

September 29, 2023

*THIS LETTER SENT VIA EMAIL*

Mr. James G. Scott, Director  
Division of Program Operations  
Medicaid and CHIP Operations Group  
Centers for Medicare & Medicaid Services  
601 East 12<sup>th</sup> Street, Suite 0300  
Kansas City, MO 64106-2898

**STATE PLAN AMENDMENT 23-0031: EXTENSION OF SUPPLEMENTAL PAYMENT FOR NON-HOSPITAL 340B COMMUNITY CLINICS**

Dear Mr. Scott:

The Department of Health Care Services (DHCS) is submitting State Plan Amendment (SPA) 23-0031 for your review and approval. This SPA proposes to extend a time-limited supplemental payment program for qualifying non-hospital 340B community clinics, effective July 1, 2023.

Assembly Bill 80 (Chapter 12, Statutes of 2020) authorizes DHCS to implement a payment methodology to provide for supplemental payments to qualifying non-hospital 340B community clinics to secure, strengthen, and support the community clinic and health center delivery system for Medi-Cal beneficiaries. The supplemental payments will support clinics that apply and certify that they are providing additional level of engagement to integrate, coordinate health care and manage the array of beneficiary health complexities.

Public Notice for SPA 23-0031 was published on June 28, 2023, on the DHCS website. In compliance with the American Recovery and Reinvestment Act of 2009, DHCS routinely notifies Indian Health Programs and Urban Indian Organizations of SPAs that have a direct impact on the programs and organizations. DHCS released the Tribal Notice on August 25, 2023, and moreover held a webinar on August 30, 2023.

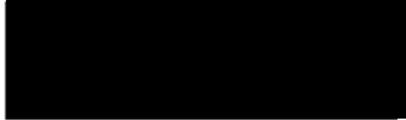
DHCS is submitting the following SPA documents for your review and approval:

- CMS 179 - Transmittal and Notice of Approval of State Plan Material
- Supplement 36 to Attachment 4.19-B (redline and clean)
- Pages 6AA0-3 of Attachment 4.19B (redline and clean)
- Budget Impact Explanation
- CMS Funding Questions

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If you have any questions or need additional information, please contact Alek Klimek, Chief of Fee-For-Service Rates Development Division, at (916) 650-0171 or by e-mail at [Alek.Klimek@dhcs.ca.gov](mailto:Alek.Klimek@dhcs.ca.gov).

Sincerely,



Jacey Cooper  
State Medicaid Director  
Chief Deputy Director  
Health Care Programs

Enclosures

cc: Lindy Harrington  
Assistant State Medicaid Director  
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**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL  
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES**

1. TRANSMITTAL NUMBER

2 3 — 0 0 3 1

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

July 1, 2023

5. FEDERAL STATUTE/REGULATION CITATION

Title 42 CFR 447 Subpart F

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)

a. FFY 2023 \$ 13,125,000  
b. FFY 2024 \$ 39,375,000

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

Attachment 4.19-B pages 6AA0-6AA3  
Supplement 36 to Attachment 4.19-B pages 1-4

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

Attachment 4.19-B pages 6AA0-6AA3

9. SUBJECT OF AMENDMENT

Extension of Supplemental Payment for Non-Hospital 340B Clinics, Effective July 1, 2023

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]

15. RETURN TO

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

12. TYPED NAME

Jacey Cooper

13. TITLE

State Medicaid Director

14. DATE SUBMITTED

September 29, 2023

**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

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**SUPPLEMENTAL PAYMENT FOR NON-HOSPITAL 340B CLINICS**

A. Amendment Scope and Authority

This amendment authorizes implementation and a payment methodology to provide supplemental payments to qualifying non-hospital 340B community clinics to secure, strengthen, and support the community clinic and health center delivery system for Medi-Cal beneficiaries. The supplemental payments will support eligible clinics that certify they are providing an additional level of engagement to integrate and coordinate health care services and manage the array of beneficiary health complexities. The supplemental payments will be available to eligible providers for services provided for dates of service from January 1, 2022 – June 30, 2022 (program period 1), July 1, 2022 – June 30, 2023 (program period 2) and July 1, 2023- June 30, 2024 (program period 3).

