



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



GAVIN NEWSOM
GOVERNOR

September 28, 2021

Mr. James G. Scott, Director
Division of Program Operations
Medicaid and CHIP Operations Group
Centers for Medicare & Medicaid Services
601 East 12th Street, Suite 0300
Kansas City, MO 64106-2898

STATE PLAN AMENDMENT 21-0059: REIMBURSEMENT METHODOLOGY FOR
FREESTANDING PEDIATRIC SUBACUTE FACILITIES

Dear Mr. Scott:

The Department of Health Care Services (DHCS) is submitting State Plan Amendment (SPA) 21-0059 for your review and approval. SPA 21-0059 proposes to amend the reimbursement methodology for Freestanding Pediatric Subacute (FS/PSA) facilities.

AB 133 (Chapter 143, Statutes of 2021) added Section 14105.194 to the Welfare and Institutions Code, removing the application of the reductions and limitations to reimbursement rates imposed by Welfare and Institutions Code sections 14105.191, 14105.192, and 14105.193. In accordance with AB 133, SPA 21-0059 will change the reimbursement methodology for FS/PSA facilities, effective August 1, 2021. The FS/PSA reimbursement rates will be established at the lesser of the facility's costs as projected by the Department, or the rate based on the class median rates, broken down by ventilator and non-ventilator. Reimbursement rates for FS/PSA facilities will account for, and be inclusive of, the supplemental payments described on page 37 of Attachment 4.19-D.

A Notice of Public Interest for SPA 21-0059 was published on July 29, 2021, on the DHCS webpage. On July 27, 2021, CMS informed DHCS that a tribal notice is not required for this SPA.

DHCS is submitting the following SPA documents for your review and approval:

- CMS 179 - Transmittal and Notice of Approval of State Plan Material
- Budget Impact Explanation
- Attachment 4.19-B, page 15 (redline and clean)
- CMS Funding Questions

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If you have any questions regarding the SPA, please contact Ms. Connie Florez, Chief of the Fee-For-Service Rates Development Division, at (916) 552-9600.

Sincerely,



Jacey Cooper
State Medicaid Director
Chief Deputy Director
Health Care Programs

Enclosures

cc: Ms. Connie Florez, Chief
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**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES**

1. TRANSMITTAL NUMBER

2. STATE

3. PROGRAM IDENTIFICATION:

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

4. PROPOSED EFFECTIVE DATE

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

7. FEDERAL BUDGET IMPACT

a. FFY _____ \$ _____

b. FFY _____ \$ _____

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

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

10. SUBJECT OF AMENDMENT

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

12. SIGNATURE OF STATE AGENCY OFFICIAL

16. RETURN TO

13. TYPED NAME

14. TITLE

15. DATE SUBMITTED
September 28, 2021

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

9. ICF/DDs (except state operated facilities), ICF/DD-H and ICF/DD-N facilities will be reimbursed at the 65th percentile, instead of the median, in recognition of the fact that they serve a disproportionate share of low income patients with special needs.
10. Subacute services which are provided in both distinct parts of acute care hospitals and freestanding NFs shall be reimbursed at the lesser of costs as projected by the Department or the prospective class median rate, broken down by ventilator and non-ventilator and DP or freestanding NF.
11. The subacute rate includes additional ancillary costs. Where available, the facility's projected cost is based on the audited ancillary cost data. In the event that audited ancillary costs are not available, the facility's projected cost is based on the median of the projected subacute ancillary costs of the facilities in the study that have audited ancillary costs.
12. For purposes of setting the DP/NF or subacute prospective class median rate, the Department shall use the facility's interim projected reimbursement rate when their audit report is not issued as of July 1st.
13. For the rate year 2005-06, and each rate year thereafter, a DP/NF subacute facility that experiences a reduction in costs in the previous rate year, which would result in a reduced reimbursement rate for the current rate year, will have its prospective reimbursement rate for the current rate year established at the reimbursement rate for the previous rate year. For example, if a DP/NF subacute facility's 2006-07 prospective reimbursement rate was less than the DP/NF subacute's 2005-06 prospective reimbursement rate, the DP/NF subacute's reimbursement rate for the 2006-07 rate year will be established at its 2005-06 prospective reimbursement rate. This subparagraph shall not apply to facilities with an interim rate established pursuant to Section IV.H of this Attachment.
- 13.1. For the August 1, 2021 to July 31, 2022 rate year, and each rate year thereafter, Freestanding Pediatric Subacute (FS/PSA) reimbursement rates will be established at the lesser of the facility's costs as projected by the Department, or the rate based on the class median rates, broken down by ventilator and non-ventilator. Reimbursement rates for FS/PSA facilities will account for, and be inclusive of, the supplemental payments described on page 37 of this Attachment, and, notwithstanding page 37, the supplemental payment will not be paid in addition to the reimbursement rate described in this paragraph.