DEPARTMENT OF HEALTH AND HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, MD 21244-1850

Financial Management Group

NOV 15 2017

Mari Cantwell
Chief Deputy Director, Health Care Programs
California Department of Health Care Services
P.O. Box 997413, MS 0000
Sacramento, CA 95899-7413

RE: California State Plan Amendment 16-010

Dear Ms. Cantwell:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid state plan submitted under transmittal number (TN) 16-010. This amendment, effective January 1, 2016, continues "Disproportionate Share Hospital Replacement" supplemental payments to private hospitals.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(13), 1902(a)(30), 1903(a), and 1923 of the Social Security Act and the implementing Federal regulations at 42 CFR 447 Subpart C. This is to inform you that Medicaid State plan amendment TN 16-010 is approved effective January 1, 2016. We are enclosing the HCFA-179 and the amended plan pages.

If you have any questions, please call Mark Wong at (415) 744-3561.

ORIGINAL SIGNED

Kristin Fan
Director

Enclosures

DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH CARE FINANCING ADMINISTRATION

FORM APPROVED
OMB NO. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER: **16-010**

2. STATE: California

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
January 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 $201,485,953 ~~$211,767,324~~ ~~$274,680,55~~
b. FFY 2017 $281,794,396 ~~$214,572,189~~ ~~$272,100,7~~

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
Attachment 4.19A, pages 28-29a

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*:
~~Attachment 4.19A, pages 28-29~~ N/A

10. SUBJECT OF AMENDMENT:
PRIVATE DISPROPORTIONATE SHARE HOSPITAL REPLACEMENT SUPPLEMENTAL PAYMENTS

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.

ORIGINAL SIGNED

State Medicaid Director

15. DATE SUBMITTED:

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

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

18. DATE APPROVED: NOV 15 2017

PLAN APPROVED – ONE COPY ATTACHED

23. REMARKS:

Pen-and-ink changes made to Boxes 7 and 9 by CMS regional office with state concurrence on 11/14/2017.

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

PRIVATE DISPROPORTIONATE SHARE HOSPITAL REPLACEMENT SUPPLEMENTAL PAYMENTS

Federal financial participation (FFP) for Disproportionate Share Hospital (DSH) Replacement supplemental payments to eligible private hospitals was initially authorized pursuant to California's Section 1115 demonstration project entitled "Medi-Cal Hospital/ Uninsured Care" (No. 11-W-00193/9), effective September 1, 2005 through October 31, 2010, and subsequently authorized pursuant to the successor project entitled "California Bridge to Reform Demonstration" (No. 11-W-00193/9), effective November 1, 2010 through December 31, 2015. This amendment will continue the prior demonstration-based authority under the State Plan to allow for receipt of FFP for DSH Replacement supplemental payments made to eligible private hospitals, effective January 1, 2016.

DSH Replacement payments are fee-for-service inpatient hospital supplemental payments, and are subject to the private hospital upper payment limit as defined in 42 CFR 447.272. As such, DSH Replacement supplemental payments shall not be considered payments made under Section 1923 and shall not be charged against California's federal DSH allotment for an applicable federal fiscal year as described in Section 1923(f).

DSH Replacement Supplemental payments are available for private hospitals identified on the State's disproportionate share list issued by the Department for the project year, and shall be calculated pursuant to the DSH provisions of the State Plan in effect as of the 2004-05 payment adjustment year, set forth in Appendix 2 to this Attachment 4.19-A (entitled the "prior DSH methodology").

A. DSH REPLACEMENT SUPPLEMENTAL PAYMENT CALCULATION AND DISTRIBUTION

1. Interim payments shall be made for the first five months of each project year in the following manner:

    a. Interim payments shall be made to private hospitals identified on the tentative DSH list for the project year provided that the private hospital was also on the final DSH list for the prior project year. The amount of the monthly interim payments shall be equal to one-twelfth of the total payments, based on the private hospital's prior project year payments. "Tentative DSH list" means a draft list of the current project year's DSH-eligible hospitals sent to stakeholders and hospitals for review and confirmation of the hospital's MIUR

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

PRIVATE DISPROPORTIONATE SHARE HOSPITAL REPLACEMENT SUPPLEMENTAL PAYMENTS

and LIUR data used to determine a hospital's eligibility status. "Final DSH list" means a finalized list of hospitals determined DSH eligible, after any necessary corrections or adjustments are made to the eligibility data.

b. The Department shall make the first interim payment for a project year to each eligible private hospital no later than 60 days after the issuance of the tentative DSH list for the project year and shall include the interim payment amount for all prior months in the project year. These monthly interim payments will be made no earlier than the quarter ending December 31 of each project year.

2. Tentative adjusted monthly payments shall be made for the months of December through March of each project year to each eligible private hospital identified on the final DSH list for the project year and paid as follows:

   a. The Department shall compute an adjusted payment amount for each eligible private hospital in accordance with Attachment 4.19-A, Appendix 2, page 29ffff, paragraph P.

   b. The Department shall compute a tentative adjusted monthly payment amount for each eligible private hospital. The amount shall be equal to the adjusted payment amount for the hospital minus the aggregate interim payments made to the hospital for the project year divided by seven.

   c. The Department will make the first tentative adjusted monthly payment for a project year to each eligible private hospital by January 15, or within 60 days after the issuance of the final DSH list for a project year, whichever of these dates is later. This payment amount shall include the tentative adjusted monthly payment amounts for all prior months in the project year for which those payments are due. These monthly tentative adjusted payments will be made no earlier than the quarter ending March 31 of each project year.

3. Final adjusted total payments shall be paid to each private hospital identified on the final DSH list in the following manner:

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

SUPPLEMENTAL REIMBURSEMENT FOR QUALIFIED PRIVATE HOSPITALS

a. Eligible private hospitals identified on the final DSH list for the project year shall receive three final adjusted payment amounts for the months of April through June of the project year. These payments shall be computed and paid as follows:

   i. The Department shall compute an annual final data adjusted payment amount for each eligible hospital in accordance with paragraph P of Appendix 2 to this Attachment 4.19-A (entitled the "prior DSH methodology"). This payment amount shall reflect data corrections, hospital closures and any other revisions made by the Department after the issuance of the tentative adjusted monthly payments.

   ii. The Department shall compute a monthly final data adjusted payment amount for each eligible private hospital. This amount shall be equal to the annual final data adjusted payment amount for the hospital minus both the aggregate interim payments made to the hospital for the project year and the aggregate tentative adjusted monthly payments made to the hospital divided by three. These monthly final data adjusted payments will be made no earlier than the quarter ending June 30 of each project year.

4.

The Department will complete the above payments, which are based on preliminary FY federal Disproportionate Share Hospital allotments issued by CMS, to all eligible private hospitals by June 30 of the next project year. After CMS releases the final FY federal Disproportionate Share Hospital allotment, the Department will recalculate as needed to determine recoupment or additional payments. Additional payments will be made within 90 days of the CMS release of the final FY federal Disproportionate Share Hospital allotment.