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: 0 0 — 0 1 2

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: July 1, 2000

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 447.297

7. FEDERAL BUDGET IMPACT:
a. FFY 2001 $ 0
b. FFY 2002 $ 0

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
Attached 4.19-A, Pages 21B, 21B.1, 29vvv through 29qqqq

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*:
Attachment 4.19-A, Page 21B

10. SUBJECT OF AMENDMENT: Disproportionate Share Hospital Payment Adjustment Program, AB2901 Supplemental Payments and Program changes for 2000-2001 and ongoing payment years.

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 any State Plan Amendments.

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME: Gail L. Margolis

14. TITLE: Deputy Director, Medical Care Services

15. DATE SUBMITTED: August 7, 2000

16. RETURN TO: Department of Health Services
714 P Street, Room 1601
PO Box 942732
Sacramento, CA 94234-7320

Attn: Barbara Hardiman
State Plan Coordinator

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED: August 7, 2000

18. DATE APPROVED: November 3, 2000

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL: July 1, 2000

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME: Linda Minamoto

22. TITLE: Associate Regional Administrator
Division of Medicaid

23. REMARKS:

FORM HCFA-179 (07-92)

Instructions on Back

28. "Transitional inpatient care" means the level of care needed by an individual: who has suffered an illness, injury, or exacerbation of a disease; whose medical condition has clinically stabilized so that daily physician services and the immediate availability of technically complex diagnostic and invasive procedures usually available only in the acute care hospital are not medically necessary; and whose physician assuming the responsibility of treatment management for the patient in transitional care has developed a definitive and time limited course of treatment.

29. "Public hospital" means a hospital that is licensed to a county, a city, a city and county, the State of California, the University of California, a local health care district, a local health authority, or any other political subdivision of the state.

30. "Nonpublic hospital" means a hospital that satisfies all of the following: the hospital does not meet the definition of a public hospital as described in subsection 29; does not meet the definition of a nonpublic/converted hospital as described in subsection 31; and does not meet the definition of a converted hospital as described in subsection 32.

31. "Nonpublic/converted hospital" means a hospital that satisfies all of the following, or, if two or more inpatient facilities are licensed by the Department under a consolidated license, a hospital as to which any component of the hospital satisfies all of the following: the hospital does not meet the definition of a public hospital as described in subsection 29; at any time during the 1994-95 payment adjustment year, was a public hospital as described in subsection 29 (whether or not the hospital or such component currently is located at the same site as it was located when it was a public hospital); and does not meet the definition of a converted hospital as described in subsection 32.

32. "Converted hospital" means a hospital that satisfies all of the following: the hospital does not meet the definition of a public hospital as described in subsection 29; and at any time during the 1999-2000 payment adjustment year, was an eligible hospital meeting the definition of a public hospital as described in subsection 29 (whether or not the hospital currently is located at the same site as it was located when it was a public hospital).

33. "Remained in operation" or "remains in operation" means that, except for closure or other cessation of services caused by natural disasters or other events beyond that hospital's reasonable control (including labor disputes), the hospital was licensed to provide hospital inpatient services, and continued to provide, or was available to provide, hospital inpatient services to Medi-Cal patients throughout the particular time period in question.

34. "Maximum state disproportionate share hospital allotment for California" means, with respect to the 1998 federal fiscal year and subsequent federal fiscal years, that amount specified for California under Section 1396r-4(f) of Title 42 of the United States Code for that fiscal year, divided by the federal medical assistance percentage applicable for federal financial participation purposes for Medi-Cal program expenditures with respect to that same federal fiscal year.

35. "Applicable federal fiscal year" means, with respect to the 2000-01 payment adjustment year and subsequent payment adjustment years, the federal fiscal year that commences on October 1 of the particular payment adjustment year.

36. "Medical assistance increment" means the federal medical assistance percentage applicable for federal financial participation purposes for Medi-Cal program expenditures, expressed as a percentage, less the number one-half, expressed as a percentage.

O. Payment Adjustment Program for 2000-01 Payment Adjustment Year.

With respect to the 2000-01 payment adjustment year, the program shall proceed in conformance with the provisions of other applicable Sections of this Attachment, except as set forth below.

