



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



EDMUND G. BROWN JR.  
GOVERNOR

SEP 20 2012

Gloria Nagle, PhD, MPA  
Associate Regional Administrator  
Centers for Medicare and Medicaid Services  
Division of Medicaid and Children's Health  
90 7<sup>th</sup> Street, Suite 5-300 (5W)  
San Francisco, CA 94103-6707

Dear Ms. Nagle:

The Department of Health Care Services (DHCS) is submitting State Plan Amendment (SPA) 12-024 and is requesting to split the SPA into 12-024A, 12-024B and 12-024C.

SPA 12-024A changes the reimbursement methodology for Non-Designated Public Hospitals (NDPHs) to a Certified Public Expenditure (CPE) methodology.

SPA 12-024B discontinues the supplemental reimbursement program for inpatient hospital services for NDPHs.

SPA 12-024C will add NDPHs to the existing State Plan supplemental payment program that will allow them to obtain reimbursement for the uncompensated costs of providing physician and non-physician practitioner professional services to Medi-Cal beneficiaries.

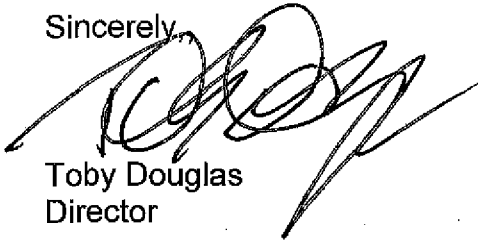
California Assembly Bill (AB) 1467 (Chapter 23, Statutes of 2012) authorized the change in reimbursement methodology to a CPE methodology in State law. Additionally AB 1467 eliminated supplemental payments under the NDPH IGT program established by AB 113 (Chapter 20, Statutes of 2011).

The Department is seeking approval of SPAs 12-024A, 12-024B and 12-024C to implement the changes approved in State law. We are requesting that these SPAs be approved concurrently, in conjunction with the proposed Bridge to Reform Waiver Amendment that the Department submitted to CMS on June 28, 2012.

(Continue Next Page)

If you or your staff have questions or need additional information, please contact Mrs. Pilar Williams, Chief of Safety Net Financing Division, at (916) 552-9130.

Sincerely,

A handwritten signature in black ink, appearing to read 'Toby Douglas', with a long, sweeping underline that extends to the right.

Toby Douglas  
Director

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL**

1. TRANSMITTAL NUMBER:  
12-024B

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  
7/1/2012

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 CFR 447 Subpart C  
42 CFR 433.51

7. FEDERAL BUDGET IMPACT:  
a. FFY 12/13      \$(35,000)  
b. FFY 13/14      \$(35,000)

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:  
Supplement 2 to Attachment 4.19 – A, page 1

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  
OR ATTACHMENT (*If Applicable*):  
Supplement 2 to Attachment 4.19 – A, page 1

10. SUBJECT OF AMENDMENT:

Non-Designated Public Hospitals Reimbursement Methodology to Certified Public Expenditure

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.

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:

Toby Douglas

14. TITLE:

Director

15. DATE SUBMITTED: SEP 20 2012

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

**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:

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE: CALIFORNIA

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**SUPPLEMENTAL REIMBURSEMENT FOR INPATIENT HOSPITAL SERVICES  
Effective January 1, 2011 – June 30, 2012**

This Program provides supplemental reimbursement for Medicaid fee-for-service (FFS) inpatient hospital services on an annual basis. Hospitals operated by a Government Entity, except those defined in Appendix 1 to Attachment 4.19-A, are qualified for participating in this voluntary program.

A Governmental Entity is defined as a State, city, county, city/county, health care district, or other governmental unit in the State. The hospital receiving payment must retain the full amount of the total payment, and may not return any portion of the payment to any Governmental Entity.

The Program will end effective June 30, 2012 with the institution of the inpatient hospital services reimbursement methodology as described in Attachment 4.19-A pages 46-51.

