

## **Table of Contents**

**State/Territory Name: CA**

**State Plan Amendment (SPA) #: CA-23-0045**

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form/Summary Form (with 179-like data)
- 3) Approved SPA Pages

**DEPARTMENT OF HEALTH & HUMAN SERVICES**

Centers for Medicare & Medicaid Services  
7500 Security Boulevard, Mail Stop S3-14-28  
Baltimore, Maryland 21244-1850



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**Financial Management Group**

May 23, 2024

Tyler Sadwith  
State Medicaid Director  
California Department of Health Care Services  
P.O. Box 997413, MS 0000  
Sacramento, CA 95899-7413

RE: California State Plan Amendment Transmittal Number 23-0045

Dear State Medicaid Director Sadwith:

The Centers for Medicare & Medicaid Services (CMS) has reviewed the proposed California state plan amendment (SPA) to Attachment 4.19-A CA-23-0045, which was submitted to CMS on December 29, 2023. This plan amendment updates the rate methodology for acute psychiatric inpatient hospital services furnished by Short Doyle/Medi-Cal hospitals and Fee-For-Service/Medi-Cal hospitals, effective December 12, 2023.

We reviewed your SPA submission for compliance with statutory requirements, including in sections 1902(a)(2), 1902(a)(13), 1902(a)(30), 1903 as it relates to the identification of an adequate source for the non-federal share of expenditures under the plan, as required by 1902(a)(2), and 1923 of the Social Security Act and the applicable implementing Federal regulations.

Based upon the information provided by the state, we have approved the amendment with an effective date of December 12, 2023. We are enclosing the approved CMS-179 and a copy of the new state plan pages.

If you have any additional questions or need further assistance, please contact Mark Wong at 415-744-3561 or via email at [mark.wong@cms.hhs.gov](mailto:mark.wong@cms.hhs.gov).

Sincerely,



Rory Howe  
Director

Enclosures

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

1. TRANSMITTAL NUMBER

2 3 — 0 0 4 5

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

~~October 1, 2023~~ December 12, 2023

5. FEDERAL STATUTE/REGULATION CITATION  
~~42 CFR 440 and 42 CFR 447~~

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)

a. FFY 2024 \$ ~~30,000,000~~ \$0  
b. FFY 2025 \$ ~~30,000,000~~ \$0

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

Attachment 4.19-A ~~pages 40-40.1 and 43~~  
  
pages 40, 40.1, 40.2, 43, 44

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

Attachment 4.19-A ~~pages 40-40.1 and 43-44~~  
  
pages 40, 40.1, 40.2, 43, 44

9. SUBJECT OF AMENDMENT

Updates the methodology in which reimbursement for acute psychiatric inpatient hospital services for each Fee-For-Service and Short-Doyle Medi-Cal hospital is determined between the negotiating entity and the servicing hospital.

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

12. TYPED NAME  
Michelle Baass

13. TITLE  
Interim State Medicaid Director

14. DATE SUBMITTED  
December 29, 2023

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  
December 29, 2023

17. DATE APPROVED  
May 23, 2024

**PLAN APPROVED - ONE COPY ATTACHED**

18. EFFECTIVE DATE OF APPROVED MATERIAL  
December 12, 2023

19. SIGNATURE OF APPROVING OFFICIAL

20. TYPED NAME OF APPROVING OFFICIAL  
Rory Howe

21. TITLE OF APPROVING OFFICIAL  
Director, Financial Management Group

22. REMARKS

Pen-and-ink change made to Boxes 4, 5, 6, 7, 8 by CMS with state concurrence.

The State will publish the rate to the following webpage:

<https://www.dhcs.ca.gov/services/MH/Pages/medi-cal-behavioral-health-fee-schedules.aspx>

- b. Acute Psychiatric Inpatient Hospital Services – Acute Psychiatric Hospitals  
The State will use the following steps to calculate one per diem rate for each county where SD/MC Acute Psychiatric Hospitals are located in California.
1. On an annual basis, gather, for each SD/MC Acute Psychiatric Hospital, hospital-specific data regarding the total allowable Medi-Cal Acute Psychiatric Inpatient Hospital Service costs and total allowable Medi-Cal Acute Psychiatric Inpatient days as determined and reported in the most current CMS 2552 hospital cost report and supplemental schedules on file with the State as of December 31<sup>st</sup> prior to the beginning of the State Fiscal Year (July 1 through June 30). For State Fiscal Year 2023-24, starting with dates of service on or after December 12, 2023, the State will gather this data from the most current CMS 2552 hospital cost report and supplemental schedules on file with the State as of March 31, 2024. All SD/MC Acute Psychiatric Hospital cost reports used in each county have a uniform cost reporting period.
  2. Adjust each SD/MC Acute Psychiatric Hospital's total allowable Medi-Cal-Acute Psychiatric Inpatient Hospital Service costs to account for prior year audit adjustments.
  3. Sum the total allowable costs, after applying the audit adjustment, and total allowable days for all SD/MC Acute Psychiatric Hospitals located in each county.
  4. Divide the sum of total allowable costs by the sum of total allowable days to calculate a cost per day for SD/MC Acute Psychiatric Hospitals located in each county.
  5. Multiply the result in Step 4 above by one plus the percentage change from the four-quarter average of the cost reporting fiscal year to the four-quarter average of the rate setting fiscal year from the IHS Global Inc. CMS Market Basket Index Level for Inpatient Psychiatric Health Facilities. This will result in the per diem rate for each county for the rate-setting fiscal year.

