



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



GAVIN NEWSOM  
GOVERNOR

September 22, 2020

Mr. James G. Scott, Director  
Division of Program Operations  
Medicaid and CHIP Operations Group  
Centers for Medicare & Medicaid Services  
90 Seventh Street, Suite 5-300 (5W)  
San Francisco, CA 94103-6707

STATE PLAN AMENDMENT 20-0042: SUPPLEMENTAL PAYMENTS FOR HOSPITAL  
INPATIENT SERVICES

Dear Mr. Scott:

The Department of Health Care Services (DHCS) is submitting State Plan Amendment (SPA) 20-0042 for your review and approval. SPA 20-0042 allows supplemental reimbursement to hospitals up to the aggregate upper payment limit without supplanting specified existing levels of payments for the provision of inpatient services to Medi-Cal beneficiaries. DHCS seeks an effective date of July 1, 2020, for this SPA.

This SPA will make changes to California's Medicaid State Plan under Title XIX of the Social Security Act as it proposes to update Appendix 9 to Attachment 4.19-A.

No tribal consultation was required for SPA 20-0042. A Public Notice was published on June 29, 2020.

If you have any questions or need additional information, please contact Katie Brooks, Chief of Safety Net Financing Division, at (916) 345-7937 or by email at [Katie.Brooks@dhcs.ca.gov](mailto:Katie.Brooks@dhcs.ca.gov).

Sincerely,



Jacey Cooper  
Chief Deputy Director  
Health Care Programs  
State Medicaid Director

Enclosures

cc: See Next Page

Mr. James G. Scott  
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cc: Ms. Lindy Harrington  
Deputy Director  
Health Care Financing  
Department of Health Care Services  
[Lindy.Harrington@dhcs.ca.gov](mailto:Lindy.Harrington@dhcs.ca.gov)

Ms. Katie Brooks  
Division Chief  
Safety Net Financing Division  
Department of Health Care Services  
[Katie.Brooks@dhcs.ca.gov](mailto:Katie.Brooks@dhcs.ca.gov)

Mr. Aaron Toyama  
Senior Advisor  
Health Care Programs  
Department of Health Care Services  
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**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL  
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES**

1. TRANSMITTAL NUMBER <u>20</u> — <u>00</u> <u>42</u>	2. STATE California
3. PROGRAM IDENTIFICATION: Title XIX of the Social Security Act (Medicaid)	
4. PROPOSED EFFECTIVE DATE July 1, 2020	

TO: REGIONAL ADMINISTRATOR  
CENTERS FOR MEDICARE & MEDICAID SERVICES  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

5. TYPE OF PLAN MATERIAL (*Check One*)

- NEW STATE PLAN       AMENDMENT TO BE CONSIDERED AS NEW PLAN       AMENDMENT

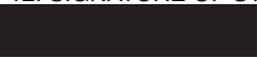
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (*Separate transmittal for each amendment*)

6. FEDERAL STATUTE/REGULATION CITATION 42 C.F.R. Subpart C	7. FEDERAL BUDGET IMPACT a. FFY 2020 \$ <u>XX.XX</u> b. FFY 2021 \$ <u>XX.XX</u>
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT Appendix 9 to Attachment 4.19-A pages 4-8	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT ( <i>If Applicable</i> ) Appendix 9 to Attachment 4.19-A pages 4-8

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  
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

12. SIGNATURE OF STATE AGENCY OFFICIAL 	16. RETURN TO Department of Health Care Services Attn: Director's Office P.O. Box 997413, MS 0000 Sacramento, CA 95899-7413
13. TYPED NAME Jacey Cooper	
14. TITLE State Medicaid Director	
15. DATE SUBMITTED September 22, 2020	

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED	18. DATE APPROVED
<b>PLAN APPROVED - ONE COPY ATTACHED</b>	
19. EFFECTIVE DATE OF APPROVED MATERIAL	20. SIGNATURE OF REGIONAL OFFICIAL
21. TYPED NAME	22. TITLE

23. REMARKS  
For Box 7, the federal budget impact for FFY 2022 will be \$XX.XX.  
For Box 11 "Other, As Specified," Please note: The Governor's Office does not wish to review the State Plan Amendment.

