forty thousand, three hundred and twenty-two dollars (\$1,532,440,322), consisting of the following subpools:

General Acute Subpool: \$1,116,951,624  
 Psychiatric Subpool: \$47,326,500  
 High Acuity Subpool: \$174,615,000  
 High Acuity Trauma Subpool: \$83,642,500  
 Subacute Subpool: \$70,939,698  
 Transplant Subpool: \$38,965,000

Each private hospital will be paid the following amounts as applicable for the provision of hospital inpatient services for the calendar year:

- a. From the general acute subpool:
  - For calendar year 2026, one thousand, six hundred seventy-eight dollars and forty-two cents (\$1,678.42) multiplied by the number of the hospital’s general acute care days.

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- b. From the psychiatric subpool, for a hospital's acute psychiatric days that were paid directly by the department and were not the financial responsibility of a mental health plan:
- For calendar year 2026, nine hundred seventy-five dollars (\$975.00) multiplied by the number of the hospital's acute psychiatric days.
- c. From the high acuity subpool, in addition to the amount specified in subparagraphs a and b of this section, to a private hospital that provided Medi-Cal high acuity services during the 2023 calendar year and where at least 5 percent of the hospital's general acute care days during the 2023 calendar year were high acuity days and the hospital had a Medicaid inpatient utilization rate that is greater than 5 percent and less than 45.2 percent:
- For calendar year 2026, two thousand five hundred dollars (\$2,500) multiplied by the number of the hospital's high acuity days.
- d. From the high acuity trauma subpool, in addition to the amounts specified in subparagraphs a, b and c of this section, if the hospital qualifies to receive the amount set forth in Paragraph c of this section and has been designated as a Level I, Level II, Adult/Ped Level I, or Adult/Ped Level II trauma center by the Emergency Medical Services Authority established pursuant to Health and Safety Code section 1797.1 as designated in the most recently published Health Care Access and Information Hospital Utilization Report as of October 1, 2025:
- For calendar year 2026, two thousand five hundred dollars (\$2,500) multiplied by the number of the hospital's high acuity days.
- e. From the subacute subpool:
- For calendar year 2026, the subacute supplemental rate shall be 65 percent of the Medi-Cal subacute payments paid by the department to the hospital for services during the 2023 calendar year, as reflected in the state paid claims file prepared by the department on October 1, 2025.
- f. From the transplant subpool, in addition to subparagraphs a, b, c, d, and e of this section, a private hospital that has Medi-Cal fee-for-service days for Medicare Severity-Diagnosis Related Groups 1, 2, 5 to 8, inclusive, 10, 14, 16, 17, and 652, according to the Patient Discharge file from the Department of Health Care Access and Information for the 2023 calendar year as retrieved by the department on October 21, 2025, and has a Medicaid inpatient utilization rate that is greater than 5 percent and

less than 45.2 percent:

- For calendar year 2026, two thousand five hundred dollars (\$2,500) multiplied by the hospital's Medi-Cal fee-for-service days for Medicare Severity-Diagnosis Related Groups identified above.
- g. Payments shall be made quarterly and payment amounts in the calendar year shall be distributed equally. For subject fiscal years 2025-26 and 2026-27, there will be two quarterly payments.
3. In the event that payment of all of the amounts for the program period from any subpool in Paragraph 2 of this section would cause total payments for the program period from that subpool to exceed the amount specified above for that subpool, the payment amounts for each hospital from the subpool will be reduced pro rata so that the total amount of all payments from that subpool does not exceed the subpool amount.
4. In the event federal financial participation for the calendar year is not available for all of the supplemental amounts payable to private hospitals under Paragraph 2 of this section due to the application of a federal upper payment limit, which is subject to annual submission and review, or for any other reason, the following will apply:
- a. The total amounts payable to private hospitals under Paragraph 2 for each quarter within the calendar year will be reduced to reflect the amounts for which federal financial participation is available pursuant to subparagraph b of this section.
  - b. The amounts payable under Paragraph 2 to each private hospital for each quarter within the calendar year will be equal to the amounts computed under Paragraph 2 multiplied by the ratio of the total amounts for which federal financial participation is available divided by the total amounts computed under Paragraph 2.
  - c. In the event that a hospital's payments in any calendar year as calculated under Paragraph 2 are reduced by the application of this Paragraph 4, the amount of the reduction will be added to the supplemental payments for the next quarter within the program period, which the hospital would otherwise be entitled to receive under Paragraph 2, provided further that no such carryover payments will be carried over beyond December 31, 2026, and such carryover payments will not result in total payments exceeding the applicable federal upper payment limit for the calendar year.
5. The supplemental payment amounts set forth in this Appendix are inclusive of federal financial participation.
6. Payments shall be made to a hospital that becomes ineligible pursuant to

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- Paragraph 2 of Section B during a quarter by multiplying the hospital's inpatient supplemental payment by the number of days that the hospital was eligible in the quarter, divided by the number of days in the quarter. Payments shall not be made to an ineligible hospital in any subsequent quarter.
7. Payments shall be made to a Private to Public Converted hospital that converts during a quarter by multiplying the hospital's inpatient supplemental payment by the number of days that the hospital was a private hospital in the quarter, divided by the number of days in the quarter. Payments shall not be made to a Private to Public Converted hospital in any subsequent quarter.

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