B. Eligible Non-hospital 340B Clinics

1. Non-hospital 340B clinics eligible for the supplemental payment under this amendment are non-hospital 340B clinics reimbursed under the 1905(a)(9) clinic benefit that meet the following conditions:
  - i. Actively enrolled as a Medi-Cal community clinic provider.
    1. A licensed clinic operated by a tax-exempt nonprofit corporation that is supported and maintained in whole or in part by donations, bequests, gifts, grants, government funds or contributions, that may be in the form of money, goods, or services. with less than twenty percent (20%) private pay patients according to California Department of Health Care Access and Information 2022 utilization or licensed under subdivision (a) of Section 1204 that operate in a designated HRSA rural area or an exemption from licensure clinic operated by a city, county, city and county, or hospital authority or an exempt from licensure clinic operated by a federally recognized Indian tribe or tribal organization.
  - ii. A 340B covered entity pursuant to Section 256b of Title 42 of the United States Code for the entire duration of each applicable program period.
  - iii. Actively providing at least three of the following services under (a) or (b):

2. Pharmacy

- i. Medication management;

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Supersedes

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

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- ii. Clinical pharmacy services;
  - iii. Immunizations/ vaccines;
  - iv. Improving medication compliance;
  - v. Opioid remediation;
  - vi. Patient Assistance Program (especially for patients with Emergency Medi-Cal and prescriptions are not covered)
3. Patient support services
- i. Case management;
  - ii. Hard to recruit specialties such as Orthopedics, Urology, Gastroenterology;
  - iii. Care coordination;
  - iv. Disease-state programs, such as Infectious Disease, HIV/AIDS;
  - v. Health education
- ii. Submit an application to DHCS demonstrating compliance with items (i) through (iii) of this section within 22 days of approval of the state plan.

### C. Supplemental Payment Methodology

1. The supplemental payments will be paid per-visit for visits provided by eligible clinics during the program period.
2. The pool amounts will be determined by the following formulas:
  - i. Program Period 1:  $\$52,500,000 \times$  [number of adjudicated visits provided by all participating clinics with dates of service from January 1, 2022 – June 30, 2022 divided by the total number of adjudicated visits for all participating clinics and centers including those authorized under ALTERNATIVE PAYMENT METHODOLOGY (APM) for payments to Federally Qualified Health Centers (FQHC) and Rural Health Clinics (RHC) for SUPPLEMENTAL PAYMENT FOR NON-HOSPITAL 340B CLINICS, Attachment 4.19B, pages 6AA1-3) with dates of service from January 1, 2022 – June 30, 2022.
  - ii. Program Period 2:  $105,000,000 \times$  [number of adjudicated visits provided by all participating clinics with dates of service from July 1, 2022 – June 30, 2023 divided by the total number of adjudicated visits for all participating clinics and centers including those authorized under ALTERNATIVE PAYMENT METHODOLOGY (APM) for payments to Federally Qualified Health Centers (FQHC) and Rural Health Clinics (RHC) for SUPPLEMENTAL PAYMENT FOR NON-HOSPITAL 340B CLINICS, Attachment 4.19B, pages 6AA1-3) with dates of service from July 1, 2022 – June 30, 2023.
  - iii. Program Period 3:  $105,000,000 \times$  [number of adjudicated visits provided by all participating clinics with dates of service from July 1,

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Supersedes

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2023 – June 30, 2024 divided by the total number of adjudicated visits for all participating clinics and centers including those authorized under ALTERNATIVE PAYMENT METHODOLOGY (APM) for payments to Federally Qualified Health Centers (FQHC) and Rural Health Clinics (RHC) for SUPPLEMENTAL PAYMENT FOR NON-HOSPITAL 340B CLINICS, Attachment 4.19B, pages 6AA1-3) with dates of service from July 1, 2023 – June 30, 2024.