10. "Subject fiscal quarter" means the quarter to which the supplemental payment is applied. Note that there are only two subject fiscal quarters for subject fiscal year 2021-22.
11. "Subacute supplemental rate" means a fixed proportional supplemental payment for acute inpatient services based on a hospital's prior provision of Medi-Cal subacute services.
12. "Medicaid Inpatient Utilization Rate" means the Medicaid utilization rate as defined in Section 1396r-4 of Title 42 of the United States Code and as set forth in the Final Medi-Cal Utilization Statistics for state fiscal year 2018-19, as calculated by the department as of April 5, 2019. The department may correct any identified material and egregious errors in the data.
13. "Medi-Cal fee-for-service days" means inpatient hospital days as reported on the days data source where the service type is reported as "acute care," "psychiatric care," or "rehabilitation care," and the payer category is reported as "Medi-Cal traditional" for purposes of the Annual Financial Disclosure Report submitted by hospitals to the Office of Statewide Health Planning and Development.

#### D. Supplemental Payment Methodology for Private Hospitals

1. Private hospitals will be paid supplemental amounts for the provision of hospital inpatient services for the program period. The supplemental amounts will be in addition to any other amounts payable to hospitals with respect to those services and will not affect any other payments to hospitals.
2. Private hospitals will be paid from the total amount of XX dollars and XX cents (\$XX.XX), consisting of the following subpools:

General Acute Subpool: \$XX.XX  
 Psychiatric Subpool: \$XX.XX  
 High Acuity Subpool: \$XX.XX  
 High Acuity Trauma Subpool: \$XX.XX  
 Subacute Subpool: \$XX.XX  
 Transplant Subpool: \$XX.XX

Each private hospital will be paid the following amounts as applicable for the provision of hospital inpatient services for each subject fiscal year:

- a. From the general acute subpool:
  - For the subject fiscal year 2019-20, one thousand, four hundred nine dollars and seventy-two cents (\$1,409.72) multiplied by the number of the hospital's general acute care days.

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- For the subject fiscal year 2020-21, XX dollars and XX cents (\$XX.XX) multiplied by the number of the hospital's general acute care days.
  - For the first two subject fiscal quarters of subject fiscal year 2021-22, one thousand, five hundred eighty-eight dollars and seventy-three cents (\$1,588.73) multiplied by half the number of the hospital's annual general acute care days.
- 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 subject fiscal year 2019-20, nine hundred and seventy-five dollars (\$975.00) multiplied by the number of the hospital's acute psychiatric days.
  - For subject fiscal year 2020-21, XX dollars and XX cents (\$XX.XX) multiplied by the number of the hospital's acute psychiatric days.
  - For the first two subject fiscal quarters of subject fiscal year 2021-22, nine hundred and seventy-five dollars (\$975.00) multiplied by half the number of the hospital's annual 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 the 2016 calendar year and at least X percent of the hospital's general acute care days were high acuity days and had a Medicaid inpatient utilization rate that is greater than X percent and less than XX.X percent:
- For subject fiscal year 2019-20 two thousand five hundred dollars (\$2,500.00) multiplied by the number of the hospital's high acuity days.  
  
For subject fiscal year 2020-21 XX dollars and XX cents (\$XX.XX) multiplied by the number of the hospital's high acuity days.
  - For the first two subject fiscal quarters of subject fiscal year 2021-22, two thousand five hundred dollars (\$2,500.00) multiplied by half the number of the hospital's annual 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 Health and Safety Code section 1797.1, as in effect on July 1, 2019, and as designated in the most

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recently published Office of Statewide Health Planning and Development Hospital Utilization Report as in effect on as of July 1, 2019:

- For subject fiscal year 2019-20, two thousand five hundred dollars (\$2,500.00) multiplied by the number of the hospital's high acuity days.
- For subject fiscal year 2020-21, XX dollars and XX cents (\$XX.XX) multiplied by the number of the hospital's high acuity days.
- For the first two subject fiscal quarters of subject fiscal year 2021-22, two thousand five hundred dollars (\$2,500.00) multiplied by half the number of the hospital's annual high acuity days.

e. From the subacute subpool:

- For the subject fiscal quarter in subject fiscal year 2019-20 , the subacute supplemental rate shall be 65 percent of the Medi-Cal subacute payments paid by the department to the hospital for services during the 2016 calendar year, as reflected in the state paid claims file prepared by the department on April 5, 2019.