1. Non-Supplemental Payment Adjustments - July 1, 2000 - September 30, 2000.

No payment adjustment amounts shall be payable in connection with the period of July 1 through September 30 of the 2000-01 payment adjustment year.

2. Non-Supplemental Payment Adjustments - October 1, 2000 - June 30, 2001.

Payment adjustments with respect to the period October 1, 2000, through June 30, 2001 (exclusive of the supplemental lump-sum payment adjustments provided for under subsection 3.), shall be structured as set forth below.

a. The initial maximum size of the payment adjustment program for the period October 1, 2000, through June 30, 2001, shall be set at one billion seven hundred fifty million dollars ($1,750,000,000), exclusive of any supplemental payment adjustments under subsection 3.

b. The Department shall compute the projected total payment adjustment amounts for all eligible hospitals for the 2000-01 payment adjustment year, exclusive of any supplemental payment adjustments under subsection 3., by determining for each eligible hospital its total per diem composite amount and multiplying that figure by 80 percent of the hospital's annualized Medi-Cal inpatient paid days. For purposes of this paragraph, such determinations shall be made without regard to the OBRA 1993 payment limitations. Notwithstanding the foregoing, with respect to a hospital that, as of July 1, 2000, meets the definition of a converted hospital, the amount otherwise determined under this paragraph shall be reduced as necessary so as not to exceed the total amount of all payment adjustment amounts payable to the hospital under this Attachment for that payment adjustment year in which the hospital was last an eligible hospital meeting the definition of a public hospital.

c. The computed amount referred to in paragraph b. for each hospital shall be compared to the OBRA 1993 payment limitation that, in accordance with Section J., the Department has computed for the particular hospital for the 2000-01 payment adjustment year.

d. Where the computed amount referred to in paragraph b. for the particular hospital exceeds the OBRA 1993 payment limitation for the hospital, the amount computed under paragraph b. shall be reduced to an amount equal to the OBRA 1993 payment limitation for the particular hospital. The amount so reduced shall be used for purposes of paragraph f.

e. Where the computed amount referred to in paragraph b. for the particular hospital is equal to or less than the OBRA 1993 payment limitation for the hospital, the computed amount referred to in paragraph b. shall be used for purposes of paragraph f.

f. The amounts determined under paragraphs d. and e. for all eligible hospitals shall be added together, yielding an aggregate sum. The aggregate sum shall be the unadjusted projected total payment adjustment program for the period October 1, 2000, through June 30, 2001, exclusive of any supplemental payment adjustments under subsection 3.

g. The Department shall increase or decrease the amount determined for each eligible hospital under paragraph d. or e., as applicable, by multiplying the amount by an identical percentage, yielding the hospital's tentative adjusted projected total payment adjustment amount for the period October 1, 2000, through June 30, 2001. The identical percentage figure to be used for this purpose shall be that percentage that is derived by dividing the amount set forth in paragraph a. by the aggregate sum determined under paragraph f. In no case, however, shall the amount determined for a hospital under paragraphs d. or e. be increased such that it would exceed the OBRA 1993 payment limitation for the hospital, and, where such would otherwise occur, the remaining amount that would have been allocated to the particular hospital shall be reallocated to all other hospitals (that have not reached their OBRA 1993 payment limitation) on a descending pro rata basis so that the aggregate sum of the tentative adjusted projected total payment adjustment amounts for all hospitals equals the amount set forth in paragraph a.

h. The tentative adjusted projected total payment adjustment amount computed for each eligible hospital under paragraph g. shall be further adjusted as follows:

(1) Nonpublic/converted hospitals.

(a) For each eligible hospital that meets the definition of a nonpublic/converted hospital as of July 1, 2000, the hospital's tentative adjusted projected total payment adjustment amount shall be multiplied by a "nonpublic/converted hospital adjustment factor." The applicable adjustment factor shall be 0.81; except, however, where the hospital also meets the definition of a major teaching hospital as of July 1, 2000, the applicable adjustment factor shall be that which is necessary to result in an amount for the particular hospital equal to forty million dollars ($40,000,000).

(b) The resulting product shall be the final adjusted projected total payment adjustment amount for the hospital for the period October 1, 2000 through June 30, 2001, which shall be paid to the hospital in accordance with paragraph i. In no case, however, shall the final adjusted projected total payment adjustment amount exceed the hospital's OBRA 1993 payment limitation.

