STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE: CALIFORNIA

## SUPPLEMENTAL REIMBURSEMENT FOR HOSPITAL OUTPATIENT SERVICES

This program provides supplemental reimbursement for a hospital which meets specified requirements and provides outpatient 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.

This supplemental payment program shall be in effect for services furnished from April 1, 2009 through and including December 31, 2010.

A. Amendment Scope and Authority

1. This amendment, Supplement 12 to Attachment 4.19-B, provides the authority to implement a payment methodology to provide supplemental payments to eligible hospitals, during quarters beginning April 1, 2009 and ending December 31, 2010 (the "subject fiscal quarters").

B. Eligible Hospitals

1. Hospitals eligible for supplemental payments under this amendment are private 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.

C. Definitions

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

(a) "Hospital outpatient services" means all services covered under Medi-Cal furnished by hospitals to patients who are registered as hospital outpatients and reimbursed by the department on a fee-for-service basis directly or through its fiscal intermediary. Hospital outpatient services do not include services for which a managed health care plan is financially responsible, or services rendered by a hospital-based federally qualified health center for which reimbursement is received pursuant to Section 14132.100 of W&I Code as of June 29, 2009..

(b) "Outpatient base amount" means the total amount of payments for hospital outpatient services made to a hospital in the 2007 calendar year, as reflected in state paid claims files on January 26, 2008, and does not include outpatient state supplemental payments (known as DSH payments) or trauma payments.

(c) "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.

D. Supplemental Payment Methodology

1. Private hospitals shall be paid supplemental amounts for the provision of hospital outpatient 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.

2. Except as set forth in subsections (6) and (7), each private hospital shall be paid an amount for each subject fiscal quarter equal to a percentage of the hospital's outpatient base amount. The percentage for subject fiscal quarters in any fiscal year shall be derived as follows:

(a) Calculate the difference between the aggregate outpatient hospital payments to private hospitals in the fiscal year of payment (other than under this section) and the aggregate upper payment limit for outpatient hospital services for private hospitals in that year;

(b) Calculate the percentage that the difference is to the sum of all hospitals' outpatient base amount. The percentage shall be the same for every hospital for a fiscal year.

(c) For each subject fiscal quarter, multiply the percentage obtained in subdivision (b) by .25.

3. In the event that the sum of payments to all hospitals in any subject fiscal quarter causes the aggregate of all supplemental payments to all hospitals pursuant to this section for all subject fiscal quarters to exceed $953,750,000, the payments to all hospitals in that fiscal quarter shall be reduced pro rata so that the aggregate of all supplemental payments to all hospitals does not exceed $953,750,000.

4. In the event federal financial participation for a service period is not available for all of the supplemental amounts payable to private hospitals under subsection (2) due to the application of a federal upper limit or for any other reason, both of the following shall apply:

(a) The total amount payable to private hospitals under subsection (2) for the service period shall be reduced to the amount for which federal financial participation is available.

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

5. The supplemental amounts set forth in this section are inclusive of federal financial participation.

6. No payments shall be made under this section to a new hospital.

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

8. In the event that a hospital's payments in any service period as calculated under subsection (2) are reduced by the operation of subsection (4), the amount of the reductions shall be added to the supplemental payments for the next service period which the hospital would otherwise be entitled to receive under subsection (4)

above, provided further, that no such carryover payments shall be carried over beyond the year ending December 31, 2010 and such carryover payments will not result in total payments exceeding the applicable federal limit for the service period..