For the subject fiscal quarters in subject fiscal year 2020-21 , the subacute supplemental rate shall be XX percent of the Medi-Cal subacute payments paid by the department to the hospital for services during the 2016 calendar year, as reflected in the state paid claims file prepared by the department on April 5, 2019.

- For the first two subject fiscal quarters in the subject fiscal year 2021-22, the subacute supplemental rate shall be 65 percent of half of the Medi-Cal subacute payments paid by the department to the hospital for services during the 2016 calendar year, as reflected in the state paid claims file prepared by the department on April 5, 2019.

f. From the transplant subpool, in addition to subparagraphs a, b, c, d, and e, a private hospital that has Medi-Cal fee-for-service 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 2016 calendar year as retrieved by the department on April 2, 2019 and has Medicaid inpatient utilization rate that is greater than 5 percent and less than 50.3 percent:

- For subject fiscal year 2019-20 two thousand five hundred dollars (\$2,500.00) multiplied by the hospital's Medi-Cal fee-for-service days for Medicare Severity-Diagnosis Related Groups identified above.

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- For subject fiscal year 2020-21 XX dollars and XX cents (\$XX.XX) multiplied by the hospital's Medi-Cal fee-for-service days for Medicare Severity-Diagnosis Related Groups identified above.
  - For the first two subject fiscal quarters of subject fiscal year 2021-22, two thousand five hundred dollars (\$2,500.00) multiplied by half the number of the hospital's annual Medi-Cal fee-for-service days for Medicare Severity-Diagnosis Related Groups identified above.
- g. Payments shall be made quarterly and payment amounts for each subject fiscal quarter in a subject fiscal year shall be distributed equally. For subject fiscal year 2021-22, there will be only two quarterly payments.
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 a federal 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 fiscal quarter within the subject fiscal year will be reduced to reflect the amounts for which federal financial participation is available pursuant to subparagraph b.
  - b. The amounts payable under Paragraph 2 to each private hospital for each subject fiscal quarter within the subject fiscal year will be equal to the amounts computed under Paragraph 2 multiplied by the ratio of the total amounts for which federal financial participation is available to the total amounts computed under Paragraph 2.
  - c. In the event that a hospital's payments in any subject fiscal year as calculated under Paragraph 2 are reduced by the application of this Paragraph 4, the amount of the reduction will be added to the supplemental payments for the next subject fiscal year within the program period, which the hospital would otherwise be entitled to receive under Paragraph 2, provided further that no such carryover payments will be carried over beyond the period ending December 31, 2021, and such carryover payments will not result in total payments exceeding the applicable federal upper payment limit for the fiscal year.

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5. The supplemental payment amounts set forth in this Appendix are inclusive of federal financial participation.
6. Payments shall be made to a hospital that becomes ineligible pursuant to Paragraph 2 of Section B during a subject fiscal quarter by multiplying the hospital's inpatient supplemental payment by the number of days that the hospital was eligible in the subject fiscal quarter, divided by the number of days in the subject fiscal quarter. Payments shall not be made to an ineligible hospital in any subsequent subject fiscal quarter.
7. Payments shall be made to a Private to Public Converted hospital that converts during a subject fiscal quarter by multiplying the hospital's inpatient supplemental payment by the number of days that the hospital was a private hospital in the subject fiscal quarter, divided by the number of days in the subject fiscal quarter. Payments shall not be made to a Private to Public Converted hospital in any subsequent subject fiscal quarter.

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