



State of California—Health and Human Services Agency
Department of Health Care Services



EDMUND G. BROWN JR.
GOVERNOR

June 28, 2018

Ms. Hye Sun Lee
Acting Associate Regional IX Administrator
Division of Medicaid and Children's Health Operations
Centers for Medicare & Medicaid Services
San Francisco Regional Office
90 Seventh Street, Suite 5-300 (5W)
San Francisco, CA 94103-6707

STATE PLAN AMENDMENT 18-012

Dear Ms. Lee:

The Department of Health Care Services (DHCS) is submitting the enclosed State Plan Amendment (SPA) 18-012 to correct an inconsistency discovered with the language in the approved SPA 17-004 as compared to language in controlling state statute at Welfare & Institutions (W&I) Code section 14169.55(b)(6).

The approved SPA 17-004 includes an eligibility limitation for supplemental payments from the subacute subpool based on a hospital's Medicaid inpatient utilization rate percentage. This particular limitation is no longer reflected in the controlling statute nor in the federally approved health care related tax program applicable to the current Hospital Quality Assurance Fee service period.

No tribal consultation was required for SPA 18-012 and a Public Notice was published on February 14, 2018.

DHCS is requesting an effective date of April 1, 2018 for SPA 18-012.

If you have any questions, please contact Mr. John Mendoza, Chief, Safety Net Financing Division, at (916) 552-9130 or by e-mail at John.Mendoza@dhcs.ca.gov.

ORIGINAL SIGNED

Health Care Programs
State Medicaid Director

Ms. Hye Sun Lee
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cc: Mr. John Mendoza, Chief
Safety Net Financing Division
Department of Health Care Services
John.Mendoza@dhcs.ca.gov

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL	1. TRANSMITTAL NUMBER: 18-012	2. STATE CA
FOR: HEALTH CARE FINANCING ADMINISTRATION	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 April 1, 2018
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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 C.F.R. Subpart C	7. FEDERAL BUDGET IMPACT: a. FFY 2018 \$18,892,220.99 b. FFY 2019 \$18,848,979.87
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8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Appendix 8 to Attachment 4.19-A Pages 5, 6	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (<i>If Applicable</i>): Appendix 8 to Attachment 4.19-A, Pages 5, 6
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10. SUBJECT OF AMENDMENT:

Supplemental Payments for Hospital Inpatient Services

11. GOVERNOR'S REVIEW (*Check One*):

GOVERNOR'S OFFICE REPORTED NO COMMENT OTHER, AS SPECIFIED:
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED The Governor's Office does not
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL wish to review the State Plan Amendment.

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**

ORIGINAL SIGNED

State Medicaid Director

15. DATE SUBMITTED:
6/28/2018

FOR REGIONAL OFFICE USE ONLY	
17. DATE RECEIVED:	18. DATE APPROVED:

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:	20. SIGNATURE OF REGIONAL OFFICIAL:
21. TYPED NAME:	22. TITLE:

23. REMARKS:

- 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 the last two subject fiscal quarters of the subject fiscal year 2016-17, nine hundred and seventy-five dollars (\$975.00) multiplied by half of the hospital's annual covered acute psychiatric days.
 - For the subject fiscal years 2017-18 and 2018-19, nine hundred and seventy-five dollars (\$975.00) multiplied by the hospital's acute psychiatric days.
- c. From the high acuity subpool, in addition to the amount specified in Subparagraphs a and b, if a private hospital that provided Medi-Cal high acuity services during 2013 calendar year and has Medicaid inpatient utilization rate that is greater than 5 percent and less than 41.6 percent:
- For the last two subject fiscal quarter quarters of the subject fiscal year 2016-17, two thousand five hundred dollars (\$2,500.00) will be multiplied by half of the hospital's annual high acuity days.
 - For the subject fiscal years 2017-18 and 2018-19, two thousand five hundred dollars (\$2,500.00) 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, if the hospital qualifies to receive the amount set forth in Paragraph c 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 Section 1797.1 of the Health and Safety Code, as the section read on January 1, 2017:
- For the last two subject fiscal quarters of the subject fiscal year 2016-17, two thousand five hundred dollars (\$2,500.00) will be multiplied by half of the hospital's annual high acuity days.
 - For the subject fiscal years 2017-18 and 2018-19, two thousand five hundred dollars (\$2,500.00) multiplied by the number of the hospital's high acuity days.
- e. From the subacute subpool as follows:
- If a private hospital that provided Medi-Cal subacute services during the 2013 calendar year and has a Medicaid inpatient utilization rate that is greater than 5 and less than 41.6 percent, the subacute supplemental rate shall be 30 percent (half of 60 percent) for the two remaining subject fiscal quarters in the subject fiscal year 2016-17, 60 percent for the subject fiscal quarters in the subject fiscal year 2017-18, and 60 percent for the subject fiscal quarters in the subject fiscal year 2018-19 of the Medi-Cal subacute payments paid by the department to the hospital for services during the 2013 calendar year, as reflected in the state paid claims file prepared by the department on December 28, 2016.
 - If a private hospital that provided Medi-Cal subacute services during the 2013 calendar year and has a Medicaid inpatient utilization rate that is 5

percent or less or 41.6 percent or greater, the subacute supplemental rate shall be 0 percent for the two remaining subject fiscal quarters in the subject fiscal year 2016-17, 0 percent for the first three subject fiscal quarters in the subject fiscal year 2017-18, 240 percent for the last subject fiscal quarter in the subject fiscal year 2017-18, and 90 percent for the subject fiscal quarters in the subject fiscal year 2018-19 of the Medi-Cal subacute payments paid by the department to the hospital for services during the 2013 calendar year, as reflected in the state paid claims file prepared by the department on December 28, 2016.

