

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
7500 Security Boulevard, Mail Stop S2-26-12  
Baltimore, Maryland 21244-1850



**Center for Medicaid, CHIP, and Survey & Certification**

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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

**SEP 2 1 2011**

RE: California State Plan Amendment TN: 11-005

Dear Mr. Douglas:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 11-005. This amendment adds in language regarding the Disproportionate Share Hospital (DSH) audit and reporting requirements and the redistribution of DSH overpayments, effective for State plan rate year 2011.

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. We are pleased to inform you that Medicaid State plan amendment 11-005 is approved effective April 1, 2011. We are enclosing the HCFA-179 and the amended plan pages.

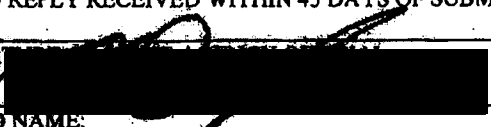
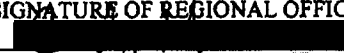
If you have any questions, please call Mark Wong at (415) 744-3561.

Sincerely,

A solid black rectangular box used to redact the signature of the sender.

Cindy Mann  
Director, CMCS

Enclosures

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b>		1. TRANSMITTAL NUMBER: 11-005	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 APRIL 1, 2011	
5. TYPE OF PLAN MATERIAL (Check One): <input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> AMENDMENT COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)			
6. FEDERAL STATUTE/REGULATION CITATION: 42 CFR 447.299 and 42 CFR <del>455.204</del> 455.304		7. FEDERAL BUDGET IMPACT: a. FFY \$0 b. FFY \$0	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-A, pages 27-27a, page 23 Attachment 4.19-A, page 29bb		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Attachment 4.19-A, page 27, page 23 Attachment 4.19-A, page 29bb	
10. SUBJECT OF AMENDMENT: Pages 27-27a Yearly Audit of DSH Payments, per "Final Rule" issued by CMS; Page 29bb: Computation of Medi-Cal Uninsured Revenues			
11. GOVERNOR'S REVIEW (Check One): <input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL <input type="checkbox"/> OTHER, AS SPECIFIED: The Governor's Office does not wish to review the State Plan Amendment.			
12. SIGNATURE: 		16. RETURN TO:  Department of Health Care Services Attn: State Plan Coordinator 1501 Capitol Avenue, Suite 713.26 P.O. Box 997417 Sacramento, CA 95899-7417	
13. TYPED NAME: Toby Douglas			
14. TITLE: Director			
15. DATE SUBMITTED: JUN 23 2011			
FOR REGIONAL OFFICE USE ONLY			
17. DATE RECEIVED:		18. DATE APPROVED: SEP 21 2011	
PLAN APPROVED - ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL: APR - 1 2011		20. SIGNATURE OF REGIONAL OFFICIAL: 	
21. TYPED NAME: CINDY MANN		22. TITLE: DIRECTOR, CMCS	
23. REMARKS:  Regional Office made pen-and-ink changes to Boxes 6, 8, and 9, with State concurrence.			

cost-based DSH facilities, which will be subject to interim and final adjustments as may be necessary.

- k. Payment adjustments under this subsection will be subject to the OBRA 1993 hospital-specific DSH limits determined in Appendix 2, Subsection J and applied pursuant to Paragraph F below.
2. Payment adjustments for cost-based DSH facilities will be of one or both of the following types:
- a. Direct DSH payments - these payments are available only to cost-based DSH facilities that meet the requirements for high DSH status. Direct DSH payments will be paid to hospitals in amounts as determined by the State, but in no event shall the payment to a hospital exceed an amount equal to 75% of the hospital's uncompensated care costs, as determined under Section E. below. These payments will be made on an interim basis, commencing October 1 of the subject payment adjustment year, subject to interim and final adjustments as may be necessary.
  - b. Cost-based DSH claims - the State will claim amounts from the federal DSH allotment based on hospital cost data for the state fiscal year in which the federal fiscal year commences, as determined under Section E, below.
    - (1) The total amount of the federal DSH allotment to be claimed under this paragraph for the subject payment adjustment year, in combination with that portion of the federal DSH allotment associated with the payment adjustments described under subsection A.3, payments to non cost-based DSH facilities under subsection D. 1, and the direct DSH payments under paragraph D.2.a for the subject payment adjustment year, will not exceed the federal DSH allotment.
    - (2) The State will determine the amount to be claimed from the costs of each cost-based DSH facility, but no such claim, in combination with the payments received by the hospital under paragraph D.2.a, will exceed the OBRA 1993 DSH limit for that hospital, as determined under Section F, below.
    - (3) Once claimed and received by the State, the amounts received will be distributed to hospitals in amounts as determined by the State. Interim distributions will be made from the amounts that are made available on the basis of the interim determinations of uncompensated care costs described in subsection E. 1, below. The State will make subsequent adjustments to the distribution amounts as may be necessitated by any interim and final reconciliations that

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TN No. 11-005  
Supersedes  
TN No. 05-022

Approval Date: SEP 21 2011 Effective Date: Apr 01 2011

1. With respect to each eligible hospital, the determination of the OBRA 1993 limit shall be as follows:
  - a. The OBRA 1993 limit shall be based upon each hospital's uncompensated care costs that are determined in accordance with Section E above (for cost-based hospitals) and Appendix 2, Section J (for non-cost based governmental hospitals and non-governmental hospitals) for the applicable payment adjustment year. Except as provided in paragraph b, the hospital's OBRA 1993 limit shall be 100% of its uncompensated care costs.
  - b. For those eligible hospitals that are high DSH facilities, the OBRA 1993 limit shall be 175% of the hospital's uncompensated care costs determined for the payment adjustment year. For the 2005-06 and 2006-07 payment adjustment years, a high DSH facility's expenditures for the provision of inpatient and outpatient hospital services to uninsured patients for which demonstration funding is claimed by the State will not be excluded from uncompensated care costs for purposes of determining the hospital's OBRA 1993 limit.
2. With respect to each hospital that is a non cost-based DSH facility, for each payment adjustment year the sum of the payments made to the hospital under subsection D. 1 shall not exceed the OBRA 1993 limit determined for the hospital under subsection F. 1, above.
3. With respect to each hospital that is a cost-based DSH facility, for each payment adjustment year the sum of the direct DSH payments made to the hospital under paragraph D.2.a, plus the amount of the hospital's uncompensated care costs for which the State made cost-based DSH claims from the federal DSH allotment, shall not exceed the OBRA 1993 limit determined for the hospital under subsection F. 1, above.

