

March 29, 2024

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

STATE PLAN AMENDMENT 24-0003: TO SPECIFY THE SETTINGS WHERE INPATIENT PSYCHIATRIC SERVICES FOR BENEFICIARIES UNDER 21 YEARS OF AGE CAN BE PROVIDED, WHICH INCLUDE PSYCHIATRIC RESIDENTIAL TREATMENT FACILITIES (PRTFS)

Dear Mr. Scott:

The Department of Health Care Services (DHCS) is submitting State Plan Amendment (SPA) 24-0003 for your review and approval. This SPA proposes to specify the settings where inpatient psychiatric services for beneficiaries under 21 years of age (referred to as the “psych under 21 benefit”) can be provided, which include PRTFs.

DHCS seeks an effective date of January 1, 2024, for this SPA.

Included in this submission are the following:

- CMS 179 Form
- Limitations on Attachment 3.1-A, pages 21 and 21a (new)
- Limitations on Attachment 3.1-B, pages 21 and 21a (new)
- Attachment 4.19-A, pages 38, 39, 40.1, and 40.2
- Public Notice
- Tribal Notice
- Standard Funding Questions

In compliance with the American Recovery and Reinvestment Act of 2009 (42 U.S.C. section 1396a(a)(73)), 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 for this SPA on February 21, 2024.

DHCS released a public notice for this SPA on December 20, 2023. DHCS anticipates the federal budget impact for Federal Fiscal Years (FFYs) 2024-2025 and 2025-2026 to be \$0.



Mr. Scott  
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If you have any questions or need additional information, please contact Ivan Bhardwaj, Chief, Medi-Cal Behavioral Health Policy Division, at (916) 842-8598 or by email at [Ivan.Bhardwaj@dhcs.ca.gov](mailto:Ivan.Bhardwaj@dhcs.ca.gov).

Sincerely,



Tyler Sadwith  
State Medicaid Director

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. STATE ____
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3. PROGRAM IDENTIFICATION: TITLE OF THE SOCIAL SECURITY ACT XIX XXI
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TO: CENTER DIRECTOR  
CENTERS FOR MEDICAID & CHIP SERVICES  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
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5. FEDERAL STATUTE/REGULATION CITATION
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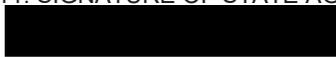
6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)
a. FFY _____ \$ _____
b. FFY _____ \$ _____

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT
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8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable)
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9. SUBJECT OF AMENDMENT
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10. GOVERNOR'S REVIEW (Check One)	OTHER, AS SPECIFIED:
GOVERNOR'S OFFICE REPORTED NO COMMENT	Please note: The Governor's Office does not wish to review the State Plan Amendment.
COMMENTS OF GOVERNOR'S OFFICE ENCLOSED	
NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL	

11. SIGNATURE OF STATE AGENCY OFFICIAL 
12. TYPED NAME
13. TITLE
14. DATE SUBMITTED

15. RETURN TO
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<b>FOR CMS USE ONLY</b>	
16. DATE RECEIVED	17. DATE APPROVED

<b>PLAN APPROVED - ONE COPY ATTACHED</b>	
18. EFFECTIVE DATE OF APPROVED MATERIAL	19. SIGNATURE OF APPROVING OFFICIAL
20. TYPED NAME OF APPROVING OFFICIAL	21. TITLE OF APPROVING OFFICIAL

22. REMARKS
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TYPE OF SERVICE	PROGRAM COVERAGE**	PRIOR AUTHORIZATION OR OTHER REQUIREMENTS*
15. Nursing Facility Level A - Intermediate Care Facility (ICF) (other than such services in an institution for mental disease)	Covered when patient is under the care of a physician who because of mental or physical condition (above the level of board and care) requires out-of-home protective and supportive care living arrangements with 24-hour supervision and skilled nursing care on an ongoing intermittent basis. The patient must be visited by a physician at least every 60 days.	Prior authorization is required. The patient physician must recertify patient's need for continued care every 60 days.
15a. ICF Services for Individuals with Intellectual Disabilities (ICF/IID), ICF/IID Habilitative (ICF/IID-H), or ICF/IID Nursing (ICF/IID-N)	Covered only for individuals with intellectual disabilities who require 24-hour personal care in a protected setting and who have a recurring but intermittent need for skilled nursing services. ICF/IID nursing services are for those who are more medically fragile.	Prior authorization is required. The patient physician must recertify patient's need for continued care on the same schedule as required for ICFs.
16. Inpatient psychiatric services for individuals under 22 years of age	Inpatient psychiatric services are provided in psychiatric hospitals, hospitals with inpatient psychiatric programs and psychiatric residential treatment facilities (PRTFs). Inpatient psychiatric services in an institution for mental diseases are covered under this state plan for persons under age 21 or in certain circumstances up to 22 years of age when the inpatient treatment is initiated prior to reaching 21 years of age. Services are provided under the direction of a physician. The State assures that it meets all requirements in 42 CFR 440.160 and 42 CFR 441 Subpart D.	Emergency admissions are exempt from prior authorization, but the continuation of the hospital or PRTF stay beyond the admission is subject to authorization.  See also "Item 1. Inpatient Hospital Services."