The State will publish the rates to the following webpage:

<https://www.dhcs.ca.gov/services/MH/Pages/medi-cal-behavioral-health-fee-schedules.aspx>

- c. Acute Psychiatric Inpatient Hospital Services – General Acute Care Hospitals  
The State will use the following steps to calculate one per diem rate for each county where SD/MC General Acute Care Hospitals are located in California.
1. On an annual basis, gather, for each SD/MC General Acute Care Hospital, hospital-specific data regarding the total allowable Medi-Cal

Acute Psychiatric Inpatient Hospital Service costs and total allowable Medi-Cal Acute Psychiatric Inpatient days as determined and reported in the most current CMS 2552 hospital cost report and supplemental schedules on file with the State as of December 31<sup>st</sup> prior to the beginning of the State Fiscal Year. For State Fiscal Year 2023-24, starting with dates of service on or after December 12, 2023, the State will gather this data from the most current CMS 2552 hospital cost report and supplemental schedules on file with the State as of March 31, 2024. All SD/MC General Acute Care Hospitals cost reports used in each county have a uniform cost reporting period.

2. Adjust each SD/MC General Acute Care Hospital's total allowable Medi-Cal-Acute Psychiatric Inpatient Hospital Service costs to account for prior year audit adjustments.
3. Sum the total allowable costs, after applying the audit adjustment, and total allowable days for all SD/MC General Acute Care Hospitals located in each county.
4. Divide the sum of total allowable costs by the sum of total allowable days to calculate a cost per day for SD/MC General Acute Care Hospitals located in each county.
5. Multiply the result in Step 4 above by one plus the percentage change from the four-quarter average of the cost reporting fiscal year to the four-quarter average of rate setting fiscal year from the IHS Global Inc. CMS Market Basket Index Level for Inpatient Psychiatric Health Facilities. This will result in the per diem rate for each county for the rate setting fiscal year.

The State will publish the rates to the following webpage:

<https://www.dhcs.ca.gov/services/MH/Pages/medi-cal-behavioral-health-fee-schedules.aspx>

D. PROVIDERS OF PSYCHIATRIC INPATIENT HOSPITAL SERVICES  
SD/MC Hospitals are eligible to provide services under this segment.

Short-Doyle/Medi-Cal Hospitals

1. Santa Barbara County Psychiatric Health Facility
2. San Mateo County Medical Center
3. Gateways Hospital and Community Mental Health Center
4. Riverside County Regional Medical Center
5. Kedren Hospital and Community Mental Health Center
6. Natividad Medical Center
7. LAC/USC Medical Center
8. Contra Costa Regional Medical Center
9. Harbor/UCLA Medical Center
10. Olive View/UCLA Medical Center
11. San Francisco General Hospital
12. Sempervirens Psychiatric Health Facility
13. Ventura County Medical Center
14. Santa Clara Valley Medical Center
15. Alameda County Medical Center
16. Arrowhead Regional Medical Center
17. Rady Children Adolescent Psychiatric Services
18. Mills Peninsula Hospital
19. Stanford University
20. Shasta Psychiatric Hospital

**C. REIMBURSEMENT METHODOLOGIES AND PROCEDURES****1. RATE SETTING FOR PSYCHIATRIC INPATIENT HOSPITAL SERVICES PROVIDED BY FEE-FOR-SERVICE/MEDI-CAL CONTRACT HOSPITALS**

- a. Reimbursement (a per diem rate) for acute psychiatric inpatient hospital services for each Fee-for-Service/Medi-Cal contract hospital will be based on a negotiated per diem rate negotiated between the negotiating entity and the hospital on an annual basis. The starting point for this negotiation will be the hospital's routine and ancillary costs of providing psychiatric inpatient hospital services as reported in its most recently audited CMS 2552 cost report. The negotiating entity and hospital will also consider the trend of the hospital's routine costs, the trend of the hospital's ancillary costs, and the hospital's usual and customary charge for psychiatric inpatient hospital services in negotiating the rate. The negotiated per diem rate negotiated between the negotiating entity and a hospital may be less than, equal to, or greater than the starting point and will not exceed the lower of the hospital's usual and customary charge or the hospital's cost per day as determined in its most recently audited CMS 2552 trended to the rate year using the percentage change in the IHS Global Inc. CMS Market Basket Index Levels for Inpatient Psychiatric Facilities or another cost of living index approved by CMS.

When a hospital is owned or operated by the same organizational entity as the negotiating entity, the per diem rate will be submitted by the negotiating entity and is subject to approval by the State. The State will approve the per diem rate submitted by the negotiating entity if it is not greater than the lower of the following:

- The hospital's cost per day as determined in its most recently audited CMS 2552 trended to the rate year using the percentage change in the IHS Global Inc. CMS Market Basket Index Levels for Inpatient Psychiatric Facilities or another cost of living index approved by CMS.
  - The hospital's usual and customary charge.
- b. The negotiated per diem rate includes routine hospital services and all hospital-based ancillary services.
  - c. Only one negotiated per diem rate for each allowable psychiatric accommodation code for each negotiated rate Fee-for-Service/Medi-Cal hospital may be established. The negotiated per diem rate will not be subject to retrospective adjustment to cost.
  - d. Intentionally Left Blank
  - e. The per diem rate for administrative day services will be based upon the prospective class median rate for nursing facilities that are distinct parts of acute care hospitals and offer skilled nursing services, plus an allowance for the cost of ancillary services equal to 16 percent of the prospective class median rate. The State will calculate one statewide rate for administrative day services that is applied to all FFS/MC contract hospitals that provide administrative day services. The statewide rate for administrative day services, to be effective from August 1st through July 31st of each rate year, will be calculated using the following steps:
    - Enter into a spreadsheet the skilled nursing facility rates calculated under Attachment 4.19-D for each hospital that operates a distinct part nursing facility for the prospective nursing facility rate-year, which runs from August 1st through July 31st.

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