3. The final per-visit supplemental payment for program period 1 will be calculated based on a pool amount determined in 2i divided by the total adjudicated visits provided by all participating clinics with dates of service from January 1, 2022 – June 30, 2022. The final per-visit supplemental payment for program period 2 will be based on a total pool amount determined in 2ii divided by the total adjudicated visits provided by all participating clinics with dates of service from July 1, 2022 to June 30, 2023. The final per-visit supplemental payment for program period 3 will be based on a total pool amount determined in 2iii divided by the total adjudicated visits provided by all participating clinics with dates of service from July 1, 2023 to June 30, 2024.
  - i. An Interim rate will be determined as follows:
    1. For Program Period 1: Pool size will be determined by the formula of  $52,500,000 \times [\text{number of historically adjudicated visits provided by all participating clinics trended by 5\%}]$  divided by the total number of historically adjudicated visits for all participating clinics and centers including those authorized under ALTERNATIVE PAYMENT METHODOLOGY (APM) for payments to Federally Qualified Health Centers (FQHC) and Rural Health Clinics (RHC) for SUPPLEMENTAL PAYMENT FOR NON-HOSPITAL 340B CLINICS, Attachment 4.19B, pages 6AA1-3). The interim rate will be determined by dividing the interim pool amount by the number of historically adjudicated visits by all participating clinics trended by 5%.
    2. For Program Period 2: The interim pool size will be determined by the formula of  $105,000,000 \times [\text{number of historically adjudicated visits provided by all participating clinics trended by 5\%}]$  divided by the total number of historically adjudicated visits for all participating clinics and centers including those authorized under ALTERNATIVE PAYMENT METHODOLOGY (APM) for payments to Federally Qualified Health Centers (FQHC) and Rural Health Clinics (RHC) for SUPPLEMENTAL PAYMENT FOR NON-HOSPITAL 340B CLINICS, Attachment 4.19B, pages 6AA1-3). The interim rate will be determined by dividing the interim

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- pool amount by the number of historically adjudicated visits by all participating clinics trended by 5%.
3. For Program Period 3: The interim pool size will be determined by the formula of  $105,000,000 \times$  [number of historically adjudicated visits provided by all participating clinics trended by 5% divided by the total number of historically adjudicated visits for all participating clinics and centers including those authorized under ALTERNATIVE PAYMENT METHODOLOGY (APM) for payments to Federally Qualified Health Centers (FQHC) and Rural Health Clinics (RHC) for SUPPLEMENTAL PAYMENT FOR NON-HOSPITAL 340B CLINICS, Attachment 4.19B, pages 6AA1-3). The interim rate will be determined by dividing the interim pool amount by the number of historically adjudicated visits by all participating clinics trended by 5%.
  4. The interim rate will be paid during each program period on a per-visit basis.
  5. Historically adjudicated visits will be determined as follows: For Program Period 1, the adjudicated visits will be for the claims adjudicated for dates of service from July 1, 2020 to June 30, 2021. For Program Period 2, the adjudicated visits will be for the claims adjudicated for dates of service from January 1, 2021 to December 31, 2021. For Program Period 3, the adjudicated visits will be for the claims adjudicated for dates of service from January 1, 2022 to December 31, 2022.
- ii. The final per-visit rate will be calculated no sooner than 90 days after the end of the program period based on adjudicated visits for all participating clinics during the applicable program period. The department will use the adjudicated claim data from the California Medicaid Management Information System as of 90 days after the end of each program period.
  - iii. No later than 180 days after the end of each program period, the department will complete a reconciliation of interim to final supplemental payment amount for each participating clinic.
    1. The final supplemental payment will be calculated by multiplying the final per-visit rate determined in (ii) by the number of adjudicated visits.
    2. If the amount calculated is greater than the total amount of interim revenue received by the clinic, the clinic will be paid the difference.
    3. If the amount calculated is less than the total amount interim revenue received by the clinic, the clinic will refund the difference to the state.