- f. From the transplant subpool, in addition to Subparagraphs a, b, c, d, and e, a private hospital that has Medi-Cal days for Medicare Severity-Diagnosis Related Groups 1, 2, 5 to 10, inclusive, 14, 15, and 652, according to the Patient Discharge file from the Office of Statewide Health Planning and Development for the 2013 calendar year assessed on December 27, 2016:
 - For the last two fiscal quarters of the subject fiscal year 2016-17, two thousand five hundred dollars (\$2,500.00) will be multiplied by half of the hospital's annual Medi-Cal days for Medicare Severity-Diagnosis Related Groups identified above.
 - For the subject fiscal years 2017-18 and 2018-19, two thousand five hundred dollars (\$2,500.00) multiplied by the number of Medi-Cal days.
 - g. The amounts computed above for subject fiscal year 2016-17 are divided by two to arrive at the quarterly payment amount for the two quarters in subject fiscal year 2016-17. The amounts computed above for each subject fiscal years 2017-18 and 2018-19 are divided by four to arrive at the quarterly payment amounts for the four quarters in each of the subject fiscal years 2017-18 and 2018-19. Related to sub-bullet two of subparagraph e, the total amount computed for the subject fiscal year 2017-18 will be paid in the last subject fiscal quarter of the subject fiscal year 2017-18.
3. In the event that payment of all of the amounts for the program period from any subpool in Paragraph 2 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 a subject fiscal year is not available for all of the supplemental amounts payable to private hospitals under Paragraph 2 due to the application of an 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 subject service period within the fiscal year will be reduced to reflect the amounts for which federal financial participation is available pursuant to subparagraph b.

**DEPARTMENT OF HEALTH CARE SERVICES
NOTICE OF GENERAL PUBLIC INTEREST**

**PROPOSED TECHNICAL CORRECTION TO APPROVED STATE PLAN
AMENDMENT 17-004 AUTHORIZING HOSPITAL QUALITY ASSURANCE FEE
FUNDED SUPPLEMENTAL PAYMENTS FOR PRIVATE HOSPITAL INPATIENT
SERVICES**

FEBRUARY 14, 2018

This notice is to provide information of public interest regarding the potential submission of a State Plan Amendment (SPA) to make technical correction to approved SPA 17-004 (http://www.dhcs.ca.gov/formsandpubs/laws/Pages/Approved_2017.aspx). Approved by the federal Centers for Medicare and Medicaid Services (CMS) on December 18, 2017, SPA 17-004 authorizes supplemental payments to eligible California private hospitals for hospital inpatient services provided to Medi-Cal beneficiaries during the service period of January 1, 2017 through June 30, 2019. The nonfederal share of these supplemental payments is funded by California's Hospital Quality Assurance Fee (HQAF), in accordance with Section 3.5 of Article XVI of the California Constitution and the Medi-Cal Hospital Reimbursement Improvement Act of 2013 (California Welfare and Institutions (W&I) Code section 14169.50, et. seq.).

The Department of Health Care Services (DHCS) has discovered an inconsistency with the language in the approved SPA 17-004 as compared to language in controlling statute at W&I Code section 14169.55(b)(6). Specifically, the approved SPA 17-004 includes an eligibility limitation for supplemental payments from the subacute subpool based on a hospital's Medicaid inpatient utilization rate (MUR) percentage. This particular limitation is no longer reflected in the controlling statute nor in the federally approved health care related tax program applicable to the current HQAF service period. If a SPA is deemed necessary to accomplish this technical correction, DHCS will submit and seek federal approval for SPA 18-012 to remove the MUR percentage limitation for purposes of a private hospital's eligibility for HQAF supplemental payments from the subacute subpool. DHCS will propose an effective date for the technical correction as of January 1, 2017, to coincide with the start of the current HQAF service period, subject to CMS approval. If approval is not available for a January 1, 2017, effective date, DHCS will propose a February 15, 2018, effective date.

The proposed technical correction implicates an estimated \$214 million of HQAF supplemental payments from the subacute subpool authorized pursuant to SPA 17-004 and may result in a shifting of at least some of these expenditures into future calendar quarters within the current HQAF service period.

The proposed SPA is subject to approval by CMS.

PUBLIC REVIEW AND COMMENTS

If deemed necessary and once available, copies of draft SPA 18-012 will be made available for public input at:

http://www.dhcs.ca.gov/formsandpubs/laws/Pages/Pro_SPA.aspx.

Upon submission to CMS, if necessary, copies of proposed SPA 18-012 will be published at: http://www.dhcs.ca.gov/formsandpubs/laws/Pages/Pending_2018.aspx

If you would like to view the SPA in person once it becomes available, please visit your local county welfare department. You may also request a copy of the SPA from the mailing address or email, below.

Any written comments may be sent to Department of Health Care Services, Safety Net Financing Division, 1501 Capitol Avenue, MS 4504, Sacramento, CA 95899-7417, or may be emailed to PublicInput@dhcs.ca.gov. Please indicate SPA 18-012 in the subject line or message.

SPA Impact Form

State/Title/Plan Number: SPA 18-012

Federal Fiscal Impact: FFY 2018, FFY 2019

Number of People Affected by Enhanced Coverage, Benefits or Retained Eligibility: All Medi-Cal Beneficiaries

Number of Potential Newly Eligible People: N/A

or

Eligibility Simplification: No

Number of People Losing Medicaid Eligibility: N/A

Reduces Benefits: No

Provider Payment Increase: Yes

Delivery System Innovation: No

Comments/Remarks:

DHS Contact:

Kenneth Lopez, (916) 552-9267

Date: 5/3/18