\* Prior authorization is not required for emergency services.

\*\*Coverage is limited to medically necessary services.

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The State also assures that services provided in a PRTF are provided in accordance with 42 CFR 483 Subpart G.

See also "Item 1. Inpatient Hospital Services."

TYPE OF SERVICE	PROGRAM COVERAGE**	PRIOR AUTHORIZATION OR OTHER REQUIREMENTS*
15. Nursing Facility Level A - Intermediate Care Facility (ICF) (other than such services in an institution for mental disease)	Covered when patient is under the care of a physician who because of mental or physical condition (above the level of board and care) requires out-of-home protective and supportive care living arrangements with 24-hour supervision and skilled nursing care on an ongoing intermittent basis. The patient must be visited by a physician at least every 60 days.	Prior authorization is required. The patient physician must recertify patient’s need for continued care every 60 days.
15a. ICF Services for Individuals with Intellectual Disabilities (ICF/IID), ICF/IID Habilitative (ICF/IID-H), or ICF/IID Nursing (ICF/IID-N)	Covered only for individuals with intellectual disabilities who require 24-hour personal care in a protected setting and who have a recurring but intermittent need for skilled nursing services. ICF/IID nursing services are for those who are more medically fragile.	Prior authorization is required. The patient physician must recertify patient’s need for continued care on the same schedule as required for ICFs.
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\* Prior authorization is not required for emergency services.

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The State also assures that services provided in a PRTF are provided in accordance with 42 CFR 483 Subpart G.

See also "Item 1. Inpatient Hospital Services."

State/Territory: California

Citation

Condition or Requirement

**REIMBURSEMENT OF PSYCHIATRIC INPATIENT HOSPITAL SERVICES  
PROVIDED BY SHORT-DOYLE/MEDI-CAL HOSPITALS AND  
PSYCHIATRIC RESIDENTIAL TREATMENT FACILITIES**

Psychiatric inpatient hospital services will be provided as part of a comprehensive program that provides rehabilitative mental health and targeted case management services to Medicaid (Medi-Cal) beneficiaries that meet medical necessity criteria established by the State.

**A. GENERAL APPLICABILITY**

Short-Doyle/Medi-Cal (SD/MC) Hospitals and Psychiatric Residential Treatment Facilities will be eligible to be reimbursed under this segment for the provision of Psychiatric Inpatient Hospital Services.

**B. DEFINITIONS**

“Acute Psychiatric Hospital” means a hospital that is licensed by the State as an Acute Psychiatric Hospital.

“Acute Psychiatric Inpatient Hospital Services” means those services provided by an Acute Psychiatric Hospital, Psychiatric Residential Treatment Facility, or a General Acute Care Hospital to beneficiaries for whom the facilities, services, and equipment are medically necessary for diagnosis or treatment of a mental disorder.

“Allowable Days” means Acute Psychiatric Inpatient Hospital Services days provided to Medi-Cal beneficiaries.

“Administrative Day Services” means Psychiatric Inpatient Hospital Services provided to a beneficiary who has been admitted to the hospital or Psychiatric Residential Treatment Facility for Acute Psychiatric Inpatient Hospital Services, and the beneficiary’s stay at the hospital must be continued beyond the beneficiary’s needs for Acute Psychiatric Inpatient Hospital Services due to a temporary lack of residential placement options at non-acute residential treatment facilities that meet the needs of the beneficiary.

“General Acute Care Hospital” means a hospital that is licensed by the State as a General Acute Care Hospital.

“Hospital-Based Ancillary Services” means services other than Routine Hospital Services and Psychiatric Inpatient Hospital Professional Services that are received by a beneficiary admitted to a SD/MC Hospital.

