STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE: CALIFORNIA

SUPPLEMENTAL REIMBURSEMENT FOR HOSPITAL INPATIENT SERVICES

This program provides supplemental reimbursement to private hospitals, nondesignated public hospitals, and designated public hospitals which meet specified requirements and provide inpatient services to Medi-Cal beneficiaries.

Supplemental payments to hospitals shall be up to the aggregate upper payment limit for the category of hospitals receiving the payments. The supplemental payments shall not supplant specified existing levels of payments, but shall be subject to all applicable federal payment limits.

Supplemental payments shall be made periodically on a lump-sum basis throughout each fiscal year, and shall not be paid as individual increases to current reimbursement rates for specific services.

The supplemental payment program shall be in effect for services furnished from April 1, 2009, through and including June 30, 2011.

A. Amendment Scope and Authority

1. This amendment, Appendix 3 to Attachment 4.19-A, provides the authority to implement a payment methodology to provide supplemental payments to eligible hospitals during quarters beginning April 1, 2009 and ending June 30, 2011 (the "subject fiscal quarters").

B. Eligible Hospitals

1. Hospitals eligible for supplemental payments under this amendment include Private hospitals, nondesignated public hospitals, and designated public hospitals, as defined below.

   (a) "Private hospital" means a hospital that meets all of the following conditions:

      (1) Is licensed pursuant to subdivision (a) of Section 1250 of the Health and Safety Code as of June 29, 2009.

      (2) 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 2007.

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

(4) Is a nonpublic hospital, nonpublic converted hospital, or converted hospital as those terms are defined in paragraphs (26) to (28), inclusive, respectively, of subdivision (a) of W&I Code Section 14105.98 as of June 29, 2009.

(b) "Nondesignated public hospital" means either of the following:

(1) A public hospital that is licensed under subdivision (a) of Section 1250 of the Health and Safety Code as of June 29, 2009, is not designated as a specialty hospital in the hospital's annual financial disclosure report for the hospital's latest fiscal year ending in 2007, satisfies the definition in paragraph (25) of subdivision (a) of W&I Code Section 14105.98 as of June 29, 2009, excluding designated public hospitals, and does not satisfy the Medicare criteria to be classified as a long-term care hospital.

(2) A tax-exempt nonprofit hospital that is licensed under subdivision (a) of Section 1250 of the Health and Safety Code as of June 29, 2009, is not designated as a specialty hospital in the hospital's annual financial disclosure report for the hospital's latest fiscal year ending in 2007, is operating a hospital owned by a local health care district, is affiliated with the health care district hospital owner by means of the district's status as the nonprofit corporation's sole corporate member, and does not satisfy the Medicare criteria to be classified as a long-term care hospital.

(c) "Designated public hospital" means any one of the following hospitals identified in Attachment C, "Government-operated Hospitals to be Reimbursed on a Certified Public Expenditure Basis," to the Special Terms and Conditions for the demonstration project issued by the federal Centers for Medicare and Medicaid Services:

(1) UC Davis Medical Center.
(2) UC Irvine Medical Center.
(3) UC San Diego Medical Center.
(4) UC San Francisco Medical Center.
(5) UC Los Angeles Medical Center.
(6) Santa Monica/UCLA Medical Center.
(7) LA County Harbor/UCLA Medical Center.
(8) LA County Olive View UCLA Medical Center.
(9) LA County Rancho Los Amigos National Rehabilitation Center.
(10) LA County University of Southern California Medical Center.
(11) Alameda County Medical Center.

(12) Arrowhead Regional Medical Center.
(13) Contra Costa Regional Medical Center.
(14) Kern Medical Center.
(15) Natividad Medical Center.
(16) Riverside County Regional Medical Center.
(17) San Francisco General Hospital.
(18) San Joaquin General Hospital.
(19) San Mateo Medical Center.
(20) Santa Clara Valley Medical Center.
(21) Ventura County Medical Center.

C. Definitions

1. For purposes of this attachment, the following definitions shall apply:

(a) "Converted hospital" means a private hospital that becomes a designated public hospital or a nondesignated public hospital after the implementation date, a nondesignated public hospital that becomes a private hospital or a designated public hospital after the implementation date, or a designated public hospital that becomes a private hospital or a nondesignated public hospital after the implementation date.

(b) "New hospital" means a hospital that was not in operation under current or prior ownership as a private hospital, a nondesignated public hospital, or a designated public hospital for any portion of the 2008-09 state fiscal year.

