

AMENDED IN ASSEMBLY APRIL 18, 2012

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

ASSEMBLY BILL

No. 2096

Introduced by Assembly Member V. Manuel Pérez

February 23, 2012

An act to amend Section ~~14182.3~~ 14168.7 of, and to add Section 14165.58 to, the Welfare and Institutions Code, relating to Medi-Cal.

LEGISLATIVE COUNSEL'S DIGEST

AB 2096, as amended, V. Manuel Pérez. Public health care: Medi-Cal: ~~demonstration projects~~. *district hospitals*.

Existing law provides for the Medi-Cal program, which is administered by the State Department of Health Care Services, under which qualified low-income individuals receive health care services. The Medi-Cal program is, in part, governed and funded by federal Medicaid Program provisions. Existing law establishes the Medi-Cal Hospital/Uninsured Care Demonstration Project Act, which revises hospital supplemental payment methodologies under the Medi-Cal program in order to maximize the use of federal funds consistent with federal Medicaid law and to stabilize the distribution of funding for hospitals that provide care to Medi-Cal beneficiaries and uninsured patients. Existing law requires the department to seek ~~another~~ a *successor* demonstration project or federal waiver of Medicaid law to implement specified objectives, which may include better care coordination for seniors, persons with disabilities, and children with special health care needs. Existing law provides that to the extent the provisions under the Medi-Cal Hospital/Uninsured Care Demonstration Project Act do not conflict with the provisions of, or the Special Terms and Conditions of, this demonstration project, the provisions of the

Medi-Cal Hospital/Uninsured Care Demonstration Project Act shall apply. ~~Under existing law, if the Director of Health Care Services determines that the amount of base funding available under the new demonstration project is less than a specified amount available to public hospitals under the original demonstration project, the state is authorized to reallocate funding to increase the amount of base funding for the new demonstration project. Existing law requires the department, pursuant to federal approval of the successor demonstration project, to authorize a local Low Income Health Program (LIHP) to provide health care services to eligible low-income individuals under certain circumstances. Under existing law, a county, city and county, consortium of counties serving a region of more than one county, or a health authority may be eligible to operate an approved LIHP.~~

~~This bill would refer to designated and nondesignated public hospitals, in the latter provision described above.~~

This bill would require the department to request any additional federal funding identified in the recalculation of the successor demonstration project and make those funds available to district hospitals in an amount proportionate to the amount of uncompensated care provided by those hospitals. This bill would require the department to encourage LIHP contractors to permit district hospitals to utilize certified public expenditures or intergovernmental transfers, or both, to access federal funds to provide reimbursement for LIHP eligible patients.

Existing law requires the department to design and implement an intergovernmental transfer program relating to Medi-Cal managed care services provided by designated and nondesignated public hospitals in order to increase capitation payments for the purpose of increasing their reimbursement.

This bill would, with respect to district hospitals, require the department to implement this program and secure federal funding by July 1, 2013.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 14165.58 is added to the Welfare and
- 2 Institutions Code, to read:

1 14165.58. (a) The Legislature finds and declares all of the
2 following:

3 (1) The preservation of the state's district hospitals is of critical
4 importance to the health and welfare of the people of the state.

5 (2) District hospitals are facing unprecedented financial
6 challenges. Many of these hospitals are facing significant budget
7 deficits impeding their ability to continue serving their essential
8 role in the safety net health care delivery system, including
9 providing care to Medi-Cal beneficiaries and uninsured patients.

10 (3) Given that the department has limited resources for
11 implementing new programs, allocating a portion of these limited
12 resources for purposes of securing new federal dollars to assist
13 California's district hospitals shall be considered of highest
14 priority.

15 (b) Acknowledging that district hospitals are California's
16 geographic health care safety net, it is the intent of the Legislature
17 to include district hospitals in all future endeavors that seek
18 increased federal funding for public hospitals, which may include
19 compensation for treating California's uninsured and underinsured
20 population, new programs aimed at improving and expanding
21 services in communities served by California's district hospitals,
22 and district hospital technology improvements.

23 (c) The department shall request any additional federal funding
24 identified in the recalculation of the demonstration project pursuant
25 to Article 5.4 (commencing with Section 14180) and make the
26 funding available to district hospitals in an amount proportionate
27 to the amount of uncompensated care provided by those hospitals.
28 The funds shall be accessed utilizing certified public expenditures.

29 (d) The department shall encourage Low Income Health
30 Program (LIHP) contractors, pursuant to Part 3.6 (commencing
31 with Section 15909), to allow district hospitals to utilize certified
32 public expenditures or intergovernmental transfers, or both, to
33 access federal funds to provide reimbursement for LIHP eligible
34 patients treated by district hospitals, regardless of whether the
35 patients are part of the LIHP contractor's network.

36 SEC. 2. Section 14168.7 of the Welfare and Institutions Code
37 is amended to read:

38 14168.7. (a) The department shall design and implement, in
39 consultation with designated and nondesignated public hospitals,
40 an IGT program relating to Medi-Cal managed care services

1 provided by designated and nondesignated public hospitals in order
2 to increase capitation payments for the purpose of increasing their
3 reimbursement.

4 (b) For purposes of this section, the department shall follow the
5 requirements as specified in subdivision (f) of Section 14165.57.

6 (c) The increased capitation payments under this section shall
7 be actuarially sound and, in regard to the payments for
8 nondesignated public hospitals, shall be in proportion to the
9 intergovernmental transfers pursuant to Section 14165.57 in order
10 to help maximize reimbursement for designated and nondesignated
11 public hospitals to the extent permissible under federal law.