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

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Z. ALTERNATIVE PAYMENT METHODOLOGY (APM) for payments to Federally Qualified Health Centers (FQHC) and Rural Health Clinics (RHC) for SUPPLEMENTAL PAYMENT FOR NON-HOSPITAL 340B CLINICS

In order for the APM methodology to be used, the following statutory requirements must be met. First, the APM must be agreed to by the State and by each individual FQHC/RHC to which the State wishes to apply the methodology. Second, the methodology must result in a payment to the FQHC/RHC that is at least equal to the amount to which the FQHC/RHC is entitled under Medicaid BIPA PPS rate.

- A. The APM will support eligible centers that certify they are providing an additional level of engagement to integrate and coordinate health care services and manage the array of beneficiary health complexities.
- B. APM Pilot Term: The APM will be available to eligible centers for services provided for dates of service from January 1, 2022 – June 30, 2022 (program period 1), July 1, 2022 – June 30, 2023 (program period 2) and July 1, 2023 – June 30, 2024 (program period 3).
- C. Eligible Providers:
  - 1. Non-hospital 340B centers eligible for the supplemental payment under this amendment are non-hospital 340B centers reimbursed under 1905(l)(2) that meet the following conditions:
    - i. Actively enrolled as a Medi-Cal provider.

A licensed clinic operated by a tax-exempt nonprofit corporation that is supported and maintained in whole or in part by donations, bequests, gifts, grants, government funds or contributions, that may be in the form of money, goods, or services. with less than twenty percent (20%) private pay patients according to California Department of Health Care Access and Information 2022 utilization or licensed under subdivision (a) of Section 1204 that operate in a designated HRSA rural area or an exemption from licensure clinic operated by a city, county, city and county, or hospital authority or an exempt from licensure clinic operated by a federally recognized Indian tribe or tribal organization.
    - ii. A 340B covered entity pursuant to Section 256b of Title 42 of the United States Code for the entire duration of each applicable program period.

- iii. Actively providing at least three of the following services under (a) or (b):
  - a. Pharmacy
    - i. Medication management;
    - ii. Clinical pharmacy services;
    - iii. Immunizations/ vaccines;
    - iv. Improving medication compliance;
    - v. Opioid remediation;
    - vi. Patient Assistance Program (especially for patients with Emergency Medi-Cal and prescriptions are not covered)
  - b. Patient support services
    - i. Case management;
    - ii. Hard to recruit specialties such as Orthopedics, Urology, Gastroenterology;
    - iii. Care coordination;
    - iv. Disease-state programs, such as Infectious Disease, HIV/AIDS;
    - v. Health education
- iv. Submit an application to DHCS demonstrating compliance with items (i) through (iii) of this section within 22 days of approval of the state plan.

#### D. APM Payment Methodology

APM = [Applicable Office Visit PPS or Office Visit APM for the visit] + [SUPPLEMENTAL PAYMENT FOR NON-HOSPITAL 340B CLINICS]

- a. The supplemental payments will be paid per-visit for visits provided by eligible centers during the program period.
- b. The pool amounts will be determined by the following formulas:
  - i. Program Period 1:  $\$52,500,000 \times$  [number of adjudicated visits provided by all participating centers with dates of service from January 1, 2022 – June 30, 2022 divided by the total number of adjudicated visits for all participating clinics and centers including those authorized under SUPPLEMENTAL PAYMENT FOR NON-HOSPITAL 340B CLINICS, Supplement 36 to Attachment 4.19-B) with dates of service from January 1, 2022 – June 30, 2022.
  - ii. Program Period 2:  $105,000,000 \times$  [number of adjudicated visits provided by all participating centers with dates of service from July 1, 2022 – June 30, 2023 divided by the total number of adjudicated visits for all participating clinics and centers including those authorized under SUPPLEMENTAL PAYMENT FOR NON-HOSPITAL 340B CLINICS, Supplement 36 to Attachment 4.19-B) with dates of service from July 1, 2022 – June 30, 2023.