(c) "Acute psychiatric days" means the total number of Short-Doyle administrative days, Short-Doyle acute care days, acute psychiatric administrative days, and acute psychiatric acute days identified in the Final Medi-Cal Utilization Statistics for the 2008-09 state fiscal year as calculated by the department on September 15, 2008.

(d) "General acute care days" means the total number of Medi-Cal general acute care days paid by the department to a hospital in the 2008 calendar year, as reflected in the state paid claims files on July 10, 2009.

(e) "High acuity days" means Medi-Cal coronary care unit days, pediatric intensive care unit days, intensive care unit days, neonatal intensive care unit days, and burn unit days paid by the department during the 2008 calendar year, as reflected in the state paid claims files on July 10, 2009.

D. Supplemental Payment Methodology

Each hospital's supplemental payment is based on applying various specific rates for different levels of care to the paid days for each level of care.

1. Private Hospitals:

(a) Private hospitals shall be paid supplemental amounts for the provision of hospital inpatient services set forth in this section. 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.

(b) From a pool of funds in the total amount of $2,859,928,737, consisting of the following subpools:
General acute subpool-$2,057,878,414
Psychiatric subpool-$185,591,918
High acuity subpool-$561,391,425
Sub-acute subpool-$55,066,980

except as set forth in subdivisions (e) and (f) and in paragraph (6) of this subdivision, private hospitals will be paid the following supplemental amounts for the provision of hospital inpatient services for each subject fiscal quarter:

(1) From the general acute subpool, six hundred forty dollars and forty-six cents ($640.46) multiplied by one fourth of the hospital's general acute care days in calendar year 2008.

(2) From the psychiatric subpool, four hundred eighty-five dollars ($485) multiplied by one fourth of the hospital's acute psychiatric days that were paid directly by the department in state fiscal year 2008-2009 and were not the financial responsibility of a mental health plan.

(3) From the high acuity subpool, one thousand three hundred fifty dollars ($1,350) multiplied by one fourth of the number of the hospital's high acuity days in calendar year 2008 if the hospital's Medicaid inpatient utilization rate is less than 41.1 percent and greater than 5 percent and at least 5 percent of the hospital's general acute care days are high acuity days. This amount shall be in addition to the amounts specified in paragraphs (1) and (2).

(4) From the high acuity subpool, one thousand three hundred fifty dollars ($1,350) multiplied by one fourth of the number of the hospital's high acuity days in calendar year 2008 if the hospital qualifies to receive the amount set forth in paragraph (3) 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 of June 29, 2009. This amount shall be in addition to the amounts specified in paragraphs (1), (2), and (3).

(5) From the sub-acute pool a qualifying private hospital that provides Medi-Cal subacute services during a subject fiscal quarter and has a Medicaid inpatient

utilization rate that is greater than 5.0 percent and less than 41.1 percent shall be paid for the provision of subacute services during each subject fiscal quarter a supplemental amount equal to 10 percent of the Medi-Cal subacute payments made to the hospital during the 2008 calendar year.

(6) In the event that payment of all of the amounts for a subject fiscal quarter from any subpool would cause total payments for all subject fiscal quarters from that subpool to exceed the amount specified above for that subpool, the payment amounts for each hospital from the subpool for that subject fiscal quarter shall be reduced pro rata so that the total amount of all payments from that subpool does not exceed the subpool amount.

(c) In the event federal financial participation for a service period is not available for all of the supplemental amounts payable to private hospitals under subdivision (b) due to the application of a federal limit or for any other reason, both of the following shall apply:

(1) The total amounts payable to private hospitals under subdivision (b) for the service period shall be reduced to reflect the amounts for which federal financial participation is available.

(2) The amounts payable under subdivision (b) to each private hospital for the service period shall be equal to the amounts computed under subdivision (b) multiplied by the ratio of the total amounts for which federal financial participation is available to the total amounts computed under subdivision (b).

(d) The amounts set forth in this section are inclusive of federal financial participation.

(e) No payments shall be made under this section to a converted hospital for the fiscal year in which the hospital becomes a converted hospital or for subsequent subject fiscal years.

(f) No payments shall be made under this section to a new hospital.

(g) In the event that a hospital's payments in any service period as calculated under subdivision (b) above are reduced by the operation of subdivision (c) above, the amount of the reduction shall be added to the supplemental payments for the next service period which the hospital would otherwise be entitled to receive under subdivision (b) above, provided further that no such carryover payments shall be carried over beyond the period ending June 30, 2011 and such carryover payments will not result in total payments exceeding the applicable federal limit for the service period.

2. Nondesignated Public Hospitals

(a) Nondesignated public hospitals shall be paid supplemental amounts for the provision of hospital inpatient services as set forth in this section. 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.