G. Yearly Reporting and Auditing of DSH Program

In order to qualify for continued federal funding, and satisfy the requirements of Sections 1923(a) (2) (D) and 1923(j) (1) and (2) of the Social Security Act (hereafter "the Act"), the Department will submit an annual, independent certified audit, as required by 42 CFR 455.304(a) and (b), supplemented by a report as detailed in 42 CFR 447.299(c).

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TN No. 11-005  
Supersedes  
TN No. 05-022

Approval Date SEP 21 2011 Effective Date April 1, 2011

1. The State will submit an annual, independent certified audit, and a separate report, as detailed in item 2 below, beginning with State plan rate year 2005. Each audit report must be submitted to CMS within 90 days of the completion of the independent certified audit. Each audit report is due no later than December 31st of the FFY ending three years after the Medicaid State plan rate year under audit.
2. In the annual, independent certified audit, the auditor will verify whether the State's method of computing the hospital-specific DSH limit and the DSH payments made to the hospital comply with Section 1923(j) (2) of the Act. In the separate report, the State will provide the data elements needed to satisfy the requirements of Section 1923(j) (1) of the Act.
3. Beginning with Medicaid State Plan rate year 2011, provider overpayments (those DSH payments that exceed hospital-specific cost limits) identified in the audit process will be redistributed to other qualifying hospitals whose DSH payments are below their individual final hospital-specific DSH limits. DSH overpayments will be redistributed to all other qualified hospitals within each group (cost-based hospitals, non-cost-based governmental hospitals, and non-governmental hospitals), on a pro rata basis, using each hospital's final total DSH payment for the audit year in question.

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TN No, 11-005

Supersedes

TN No. None

Approval Date SEP 21 2011

Effective Date April 1, 2011

State: California

Attachment 4.19-A  
Page 29bb

- (7) ~~Projected "demonstration project revenues" (DEMO\_RV) are determined based on the terms and conditions of an approved federal Medicaid demonstration project, but only to the extent set forth in paragraph b of subsection 7.~~

In addition to the above revenue sources, the Department will take into account, as may be required by the DSH methodology in effect in 2004-05, all other supplemental payments applicable to the OBRA 1993 calculation.

The computation of "Medi-Cal /Uninsured Revenues" (MCUN\_RV) plus any other supplemental payments is therefore expressed as follows:

$$\text{MCUN\_RV} = \text{MIP\_RV} + \text{MOP\_RV} + \text{CRRP\_RV} + \text{EMS\_RV} + \text{TCM\_RV} + \text{UNMS\_RV} + \text{DEMO\_RV} + \text{OTHER}$$

#### 5. Application of limit

- a. ~~For the 1994-95 payment adjustment year, the OBRA 1993 limits shall apply only to public hospitals. With respect to the 1994-95 payment adjustment year, the total disproportionate share payment adjustment amounts described at page 18 et seq. of this Attachment paid or payable to each eligible hospital that is owned or operated by the State (or by an instrumentality or a unit of government within the State) shall not exceed 100% of the hospital's OBRA 1993 limit as calculated pursuant to this Section J with respect to the subject payment adjustment year; provided, however, that payment adjustment amounts paid to those public hospitals that have "high disproportionate share" status (referred to in Section 1396r-4(g)(2) of Title 42 of the United States Code) shall be limited to 200% of the OBRA 1993 limit as calculated for the particular hospital pursuant to this Section J with respect to the subject payment adjustment year.~~
- b. For the 1995-96 and subsequent payment adjustment years, the OBRA 1993 limits shall apply to all eligible hospitals. With respect to any particular payment adjustment year, no eligible hospital shall receive total payment adjustment amounts under this Attachment in an amount that exceeds 100% of the hospital's OBRA 1993 limit as calculated pursuant to this Section J with respect to the subject payment adjustment year, except as follows: (1) with respect to the ~~1997-98 and 1998-99~~ payment adjustment years, the payment adjustment amounts paid to those public hospitals that have "high disproportionate share" status (referred to in Section 1396r-4(g)(2) of Title 42 of the United States Code) shall be limited to 175% of the OBRA 1993 limit as calculated for the particular hospital pursuant to this Section J with respect to the subject payment adjustment year. and (2) with respect to the ~~1999-2000~~ payment adjustment year and subsequent payment adjustment years, the payment adjustment amounts paid to those public hospitals that have "high disproportionate share" status (referred to in Section 1396-4(g)(2) of the Title 42 of the United States Code) shall be limited to 100% of the OBRA 1993 limit as calculated for the particular hospital pursuant to this Section J with respect to the subject payment adjustment year, unless federal law sets forth or authorizes a different percentage figure or amount to be used for such hospitals for such purposes for the subject payment adjustment year, in which case such different percentage figure or amount shall apply for such hospital for such payment adjustment year.

TN No. 11-005  
Supersedes  
TN No. 99-004

Approval Date: SEP 21 2011 Effective Date: Apr 01 2011