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

JENNIFER KENT
DIRECTOR

EDMUND G. BROWN JR.
GOVERNOR

September 30, 2016

Ms. Henrietta Sam-Louie
Associate Regional Administrator
Division of Medicaid and Children's Health
Centers for Medicare and Medicaid Services
90 Seventh Street, Suite 5-300 (5W)
San Francisco, CA 94103-6707

STATE PLAN AMENDMENT 16-045

Dear Ms. Henrietta Sam-Louie:

The Department of Health Care Services (DHCS) is submitting the enclosed State Plan Amendment (SPA) to allow supplemental reimbursement to hospitals for the provision of outpatient services to Medi-Cal beneficiaries. This SPA, Supplement 22 to Attachment 4.19-B for outpatient services, will make changes to California's Medicaid State Plan under Title XIX of the Social Security Act.

The primary purpose of this SPA is to allow DHCS to issue supplemental payments to hospitals up to the aggregate upper payment limit without supplanting specified existing levels of payments. The effective date of the SPA will be September 10, 2016.

Because this change in supplemental payments for certain general acute care inpatient hospital services has no effect on the tribes, it has been agreed that no tribal consultation was required for SPA 16-045.

To the extent additional UPL room is available for the 16-17 fiscal year, this change would result in an overall increase in hospital outpatient payments. As a result, and per instruction from the Regional Office, SPA 16-045 does not trigger the requirements of 42 CFR §447.204.

A Public Notice was published on September 09, 2016.

If you have any questions or concerns regarding the proposed provisions, please contact Mr. John Mendoza, Division Chief, Safety Net Financing Division at (916) 552-9130 or via email at John.Mendoza@dhcs.ca.gov.

Sincerely,

ORIGINAL SIGNED

Mari Cantwell
Chief Deputy Director
Health Care Program
State Medicaid Director

Enclosure

cc: John Mendoza
Division Chief
Safety Net Financing Division
Department of Health Care Services

Lindy Harrington, Deputy Director
Health Care Financing
Department of Health Care Services

Ryan Witz, Assistant Deputy Director
Health Care Financing
Department of Health Care Services

DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH CARE FINANCING ADMINISTRATION

FORM APPROVED
OMB NO. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER: **16-045**

2. STATE: CA

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
September 10, 2016

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:
75 CFR 447 Subpart F

7. FEDERAL BUDGET IMPACT:
d. FFY 2016/17: $xx.xx (FFP $xx.xx)

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
Supplement 22 to Attachment 4.19-B
Page 4

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*:
Page 4

10. SUBJECT OF AMENDMENT:
Supplemental Reimbursement for Hospital Outpatient Services

11. 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:
The Governor's Office does not wish to review the State Plan Amendment.

ORIGINAL SIGNED

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

14. TITLE:
State Medicaid Director

15. DATE SUBMITTED:
SEP 30 2016

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:

FORM HCFA-179 (07-92)

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE: CALIFORNIA

SUPPLEMENTAL PAYMENTS FOR HOSPITAL OUTPATIENT SERVICES

This supplemental payment program provides supplemental payments for a hospital which meets specified requirements and provides outpatient services to Medi-Cal beneficiaries.

Supplemental payments to hospitals will be up to the aggregate upper payment limit.

Supplemental payments will be made periodically on a lump-sum basis throughout the duration of the program, and will not be paid as individual increases to current reimbursement rates for specific services. The supplemental amounts shall be in addition to any other amounts payable to hospitals with respect to those services and shall not affect any other payments to hospitals.

This supplemental payment program will be in effect from January 1, 2014, through and including December 31, 2016.

A. Amendment Scope and Authority

This amendment, Supplement 22 to Attachment 4.19-B, describes the payment methodology to provide supplemental payments to eligible hospitals between January 1, 2014, and December 31, 2016. Supplemental payments will be made on a quarterly basis, with a lump sum payment of quarterly payments for quarters ending prior to the approval date of the SPA.

B. Eligible Hospitals

1. Hospitals eligible for supplemental payments under this supplement are “private hospitals”, which means a hospital that meets all of the following conditions:

    a. Is licensed pursuant to subdivision (a) of Section 1250 of the Health and Safety Code.

    b. Is in the Charitable Research Hospital peer group, as set forth in the 1991 Hospital Peer Grouping Report published by the department, or is not designated as a specialty hospital in the hospital’s Office of Statewide Health Planning and Development Annual Financial Disclosure Report for the hospital’s latest fiscal year ending in 2010.

c. Does not satisfy the Medicare criteria to be classified as a long-term care hospital.

d. Is a nonpublic hospital, nonpublic converted hospital, or converted hospital (Public to Private), as those terms were defined on January 1, 2014, in paragraphs (26) to (28), inclusive, respectively, of subdivision (a) of Section 14105.98 of the California Welfare and Institutions Code.

2. A hospital that is eligible pursuant to Paragraph 1 for supplemental payments under this supplement will become ineligible if any of the following occur:

a. The hospital becomes a Private to Public Converted Hospital pursuant to Paragraph 3 of Section C.

b. The hospital is a new hospital as defined in Paragraph 4 of Section C.

c. The hospital does not meet all the requirements as set forth in Paragraph 1.