12 (d) This section shall be implemented on the later of June 30,
13 2011, or the date on which all necessary federal approvals have
14 been received.

15 (e) Participation in the intergovernmental transfers under this
16 section is voluntary on the part of the transferring entities for the
17 purposes of all applicable federal laws.

18 (f) This section shall be implemented only to the extent federal
19 financial participation is available for the reimbursement specified
20 in subdivision (a).

21 (g) This section shall be implemented only to the extent federal
22 financial participation is not jeopardized.

23 (h) To the extent that the director determines that the payments
24 do not comply with the federal Medicaid requirements, the director
25 retains the discretion not to implement an intergovernmental
26 transfer and may adjust the payment as necessary to comply with
27 federal Medicaid requirements.

28 (i) To the extent federal approval is secured, the increased
29 capitation payments under this section may cover services for
30 periods beginning on or after July 1, 2011.

31 (j) *The department shall, with respect to district hospitals,*
32 *implement the program established pursuant to this section and*
33 *secure federal funding by July 1, 2013. This subdivision shall be*
34 *implemented in consultation with district hospital representatives.*

35 (j)

36 (k) Notwithstanding Chapter 3.5 (commencing with Section
37 11340) of Part 1 of Division 3 of Title 2 of the Government Code,
38 the department shall implement this section by means of policy
39 letters or similar instructions, without taking further regulatory
40 action.

1 SECTION 1. ~~Section 14182.3 of the Welfare and Institutions~~
2 ~~Code is amended to read:~~

3 14182.3. (a) ~~To the extent the provisions of Article 5.2~~
4 ~~(commencing with Section 14166) do not conflict with the~~
5 ~~provisions of this article or the Special Terms and Conditions of~~
6 ~~the new demonstration project created under this article, the~~
7 ~~provisions of Article 5.2 (commencing with Section 14166) shall~~
8 ~~continue to apply to the new demonstration project.~~

9 (b) ~~In the event of a conflict between any provision of this article~~
10 ~~and the Special Terms and Conditions required by the federal~~
11 ~~Centers for Medicare and Medicaid Services for the approval of~~
12 ~~the demonstration project described in Section 14180, the Special~~
13 ~~Terms and Conditions shall control.~~

14 (c) (1) ~~Under the demonstration project described in Section~~
15 ~~14180, the state shall have priority to claim against and retain the~~
16 ~~first five hundred million dollars (\$500,000,000) in federal funds~~
17 ~~using expenditures incurred under state-only programs or other~~
18 ~~programs for which the state is authorized to claim under the~~
19 ~~Special Terms and Conditions of the demonstration project or~~
20 ~~federal Medicaid law, including state-only programs that serve~~
21 ~~special populations, such as those for which state savings were~~
22 ~~recognized in the Budget Act for the 2010–11 fiscal year.~~

23 (2) ~~Notwithstanding paragraph (1), if the director determines~~
24 ~~that the amount of base funding available under the demonstration~~
25 ~~project described in Section 14180 is less than the six hundred~~
26 ~~eighty-one million six hundred forty thousand dollars~~
27 ~~(\$681,640,000) available to designated and nondesignated public~~
28 ~~hospitals under the original demonstration project, the state may~~
29 ~~reallocate an amount from the five hundred million dollars~~
30 ~~(\$500,000,000) described in paragraph (1) to increase the amount~~
31 ~~of base funding under the new demonstration project to six hundred~~
32 ~~eighty one million six hundred forty thousand dollars~~
33 ~~(\$681,640,000).~~

34 (3) ~~For purposes of this section, the term “base funding” includes~~
35 ~~funding for the safety net care pool or a similar pool or fund for~~
36 ~~health coverage expansion, and for an investment, incentive, or~~
37 ~~similar pool, but shall not include funds made available to hospitals~~
38 ~~or counties for inpatient or outpatient Medi-Cal reimbursements,~~
39 ~~expansion of managed care for seniors and persons with disabilities,~~

1 or other expansions of systems of care for individuals who are
2 eligible under the Medi-Cal state plan.

3 (4) If the state is unable to claim the full amount of the five
4 hundred million dollars (\$500,000,000) described in paragraph
5 (1), any portion of the amount that remains unclaimed may be
6 reallocated to be claimed based on the certified public expenditures
7 of the designated public hospitals.

8 (d) The director shall have authority to maximize available
9 federal financial participation under the demonstration project
10 described in Section 14180, including, but not limited to,
11 authorizing the use of intergovernmental transfers by district
12 hospitals that are not reimbursed under a contract negotiated
13 pursuant to the Selective Provider Contracting Program, to fund
14 the nonfederal share of expenditures to the extent permitted by the
15 Special Terms and Conditions of the demonstration project.

16 (e) Participation in intergovernmental transfers under this section
17 is voluntary on the part of the transferring entity for purposes of
18 all applicable federal laws. As part of its voluntary participation
19 in the nonfederal share of payments under this subdivision by
20 means of intergovernmental transfers, the transferring entity agrees
21 to reimburse the state for the nonfederal share of state staffing or
22 administrative costs directly attributable to the state's
23 implementation of these voluntary intergovernmental transfers.
24 This subdivision shall be implemented only to the extent federal
25 financial participation is not jeopardized.

26 (f) Notwithstanding the rulemaking provisions of Chapter 3.5
27 (commencing with Section 11340) of Part 1 of Division 3 of Title
28 2 of the Government Code, the department may clarify, interpret,
29 or implement the provisions of this section by means of provider
30 bulletins or similar instructions. The department shall notify the
31 fiscal and appropriate policy committees of the Legislature of its
32 intent to issue instructions under this section at least five days in
33 advance of the issuance.

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