- iii. Program Period 3:  $105,000,000 \times$  [number of adjudicated visits provided by all participating centers with dates of service from July 1, 2023 – December 31, 2023 divided by the total number of adjudicated visits for all participating clinics and centers including those authorized under SUPPLEMENTAL PAYMENT FOR NON-HOSPITAL 340B CLINICS, Supplement 36 to Attachment 4.19-B) with dates of service from July 1, 2023 – June 30, 2024.
- c. The final per-visit supplemental payment for program period 1 will be calculated based on the pool amount determined in 2i divided by the total adjudicated visits provided by all participating centers with dates of service from January 1, 2022 – June 30, 2022. The final per-visit supplemental payment for program period 2 will be based on the pool amount determined in 2ii divided by the total adjudicated visits provided by all participating centers with dates of service from July 1, 2022 to June 30, 2023. The final per-visit supplemental payment for program period 3 will be based on the pool amount determined in 2iii divided by the total adjudicated visits provided by all participating centers with dates of service from July 1, 2023 to June 30, 2024.
- i. An Interim rate will be determined as follows:
    1. For Program Period 1: Pool size will be determined by the formula of  $52,500,000 \times$  [number of historically adjudicated visits provided by all participating centers trended by 5% divided by the total number of historically adjudicated visits for all participating clinics and centers including those authorized under SUPPLEMENTAL PAYMENT FOR NON-HOSPITAL 340B CLINICS, Supplement 36 to Attachment 4.19-B). The interim rate will be determined by dividing the interim pool amount by the number of historically adjudicated visits by all participating centers trended by 5%.
    2. For Program Period 2: Pool size will be determined by the formula of  $105,000,000 \times$  [number of historically adjudicated visits provided by all participating centers trended by 5% divided by the total number of historically adjudicated visits for all participating clinics and centers including those authorized under SUPPLEMENTAL PAYMENT FOR NON-HOSPITAL 340B CLINICS, Supplement 36 to Attachment 4.19-B). The interim rate will be determined by dividing the interim pool amount by the number of historically adjudicated visits by all participating centers trended by 5%.
    3. For Program Period 3: Pool size will be determined by the formula of  $105,000,000 \times$  [number of historically adjudicated visits provided by all participating centers trended by 5% divided by the total number of historically adjudicated visits for all participating clinics and centers including those authorized under SUPPLEMENTAL PAYMENT FOR NON-

HOSPITAL 340B CLINICS, Supplement 36 to Attachment 4.19-B). The interim rate will be determined by dividing the interim pool amount by the number of historically adjudicated visits by all participating centers trended by 5%.

4. The interim rate will be paid during each program period on a per-visit basis.
  5. Historically adjudicated visits will be determined as follows:  
For Program Period 1, the adjudicated visits will be for the claims adjudicated for dates of service from July 1, 2020 to June 30, 2021. For Program Period 2, the adjudicated visits will be for the claims adjudicated for dates of service from January 1, 2021 to December 31, 2021. For Program Period 3, the adjudicated visits will be for the claims adjudicated for dates of service from January 1, 2022 to December 31, 2022.
- ii. The final per-visit rate will be calculated no sooner than 90 days after the end of the program period based on adjudicated visits for all participating clinics or centers (including clinics participating under Supplement 36 to Attachment 4.19-B) during the applicable program period. The department will use the adjudicated claim data from the California Medicaid Management Information System as of 90 days after the end of each program period.
  - iii. No later than 180 days after the end of each program period, the department will complete a reconciliation of interim to final supplemental payment amount for each participating clinic.
    1. The final supplemental payment will be calculated by multiplying the final per-visit rate determined in (ii) by the number of adjudicated visits.
    2. If the amount calculated is greater than the total amount of interim revenue received by the center, the center will be paid the difference.
    3. If the amount calculated is less than the total amount interim revenue received by the center, the center will refund the difference to the state.