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**State/Territory Name: CA**

**State Plan Amendment (SPA) #: 22-0060**

his file contains the following documents in the order

- listed:
- 1) Approval Letter
  - 2) CMS 179 Form/Summary Form (with 179-like data)
  - 3) Approved SPA Pages

**DEPARTMENT OF HEALTH & HUMAN SERVICES**

Centers for Medicare & Medicaid Services  
Center for Medicaid & CHIP Services  
233 North Michigan Ave., Suite 600  
Chicago, Illinois 60601



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**Financial Management Group**

December 7, 2022

Jacey Cooper  
Chief Deputy Director, Health Care Programs  
California Department of Health Care Services  
P.O. Box 997413, MS 0000  
Sacramento, CA 95899-7413

RE: TN 22-0060

Dear Ms. Cooper:

We have reviewed the proposed California State Plan Amendment (SPA) to Attachment 4.19-B, CA-22-0060, which was submitted to the Centers for Medicare & Medicaid Services (CMS) on November 10, 2022. This SPA clarifies the use of Relative Value Units (RVUs) in Los Angeles County to apportion outpatient hospital costs to Medicaid in calculating the supplemental reimbursement for public outpatient hospital services.

Based upon the information provided by the State, we have approved the amendment with an effective date of October 1, 2022. We are enclosing the approved CMS-179 and a copy of the new state plan pages.

If you have any additional questions or need further assistance, please contact Blake Holt at 303-844-6218 or [blake.holt@cms.hhs.gov](mailto:blake.holt@cms.hhs.gov).

Sincerely,



Todd McMillion  
Director  
Division of Reimbursement Review

Enclosures

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL  
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES**

1. TRANSMITTAL NUMBER

2 2 — 0 0 6 0

2. STATE

CA

3. PROGRAM IDENTIFICATION: TITLE OF THE SOCIAL SECURITY ACT

XIX  XXI

TO: CENTER DIRECTOR  
CENTERS FOR MEDICAID & CHIP SERVICES  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

October 1, 2022

5. FEDERAL STATUTE/REGULATION CITATION

42 CFR 447.250 through 447.272

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)

a. FFY 2023 \$ 0  
b. FFY 2024 \$ 0

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

Attachment 4.19-B, Pages 47-48

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 PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable)

Attachment 4.19-B, Pages 47-48

9. SUBJECT OF AMENDMENT

Supplemental Reimbursement for Public Outpatient Hospital Services

10. 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:

Please note: The Governor's Office does not wish to review the State Plan Amendment.

11. SIGNATURE OF STATE AGENCY OFFICIAL

12. TYPED NAME  
Jacey Cooper

13. TITLE  
State Medicaid Director

14. DATE SUBMITTED  
November 10, 2022

15. RETURN TO

Department of Health Care Services  
Attn: Director's Office  
P.O. Box 997413, MS 0000  
Sacramento, CA 95899-7413

**FOR CMS USE ONLY**

16. DATE RECEIVED  
November 10, 2022

17. DATE APPROVED  
December 7, 2022

**PLAN APPROVED - ONE COPY ATTACHED**

18. EFFECTIVE DATE OF APPROVED MATERIAL  
October 1, 2022

19. SIGNATURE OF APPROVING OFFICIAL

20. TYPED NAME OF APPROVING OFFICIAL  
Todd McMillion

21. TITLE OF APPROVING OFFICIAL  
Director, Division of Reimbursement Review

22. REMARKS

1. As described in paragraph A, the expenditures certified by the local agency to the State shall represent the payment eligible for federal financial participation. Allowable certified public expenditures shall determine the amount of federal financial participation.
2. In no instance shall the amount certified pursuant to paragraph C.1, when combined with the amount received and payable from all other sources of reimbursement from the Medi-Cal program, exceed 100 percent of the costs for outpatient hospital services at each hospital.
3. The supplemental Medi-Cal reimbursement provided by this section shall be distributed under a payment methodology based on outpatient hospital services provided to Medi-Cal patients at the eligible hospital. Pursuant to paragraph C.1, the hospital shall certify to the Department, on an annual basis, the amount of its eligible costs for providing Medi-Cal outpatient hospital services.
4. Costs for outpatient services that are otherwise payable by or reimbursable under the prospective payment reimbursement for federally qualified health centers and rural health clinics set forth earlier in this Attachment, or the cost based reimbursement methodology set forth in Supplement 5 to this Attachment, are not eligible as certified public expenditures under this supplemental reimbursement methodology.
5. Los Angeles County hospitals will use the hospital relative value unit (RVU) system to apportion hospital costs to Medi-Cal. Los Angeles County hospitals will use RVUs wherever there is a reference to charges in this subsection. This is the same RVU system that is used by Los Angeles County hospitals for Medicare and Medi-Cal cost-reporting purposes.
6. The hospital's Medicaid outpatient costs for the subject year will be computed in a manner consistent with Medicare cost accounting principles and will not include any Medi-Cal program non-reimbursable cost centers.
7. The hospital Medicaid outpatient costs will be derived by reducing each hospital's Medicaid outpatient charges less any amounts not payable by Medicaid including but not limited to third party payments and co-payments made by patients. The data used for the computations will come from each hospital's most recently available completed HCFA 2552 Medicare/Medicaid cost report and survey data provided by each hospital. The Medi-Cal cost report data will be reported in a manner consistent with the methods used to complete the Medicare cost report.

The State will reconcile annually, and for three years after the period for which the claim was submitted, cost information from filed hospital cost reports to cost information from settled/audited cost reports. In addition, the State will reconcile actual expenditures and payments to any amounts used initially to determine the supplemental payment. When any reconciliation results in an underpayment or overpayment to a facility, no

less than annually the State will adjust the affected facility's supplemental payment.

8. Consistent with Medicare cost accounting principles and excluding any Medi-Cal program non-reimbursable costs center, for the hospital facility component (excluding professional component costs but including the provider based component of physician costs determined under Medicare cost-reporting), the following items will be identified at the hospital departmental level:
  - Total facility cost to total charges, regardless of payer type, ratios by department.
  - Total Medicaid outpatient charges less any amounts not payable by Medicaid including but not limited to third party payments and co-payments made by patients.

The departmental cost to charge ratios will be multiplied by Medicaid outpatient hospital charges to derive cost. These departmental level totals will be added to yield the hospital's Medicaid outpatient costs. The cost-to-charge ratios, as reflected in the Medi-Cal Cost Report, will be used to reduce Medicaid outpatient charges to Medicaid outpatient costs by hospital department. A department is equivalent to a cost center on the Medicare Form 2552 hospital cost report.

9. The hospital's total Medi-Cal payments for outpatient hospital services for the facility component will be determined using Medi-Cal paid claims data for the same fiscal period. The hospital's total Medicaid outpatient costs determined under paragraph 7 will be reduced by the hospital's total Medi-Cal payments, less amounts paid by Medi-Cal for the professional component of the services, yielding the certified public expenditure amount.

### C. Hospital Reporting Requirements

The local agency reporting on behalf of any eligible hospital must do all of the following:

1. Certify, in conformity with the requirements of Section 433.51 of Title 42 of the Code of Federal Regulations, that the claimed expenditures for hospital outpatient hospital services are eligible for federal financial participation.