(2) Converted Hospitals.

(a) For each eligible hospital that meets the definition of a converted hospital as of July 1, 2000, the hospital's tentative adjusted projected total payment adjustment amount shall be multiplied by a "converted hospital adjustment factor." The applicable adjustment factor shall derived as follows:

(i) The maximum OBRA 1993 limit percentage that is applicable to the hospital for the 2000-01 payment adjustment year pursuant to subsection 5. of Section J. shall be subtracted from 175 percent (the maximum percentage that was applicable to the hospital as a public hospital during the 1999-2000 payment adjustment year).

(ii) The converted hospital adjustment factor shall be that figure derived in subclause (i), expressed as a fraction, subtracted from 1.00.

(b) The resulting product shall be the final adjusted projected total payment adjustment amount for the hospital for the period October 1, 2000, through June 30, 2001, which shall be paid to the hospital in accordance with paragraph i. In no case, however, shall the final adjusted projected total payment adjustment amount exceed the hospital's OBRA 1993 payment limitation.

(3) Nonpublic Hospitals

(a) For each eligible hospital that meets the definition of a nonpublic hospital as of July 1, 2000, the hospital's tentative adjusted projected total payment adjustment amount shall be multiplied by a "nonpublic hospital adjustment factor." The applicable adjustment factor shall be derived as follows:

(i) The tentative adjusted projected total payment adjustment amount determined under paragraph g. for each nonpublic hospital described above shall be added together.

(ii) The amount identified in paragraph a. shall be divided by 2.1527.

(iii) The resulting figure in clause (ii) shall be reduced by the following:

(I) the sum of the amounts determined for all nonpublic/converted hospitals under subparagraph (1); and

(II) the sum of that portion of the amount determined for any converted hospital under subparagraph (2) that is in excess of that amount equal to 31 percent of all payment adjustment amounts that were payable to the hospital for that payment adjustment year in which the hospital was last an eligible hospital meeting the definition of a public hospital.

(iv) The amount computed under subclause (iii) shall be divided by 2, and the result thereof further reduced by the amount of thirty-three million five hundred thousand dollars ($33,500,000).

(v) The applicable adjustment factor shall be that ratio that results from dividing the amount derived in subclause (iv) by the amount derived in subclause (i).

(b) The resulting product shall be the final adjusted projected total payment adjustment amount for the hospital for the period October 1, 2000, through June 30, 2001, which shall be paid to the hospital in accordance with paragraph i. In no case, however, shall the final adjusted projected total payment adjustment amount exceed the hospital's OBRA 1993 payment limitation, and, where such would otherwise occur, the remaining amount that would have been allocated to the particular hospital shall be reallocated to all other nonpublic hospitals (that have not reached their OBRA 1993 payment limitation) on a descending pro rata basis so that the aggregate sum of the final adjusted projected total payment adjustment amounts for all nonpublic hospitals equals the amount derived in subclause (iv) of clause (a).

(4) Public Hospitals.

(a) For each eligible hospital that meets the definition of a public hospital as of July 1, 2000, the hospital's tentative adjusted projected total payment adjustment amount shall be multiplied by a "public hospital adjustment factor." The applicable adjustment factor shall be derived as follows:

(i) The tentative adjusted projected total payment adjustment amounts determined under paragraph g. for each public hospital described above shall be added together.

(ii) The amount identified in paragraph a. shall be reduced by the sums of the amounts determined for all nonpublic/converted hospitals under subparagraph (1) and all converted hospitals under subparagraph (2), and the sum of the amounts determined for all nonpublic hospitals under subparagraph (3).

(iii) The applicable adjustment factor shall be that ratio that results from dividing the amount derived in subclause (ii) by the amount derived in subclause (i).