(b) From a pool of funds in the total amount of $53,172,533, consisting of the following subpools:
General acute subpool-$48,179,337
Psychiatric subpool-$4,993,196

except as set forth in subdivisions (e) and (f) and in paragraph (3) of this subdivision, each nondesignated public hospital shall be paid the following supplemental amounts for the provision of hospital inpatient services for each subject fiscal quarter:

(1) From the general acute subpool, two hundred eighteen dollars and eighty-two cents ($218.82) multiplied by one fourth of the hospital's general acute care days in calendar year 2008.

(2) From the psychiatric subpool, four hundred eighty-five dollars ($485) multiplied by one fourth of the hospital's acute psychiatric days for the 2008-2009 state fiscal year that were paid directly by the department and were not the financial responsibility of a mental health plan.

(3) In the event that payment of all of the amounts for a subject fiscal quarter from any subpool would cause total payments for all subject fiscal quarters from that subpool to exceed the amount specified above for that subpool, the payment amounts for each hospital from the subpool for that fiscal quarter shall be reduced pro rata so that the total amount of all payments from the subpool does not exceed the subpool amount.

(c) In the event federal financial participation for a service period is not available for all of the supplemental amounts payable to nondesignated public hospitals under subdivision (b) due to the application of federal upper payment limit or for any other reason, both of the following shall apply:

(1) The total amounts payable to nondesignated public hospitals under subdivision (b) for the service period shall be reduced to the amounts for which federal financial participation is available.

(2) The amounts payable under subdivision (b) to each nondesignated public hospital for the service period shall be equal to the amounts computed under subdivision (b) multiplied by the ratio of the total amounts for which federal

financial participation is available to the total amounts computed under subdivision (b).

(d) The amounts set forth in this section are inclusive of federal financial participation.

(e) No payments shall be made under this section to a new hospital.

(f) No payments shall be made under the section to a converted hospital for the fiscal year in which the hospital becomes a converted hospital or for subsequent fiscal years.

(g) In the event that a hospital's payments in any service period as calculated under subdivision (b) above are reduced by the operation of subdivision (c) above the amount of the reduction shall be added to the supplemental payments for the next service period which the hospital would otherwise be entitled to receive under subdivision (b) above, provided further that no such carryover payments shall be carried over beyond the period ending June 30, 2011, and such carryover payments will not result in total payments exceeding the applicable federal limit for the service period.

3. Designated Public Hospitals

(a) Designated public hospitals shall be paid supplemental Medi-Cal amounts for acute inpatient psychiatric services that are paid directly by the department and are not the financial responsibility of a mental health plan, as set forth in this subdivision. The supplemental amounts shall be in addition to any other amounts payable to designated public hospitals, or a governmental entity with which the hospital is affiliated. Such supplemental payments, along with the base payments for these psychiatric services, are to be included as Medi-Cal revenue offsets wherever the hospitals' net Medi-Cal FFS costs, inclusive of cost for FFS psychiatric services, are computed.

(1) From a pool of funds in the amount of $3,114,064 each designated public hospital shall be paid an amount for each subject fiscal quarter equal to four hundred eighty-five dollars ($485) multiplied by one fourth of the hospital's acute psychiatric days that were paid directly by the department for the 2008-2009 state fiscal year and were not the financial responsibility of a mental health plan, inclusive of federal financial participation.

(2) In the event that payment of all of the amounts for a subject fiscal quarter from the pool would cause total payments for all subject fiscal quarters from the pool to exceed the pool amount specified above, the payment amounts for each hospital from the pool for that fiscal quarter shall be reduced pro rata so that the total amount of all payments from the pool does not exceed the pool amount.

(3) In the event federal financial participation for a service period is not available for all of the supplemental amounts payable to designated public hospitals under paragraph (1) due to the application of a federal upper payment limit or for any other reason, both of the following shall apply:

(A) The total amount payable to designated public hospitals under paragraph (1) for the service period shall be reduced to the amount for which federal financial participation is available.

(B) The amount payable under paragraph (1) to each designated public hospital for the service period shall be equal to the amount computed under paragraph (1) multiplied by the ratio of the total amount for which federal financial participation is available to the total amount computed under paragraph (1).

(b) In the event that a hospital's payments in any service period as calculated under paragraph (a)(1) are reduced by the operation of paragraph (a)(2), the amount of the reduction shall be added to the supplemental payments for the next service period which the hospital would otherwise be entitled to receive under paragraph (a)(1) above, provided further that no such carryover payments shall be carried over beyond the year ending June 30, 2011 and such carryover payments will not result in total payments exceeding the applicable federal limit for the service period.