

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE: CALIFORNIA

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**OUTPATIENT DISPROPORTIONATE SHARE HOSPITALS SUPPLEMENTAL  
PAYMENTS**

The Outpatient Disproportionate Share Hospital (OP DSH) supplemental payment program provides supplemental payments for Disproportionate Share Hospitals (DSH) that meet specified requirements and provide outpatient services to Medi-Cal beneficiaries. Beginning January 1, 2005, supplemental payments up to the aggregate limit of \$10 million annually are available to eligible hospitals and will be made periodically on a lump-sum basis, but will not be paid as individual increases to current reimbursement rates for specific services. OP DSH supplemental payments are fee-for-service (FFS) hospital supplemental payments and subject to the outpatient hospital upper payment limit as defined in 42 Code of Federal Regulations part 447.321.

A. Eligibility

Eligible hospitals are DSH that receive Medi-Cal payments for outpatient services. Eligibility is determined in February of the program year for which payments will be disbursed. To be eligible hospitals must have qualified as a DSH for the State Fiscal Year (SFY) ending two years prior to the program year, as determined by the State's final DSH eligibility list, and must be in operation as of January 1 of the applicable program year.

B. Definitions

1. "In operation" means an eligible hospital that was licensed to provide hospital services, and continued to provide, or was available to provide, hospital services to Medi-Cal patients throughout the program year.
2. "Cease operation" means that a hospital does not meet the definition of "in operation".
3. "Program year" means the applicable calendar year (January 1 – December 31) for which payments are to be made to eligible hospitals under this program.
4. "HCAI" means the California Department of Health Care Access and Information, formerly the Office of Statewide Health Planning and Development (OSHPD).

C. Methodology

1. For the purpose of determining payment calculation, relevant data sources include:

- a) HCAI hospital financial and utilization report data for the calendar year ending two years prior to the OP DSH program year. For any hospital for which a full year of data is not available, available data will be multiplied by an annualization factor, which is the ratio of the full length of the calendar year to the period for which hospital data is available.
  - b) Hospital outpatient Medi-Cal FFS paid claims data for the calendar year ending two years prior to the program year, as extracted from the Department of Health Care Services' (DHCS) Medi-Cal Paid Claims System.
2. This program administers \$10 million each program year to eligible hospitals based on each eligible hospital's pro-rata adjusted annual payment allocation as calculated below.
  3. Payments shall be made on a quarterly basis each program year and disbursed during the month immediately following the end of each program quarter.
  4. For non-children's hospitals, annual payment allocations shall be calculated by multiplying the outpatient Medi-Cal FFS paid claims amount by the non-children's hospital factor.
    - a) The non-children's hospital factor shall be calculated by dividing the sum of outpatient gross county indigent program revenue, outpatient component of deductions from revenue for charity and teaching, and outpatient gross Medi-Cal revenue by the total outpatient gross revenue.
      - i. The outpatient component of deductions from revenue for charity and teaching shall be calculated by multiplying the total deduction by the ratio of outpatient gross revenue from other payers to total gross revenue from other payers.
  5. For children's hospitals, annual payment allocations shall be calculated by multiplying the outpatient Medi-Cal FFS paid claims amount by the higher of the applicable non-children's hospital factor or children's hospital factor.
    - a) The children's hospital factor shall be calculated by dividing the sum of the outpatient component of county indigent program contractual adjustments, outpatient component of deductions from revenue for charity and teaching, and outpatient gross Medi-Cal revenue by the total outpatient gross revenue.
      - i. The outpatient component of a hospital's county indigent program contractual adjustments shall be calculated by multiplying the total contractual adjustment by the ratio of

outpatient gross county indigent program revenue to total gross county indigent program revenue.

- ii. The outpatient component of deductions from revenue for charity and teaching shall be calculated by multiplying the total deduction by the ratio of outpatient gross revenue from other payers to total gross revenue from other payers.
6. Pro-rata adjustments will be made to hospital-specific payment allocations as determined in paragraphs (5) and (6) such that the aggregate amount of all program payments are equal to the total annual program amount of \$10 million.
    - a) The pro-rata adjustment payment distribution shall be determined by dividing each hospital's allocation by the total allocation, derived by summing the total allocations for all eligible hospitals as calculated in paragraphs (5) and (6), to determine each hospital's pro-rata percentage of total funds. Each hospital's pro-rata percentage shall then be multiplied against the \$10 million annual program amount to determine the total supplemental payment for each eligible hospital for the program year.
  7. If for any eligible hospital the adjusted amount determined in paragraph (7) is less than \$5, that amount shall be reallocated to all other eligible hospitals on a pro-rata basis utilizing the pro-rata percentage calculated in paragraph (7)(a).
  8. Should a hospital cease operation at any point during the program year, a portion of the eligible hospital's payment allocation, proportional to the time not in operation during the calendar year, will be reallocated to other eligible hospitals on a pro-rata basis utilizing the pro-rata percentage calculated in paragraph (7)(a).