(b) The resulting product shall be the final adjusted projected total payment adjustment amount for the hospital for the period October 1, 2000, through June 30, 2001, which shall be paid to the hospital in accordance with paragraph i. In no case, however, shall the final adjusted projected total payment adjustment amount exceed the hospital's OBRA 1993 payment limitation, and, where such would otherwise occur, the remaining amount that would have been allocated to the particular hospital shall be reallocated to all other public hospitals (that have not reached their OBRA 1993 payment limitation) on a descending pro rata basis so that the aggregate sum of the final adjusted projected total payment adjustment amounts for all public hospitals equals the amount derived in subclause (ii) of clause (a).

i. The final adjusted projected total payment adjustment amount determined for each eligible hospital for the period October 1, 2000, through June 30, 2001, shall be distributed to the hospital in 8 equal installments, each payable as of the last day of each month from October 2000 through May 2001. However, no hospital shall receive an installment for any month in which the hospital does not remain in operation for the entire month. To the extent that any hospital of either of the hospital types described in subparagraph (3) or (4) of paragraph h. is not entitled to receive an installment that otherwise would be payable but for the hospital's failure to remain in operation through the last day of a particular month, the amount that would have been paid to the hospital shall be redistributed among those hospitals of the same hospital type that remain in operation from October 1, 2000, through June 30, 2001, to be distributed on a pro rata basis. The redistributed amounts shall be payable as of June 30, 2001.

j. If, effective for the 2001 federal fiscal year, federal legislation is enacted that amends Section 1396r-4(f) of Title 42 of the United States Code to increase the amount for California for that fiscal year above the amount that would have otherwise been identified pursuant to that section as in existence on January 1, 2000, the Department shall implement the provisions of paragraphs a. through i. as modified below.

(1) The Department shall determine the maximum state disproportionate share hospital allotment for California for the 2001 federal fiscal year under the provisions of applicable federal Medicaid rules.

(2) The Department shall determine the maximum state disproportionate share hospital allotment for California for the 2001 federal fiscal year that would have resulted had Section 1396r-4(f) of Title 42 of the United States Code not been amended from the version of that section as in existence on January 1, 2000.

(3) The amount determined under subparagraph (2) shall be subtracted from the amount determined under subparagraph (1).

(4) For purposes of the calculations set forth in paragraph g. regarding each hospital's tentative adjusted projected total payment adjustment amount, the initial amount as set forth in paragraph a. shall, in each instance prior to its application in those calculations, be increased by the amount derived in subparagraph (3).

(5) The difference derived in subparagraph (3) shall be divided by the amount determined in subparagraph (2). The resulting fraction shall be multiplied by 1.145, and the result thereof added to 1.00, yielding a factor for purposes of modifying the determination of the applicable nonpublic hospital adjustment factor pursuant to subparagraph (6).

(6) The resulting amount determined under subclause (ii) of clause (a) of subparagraph (3) of paragraph h. shall be multiplied by the factor derived in subparagraph (5) prior to applying the reductions pursuant to subclause (iii) of clause (a) of subparagraph (3) of paragraph h.

(7) For purposes of the calculations set forth in clause (a) of subparagraph (4) of paragraph h. regarding the determination of the applicable public hospital adjustment factor, the initial amount as set forth in paragraph a. shall, in each instance prior to its application in those calculations, be increased by the amount derived in subparagraph (3).

k. No eligible hospital shall receive total payment adjustments for the 2000-01 payment adjustment year in excess of the hospital's OBRA 1993 payment limitation as computed by the Department pursuant to Section J.

l. The aggregate sum of the final adjusted projected total payment adjustment amounts computed under paragraph h. for each eligible hospital for the period October 1, 2000, through June 30, 2001, shall be the maximum size of the payment adjustment program for the entire 2000-01 payment adjustment year, exclusive of the supplemental payment adjustments provided for under subsection 3.

3. Supplemental Lump-Sum Payment Adjustments - June 30, 2001.

a. For the 2000-01 payment adjustment year, eligible hospitals that meet the requirements of this subsection and that are in operation as of June 30, 2001, shall be eligible to receive a supplemental lump-sum payment adjustment, which shall be payable as a result of the facility being a disproportionate share hospital in operation as of that date, but only if the hospital has remained in operation for the period October 1, 2000, through June 30, 2001.

b. The availability of supplemental lump-sum payment adjustments under this subsection shall be determined as follows:

(1) The maximum state disproportionate share hospital allotment for California under the provisions of applicable federal Medicaid rules shall be identified for the 2001 federal fiscal year.

(2) The total amount of all payment adjustment amounts under this Attachment (exclusive of any payments under this subsection) applicable to the 2001 federal fiscal year, whether paid or payable, shall be determined. The applicability of payment adjustment amounts to the 2001 federal fiscal year shall be determined in accordance with federal Medicaid rules.