“Psychiatric Inpatient Hospital Services” means Acute Psychiatric Inpatient Hospital

TN No. 24-0003

Supersedes

TN No. 23-0015

Date Approved: \_\_\_\_\_ Effective Date: January 1, 2024

Services and Administrative Day Services provided by a SD/MC Hospital or Psychiatric Residential Treatment Facility, which are reimbursed a per diem rate that includes the cost of Routine Hospital Services and all Hospital-Based Ancillary Services.

“Psychiatric Residential Treatment Facility” means a facility that is licensed by the State as a Psychiatric Residential Treatment Facility as defined in section 1250.10 of the Health and Safety Code.

“Reasonable and Allowable Cost” means cost based on year-end CMS 2552 hospital cost reports and supplemental schedules; and Medicare principles of reimbursement as described at 42 CFR 413; the CMS Provider Reimbursement Manual, Publication 15-1; and other applicable federal directives that establish principles and standards for determining allowable costs and the methodology for allocating and apportioning those expenses to the Medicaid program.

“Routine Hospital Services” means bed, board, and all medical, nursing, and support services usually provided to an inpatient by a hospital. Routine services do not include Hospital-Based Ancillary Services and Psychiatric Inpatient Hospital Professional Services that are received by a beneficiary admitted to a SD/MC Hospital.

“Short-Doyle/Medi-Cal (SD/MC) Hospitals” means hospitals that claim reimbursement for Psychiatric Inpatient Hospital services through the SD/MC claiming system and are the hospitals listed on page 40.1 of this segment.

“Usual and Customary Charge” means the regular rates that providers charge both Medi-Cal beneficiaries and other paying patients for the services furnished to them (42 CFR 413.13).

### C. REIMBURSEMENT METHODOLOGY AND PROCEDURES

SD/MC Hospitals will be reimbursed the lower of the SD/MC Hospital’s usual and customary charge or the State’s per diem rate for Psychiatric Inpatient Hospital Services. The State will follow the steps below to calculate the per diem rate for Psychiatric Inpatient Hospital Services.

- a. Administrative Day Services – All SD/MC Hospitals: The State calculates one statewide per diem rate for Administrative Day Services that is applied to all SD/MC Hospitals that provide Administrative Day Services. The statewide per diem rate for Administrative Day Services is calculated, to be effective from August 1<sup>st</sup> to July 31<sup>st</sup> of each rate year, using the following steps.
  1. Gather hospital specific data regarding skilled nursing facility rates calculated for all hospitals in the State that operate a distinct part nursing facility for the prospective nursing facility rate year, which runs from August 1<sup>st</sup> through July 31<sup>st</sup>.
  2. Identify the median rate among all hospitals that operate a distinct part nursing facility.
  3. Multiply the median rate by 1.16 to incorporate Hospital-Based Ancillary Services.

TN No. 24-0003

Supersedes

TN No. 23-0015

Date Approved: \_\_\_\_\_ Effective Date: January 1, 2024

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 July 1, 2022, for each SD/MC General Acute Care Hospital. All SD/MC General Acute Care Hospitals cost reports used in each county have a uniform cost reporting period.

4. 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.
5. 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.
6. 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.
7. 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 fiscal year 2023-24 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 fiscal year 2023-24.
8. On an annual basis, increase the per diem rate for each county by the percentage change in the IHS Global Inc. CMS Market Basket Index
9. Levels for Inpatient Psychiatric Facilities from the four quarter average of the last updated rate fiscal year to the four quarter average of the fiscal year for which the rates are being calculated.

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 – Psychiatric Residential Treatment Facilities

1. The State reimburses all Psychiatric Residential Treatment Facilities for Acute Psychiatric Inpatient Hospital Services on a fee-for-service basis pursuant to a fee schedule established by the State. Acute Psychiatric Inpatient Hospital Services provided in Psychiatric Residential Treatment Facilities are reimbursed a per-diem rate. The fee schedule contains a rate for each county where the provider is located.
2. Except as otherwise noted in the state plan, state-developed fee schedule rates are the same for both governmental and private providers. The fee schedule for Psychiatric Residential Treatment Facilities that is effective July 1, 2025, and annually thereafter, is posted to the following webpage:
  - i. <https://www.dhcs.ca.gov/services/MH/Pages/medi-cal-behavioral-health-fee-schedules.aspx>
3. The State will annually increase the county specific per-unit rates for Psychiatric Residential Treatment Facility services effective July 1, 2025, by the percentage change in the four-quarter average IHS Global Inc. CMS Market Basket Index Level for Inpatient Psychiatric Health Facilities.

#### D. PROVIDERS OF PSYCHIATRIC INPATIENT HOSPITAL SERVICES

SD/MC Hospitals and Psychiatric Residential Treatment Facilities 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