#### D. Reporting & Other Requirements

1. The Department shall submit reporting for federal financial participation as defined in 42 Code of Federal Regulations, part 1396b(bb).

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**SMALL AND RURAL HOSPITAL SUPPLEMENTAL PAYMENTS**

The Outpatient Small and Rural (OP SRH) supplemental payment program provides supplemental payments for small and rural hospitals that meet specified requirements as authorized in California Health and Safety Code section 124870 and provide outpatient services to Medi-Cal beneficiaries. Beginning January 1, 2005, supplemental payments up to the aggregate limit of \$8 million annually are available to eligible hospitals and will be made periodically on a lump-sum basis, but will not be paid as individual increases to current reimbursement rates for specific services. OP SRH payments are fee-for-service hospital supplemental payments, and are subject to the outpatient hospital upper payment limit as defined in 42 Code of Federal Regulations 447.321.

A. Eligibility

Eligible hospitals are Small and Rural Hospitals classified as “Rural” in the HCAI hospital financial and utilization report data for the calendar year two years prior to the program year, provide outpatient services and must be in operation as of January 1 of the applicable program year.

B. Definitions

1. “Minimum floor hospital” means a hospital where Medi-Cal FFS payments for outpatient services during the preceding calendar year were less than 1/2 percent of the total of Medi-Cal FFS payments for outpatient services rendered by all small and rural hospitals during that period and where the total gross patient revenue from all sources during that period was less than ten million dollars (\$10,000,000).
2. “Non-minimum floor hospital” means a hospital where Medi-Cal FFS payments for outpatient services during the preceding calendar year equaled or exceeded 1/2 percent of the total of Medi-Cal FFS payments for outpatient services rendered by all small and rural hospitals during that period or where the total gross patient revenue from all sources during that period was ten million dollars (\$10,000,000) or more.
3. “In operation” means an eligible hospital that was licensed to provide hospital services, and continued to provide, or was available to provide, hospital services to Medi-Cal patients throughout the program year.
4. “Cease operation” means that a hospital does not meet the definition of “in operation”.
5. “Program year” means the applicable calendar year (January 1 –

December 31) with respect to which payments are to be made to eligible hospitals under this program.

6. "HCAI" means the California Department of Health Care Access and Information, formerly the Office of Statewide Health Planning and Development (OSHPD).

### C. Methodology

1. For the purposes of OP SRH payment calculation, the HCAI hospital financial and utilization report data for the calendar year two years prior to the program year will be used. For any hospital for which a full year of data is not available, available data will be multiplied by an annualization factor, which is the ratio of the full length of the calendar year to the period for which hospital data is available.
2. The OP SRH supplemental reimbursement program will administer \$8 million annually to eligible hospitals on a calendar year basis based on each eligible hospital's pro-rata adjusted payment allocation as calculated below.
3. Payments shall be made on a quarterly basis for each program year and disbursed during the month immediately following the end of each program quarter.
4. For each hospital, a payment allocation shall be calculated by multiplying the annual OP SRH program amount by the ratio of the hospital's gross outpatient Medi-Cal FFS payment to the total gross outpatient Medi-Cal FFS payment for all eligible hospitals.
5. If a hospital's gross outpatient Medi-Cal FFS payment is less than 0.50% of the total gross outpatient Medi-Cal FFS payment for all eligible hospitals and the hospital's gross patient total revenue is less than \$10 million, it will be deemed a "minimum floor hospital," and its payment allocation shall be calculated as described in paragraph (5) but will be increased by a factor of 1.25.
6. Pro-rata adjustments shall be made to the hospital-specific payment allocations such that the aggregate amount of all OP SRH payments is equal to the annual OP SRH program amount of \$8 million.
  - a) A pro-rata adjustment is made to determine each hospitals' pro-rata percentage of the total program amount, which is calculated by dividing each hospital's payment allocation as calculated in paragraphs (5) and (6) by the total program amount. Each hospital's pro-rata percentage is then multiplied against the \$8 million program amount to determine the total pro-rata adjusted payment allocation, or program payment, for each eligible hospital for the program year.

7. Should a hospital cease operation at any point during the program year, a portion of the hospital's payment allocation proportional to the time not in operation during the year will be reallocated to other hospitals on a pro-rata basis utilizing the pro-rata percentage calculated in paragraph (7)(a).

D. Reporting & Other Requirements

1. The Department shall submit reporting for federal financial participation as defined in 42 Code of Federal Regulations, part 1396b(bb).