C. Definitions

For purposes of this supplement, the following definitions will apply:

1. "Hospital outpatient services" means all services covered under Medi-Cal furnished by hospitals to patients who are registered as hospital outpatients and reimbursed by the department on a fee-for-service basis directly or through its fiscal intermediary. Hospital outpatient services do not include professional services or services for which a managed health care plan is financially responsible, or services rendered by a hospital-based federally qualified health center for which reimbursement is received pursuant to Section 14132.100.

2. "Outpatient base amount" means the total amount of payments for outpatient hospital services rendered in the 2010 calendar year, as reflected in the state paid claims files prepared by the department as of March 11, 2014.

3. "Private to Public Converted hospital" means a private hospital that becomes a designated public hospital or a nondesignated public hospital on or after January 1, 2014.

4. "New hospital" means a hospital operation, business, or facility functioning under current or prior ownership as a private hospital that does not have a days data source or a hospital that has a days data source in whole, or in part, from a previous operator where there is an outstanding monetary obligation owed to the state in connection with the Medi-Cal program and the hospital is not, or does not agree to become, financially responsible to the department for the outstanding monetary obligation. "New hospital" does not include a hospital described in

Welfare and Institutions Code section 14165.50, subdivision (f), as that section reads as of January 1, 2014, and for such a hospital, the outpatient base amount used in paragraph D will be determined in a manner consistent with how the hospital is accounted for in the private hospital upper payment limit demonstration - that is, the outpatient base amount will be derived from an average of proxy hospitals' outpatient base amount, and adjusted for bed size difference and for any applicable period of closure or non-operation.

5. "Program period" means the period from January 1, 2014, through December 31, 2016, inclusive.

6. “Days data source” means either: (1) if a hospital’s Annual Financial Disclosure Report for its fiscal year ending in the base calendar year includes data for a full fiscal year of operation, the hospital’s Annual Financial Disclosure Report retrieved from the Office of Statewide Health Planning and Development as retrieved by the department on June 6, 2013 pursuant to Section 14169.59, for its fiscal year ending in the base calendar year; or (2) if a hospital’s Annual Financial Disclosure Report for its fiscal year ending in the base calendar year includes data for more than one day, but less than a full year of operation, the department’s best and reasonable estimates of the hospital’s Annual Financial Disclosure Report if the hospital had operated for a full year.

7. “Subject fiscal year” means state fiscal years 2013-14, 2014-15, 2015-16 and 2016-17.

8. “Service period” means the quarter to which the supplemental payment is applied.

D. Supplemental Payment Methodology for Private Hospitals

1. Private hospitals will be paid supplemental amounts for the provision of hospital outpatient services. 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. The supplemental amounts will result in payments equal to the amount remaining under the federal upper payment limit for private hospitals for each subject fiscal year.

2. The outpatient base amount shall be those payments for outpatient hospital services rendered in the 2010 calendar year, as reflected in the state paid claims files prepared by the department on March 11, 2014.

3. The outpatient supplemental rate shall be 150 percent of the outpatient base amount for the two remaining subject fiscal quarters in the 2013–14 subject fiscal year, 259 percent of the outpatient base amount for the subject fiscal quarters in the 2014–15 subject fiscal year, 298 percent of the outpatient base amount for the subject fiscal quarters in the 2015–16 subject fiscal year, and 147 percent of the outpatient base amount for the first two subject fiscal quarters in the 2016–17

subject fiscal year. The above percentages will result in payments to hospitals that equal the applicable federal upper payment limit.

4. In the event that the sum of payments to all hospitals in any subject fiscal quarter causes the aggregate of all supplemental payments to all hospitals pursuant to this Section for all subject fiscal quarters to exceed $xx.xx, the payments to all hospitals in that fiscal quarter shall be reduced by the applicable percentages so that the aggregate of all supplemental payments to all hospitals does not exceed $xx.xx.

5. In the event federal financial participation for a service period 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, both of the following will apply:

    a. The total amount payable to private hospitals under Paragraph 2 for the service period will be reduced to the amount for which federal financial participation is available pursuant to subparagraph b.

    b. The amount payable under Paragraph 2 to each private hospital for the service period will be equal to the amount computed under Paragraph 2 multiplied by the ratio of the total amount for which federal financial participation is available to the total amount computed under Paragraph 2.

    c. In the event that a hospital's payments in any service period 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 service period 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, 2016 and such carryover payments will not result in total payments exceeding the applicable federal upper payment limit for the service period.

6. The supplemental payment amounts as set forth in this Supplement are inclusive of federal financial participation.

7. Payments shall be made to a converted hospital (Private to Public) that converts during a subject fiscal quarter by multiplying the hospital’s outpatient 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 converted hospital (Private to Public) in any subsequent subject fiscal quarter.

8. 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 outpatient 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.

9. The QAF-funded supplemental payments will not be treated as offsets in computing the aggregate uncompensated cost list for the specific purpose of making the trauma supplemental payments.

SPA Impact Form

State/Title/Plan Number: State Plan Amendment 16-045 for Outpatient Services

Federal Fiscal Impact: 9/10/16 – 12/31/16
The federal fiscal has not been determined yet

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: The primary purpose of this SPA is to allow DHCS to issue supplemental payments to hospitals up to the aggregate upper payment limit without supplanting specified existing levels of payments. The effective date of the SPA will be September 10, 2016.

DHCS Contact:
Kenneth Lopez, 552-9313

Date: 9/26/16