**Payment methodology for government-operated hospitals:**

The total inpatient hospital Medicaid FFS upper payment limit (UPL) room available for these governmental hospitals (i.e., non-designated public hospitals, which exclude those hospitals in Appendix 1) for the State fiscal year is allocated to two payment pools: one for hospitals contracted with the California Medical Assistance Commission (CMAC); and one for non-CMAC-contracted hospitals. The allocation is made based on the ratio of Medi-Cal fee-for-service acute patient days reflected in the most recent Office of Statewide Health Planning and Development (OSHPD) Annual Financial Disclosure Reports. Each non-designated public hospital's contracting status will determine from which pool it receives funding.

Within each payment pool, each non-designated public hospital will then earn "points" determined by four criteria:

- If a hospital provides services in either a federally recognized Health Professional Shortage Area or to a federally recognized Medically Underserved Area or Population, or if the hospital is federally recognized as either a Critical Access Hospital or a Sole Community Provider, the hospital shall score one point. Otherwise the score shall be zero.
- The hospital will earn points for the amount of charity care provided according to the following formula, using the most recent OSHPD reports:
  - o For charity charges greater than or equal to 3 percent of total gross revenue, the points shall be three.

TN No. 12-024B  
Supersedes  
TN No. 10-026

Approval Date \_\_\_\_\_ Effective Date: July 1, 2012

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE: CALIFORNIA

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**Effective January 1, 2011 – June 30, 2012**

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TN No. 10-02612-024B

Supersedes

Approval Date \_\_\_\_\_

Effective Date: January 1, 2011 July 1, 2012

TN No. None10-026

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
San Francisco Regional Office  
90 Seventh Street, Suite 5-300 (5W)  
San Francisco, CA 94103-6706



**DIVISION OF MEDICAID & CHILDREN'S HEALTH OPERATIONS**

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Toby Douglas  
Director of Health Care Programs  
California Department of Health Care Services  
P.O. Box 997413, MS 0000  
Sacramento, CA 95899-7413

DEC 19 2012

Re: Request for Additional Information  
California State Plan Amendment 12-024B

Dear Mr. Douglas:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 12-024B. This amendment eliminates a supplemental payment program for governmental hospitals classified as "non-designated public hospitals (NDPHs)," effective July 1, 2012.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(13), 1902(a)(30), 1903(a), and 1923 of the Social Security Act and the implementing Federal regulations at 42 CFR 447 Subpart C. Before we can continue processing this amendment, we need additional or clarifying information.

The regulation at 42 CFR 447.252(b) requires that the State plan include a comprehensive description of the methods and standards used to set payment rates. Section 6002 of the State Medicaid Manual explains further that the State plan must be comprehensive enough to determine the required level of Federal financial participation (FFP) and to allow interested parties to understand the rate setting process and the items and services that are paid through these rates. Further, since the plan is the basis for FFP, it is important that the plan's language be clear and unambiguous. Therefore, we have the following questions regarding TN 12-024B:

1. Please ensure to submit a clean page for Supplement 2, page 1 that includes the last bullet which reads, "For charity charges less than 3 percent but more than or equal to 1 percent of gross revenue, the points shall be two." The state appears to have added the wrong bullet in the latest submitted page.
2. As the state has agreed, the approval of this SPA needs to be coordinated with the SPAs 12-024A and 12-024C as well as the NDPH 1115 waiver amendment that has been submitted.

We are requesting this additional/clarifying information under provisions of section 1915(f) of the Social Security Act (added by PL 97-35). This has the effect of stopping the 90-day clock for CMS to

take action on the material. A new 90-day clock will not begin until we receive your response to this request.

In accordance with our guidelines to State Medicaid Directors dated January 2, 2001, if we have not received the State's response to our request for additional information within 90 days from the date of this letter, we will initiate disapproval action on the amendment.

If you have any questions, please call Mark Wong of my staff at 415-744-3561.

Sincerely,

A handwritten signature in black ink, appearing to read "Gloria Nagle". The signature is fluid and cursive, with a large initial "G" and a long, sweeping underline.

Gloria Nagle, Ph.D., MPA  
Associate Regional Administrator  
Division of Medicaid & Children's Health Operations