

AMENDED IN ASSEMBLY JUNE 10, 2004  
AMENDED IN ASSEMBLY JUNE 2, 2004  
AMENDED IN ASSEMBLY JUNE 27, 2003  
AMENDED IN SENATE MAY 6, 2003  
AMENDED IN SENATE APRIL 23, 2003  
AMENDED IN SENATE MARCH 25, 2003

**SENATE BILL**

**No. 260**

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**Introduced by Senator Romero**  
**(Coauthor: Senator Kuehl)**  
(Coauthors: Assembly Members Berg and Maze)

February 18, 2003

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An act to add Section 6534 to the Government Code, ~~and to amend Section 1367 of the Health and Safety Code~~, relating to health care.

LEGISLATIVE COUNSEL'S DIGEST

SB 260, as amended, Romero. Health care.

Existing law authorizes the formation of local health care districts and the establishment of municipal hospitals for the purpose of providing needed public health care services. Existing law, the Joint Exercise of Powers Act, permits 2 or more public agencies to enter into an agreement to jointly exercise any power common to the contracting parties.

This bill would *create the California Prison Inmate Health Service Reform Act* and would authorize the Department of Corrections to enter into joint powers agreements with one or more health care districts in order to establish regional inmate health service joint powers agencies.

*The bill would establish the purposes for which inmate health service joint powers authorities may be utilized.*

~~Existing law, the Knox-Keene Health Care Service Plan Act of 1975, provides for licensure and regulation of health care service plans by the Department of Managed Health Care. Existing law requires that all contracts with providers, and other persons furnishing services, equipment, or facilities to, or in connection with, a health care service plan be fair, reasonable, and consistent with the objectives of the act.~~

~~This bill would require the Legislative Analyst to evaluate the contracted reimbursement rates paid to public hospitals by health care service plans to assess their compliance with the above provision requiring that contracts be fair and reasonable, and to present this evaluation to the Legislature by no later than July 1, 2005.~~

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. The Legislature finds and declares all of the
- 2 following:
- 3 (a) California’s prison inmate health care delivery system is in
- 4 a state of disarray.
- 5 (b) The cost of inmate health *care* services has increased by
- 6 more than 300 percent during the past decade, and will likely
- 7 exceed \$1 billion annually by 2006, far exceeding the rate of
- 8 growth in inmate population and the general rate of private sector
- 9 health care cost inflation during the same period.
- 10 (c) The cost of “outsourced” health care services, including
- 11 payments to private hospitals, is one of the fastest growing inmate
- 12 health care cost centers. Total outsourced, health care costs have
- 13 increased at an average 15-percent annual rate during the past
- 14 decade, and will total \$250 million in 2005.
- 15 (d) Health care districts operate 32 rural public hospitals in
- 16 California. Many of these hospitals are located within 10 miles of
- 17 a state prison facility, and are able to provide all necessary health
- 18 care services for the majority of prison inmates.
- 19 (e) California prison administrators frequently bypass health
- 20 care district hospitals when seeking care for inmates, in favor of
- 21 more distant and costly private hospitals.



1 (f) Health care districts operate public hospitals that provide  
2 more than 50 percent of all hospital care in rural California.

3 (g) California's rural district hospitals have struggled for  
4 financial survival for more than the past 10 years, posting net  
5 operating losses of more than \$22,000,000 in 2002 according to  
6 the Office of Statewide Health Planning and Development.

7 (h) More extensive utilization of the rural public hospitals  
8 operated by health care districts for delivery of inmate health  
9 services leverages state inmate health care dollars to maximum  
10 effect ensuring the long-term survival of the state's rural health  
11 safety net while helping to reduce state General Fund expenditures  
12 for inmate health care.

13 (i) Health care district management expertise could  
14 significantly improve prison health facility management, health  
15 care utilization review, quality of *health* care review, and health  
16 care staff recruitment. This assistance would assist Department of  
17 Corrections staff in improving health care quality, access, and cost  
18 containment.

19 (j) More effective utilization of health care district hospitals  
20 could reduce the cost of outsourced inmate care by at least  
21 \$20,000,000 annually, improve the quality of inmate health care,  
22 and improve the overall management of California's prison health  
23 care system.

24 (k) It is in the best interests of California's prison inmates, the  
25 State of California, and California's rural health safety net, that the  
26 Department of Corrections and health care districts form regional  
27 joint powers agencies to provide, arrange for, and assist in the  
28 provision of health care services to California prison inmates.

29 SEC. 2. Section 6534 is added to the Government Code, to  
30 read:

31 6534. (a) This section shall be known, and may be cited, as  
32 the California Prison Inmate Health Service Reform Act.

33 (b) The Department of Corrections may enter into joint powers  
34 agreements under this chapter with one or more health care  
35 districts established in accordance with Division 23 (commencing  
36 with Section 32000) of the Health and Safety Code, in order to  
37 establish regional inmate health service joint powers agencies.

38 (c) Inmate health service joint powers authorities may be  
39 utilized for any purpose related to the provision, acquisition, or



1 coordination of inmate health care services, including, but not  
2 limited to, all of the following:

3 (1) The provision of district hospital-based surgical,  
4 diagnostic, emergency, trauma, acute care, skilled nursing,  
5 long-term, and inpatient psychiatric care.

6 (2) Health care utilization review services.

7 (3) Health facility management consultation services.

8 (4) Health care contract design, negotiation, management, and  
9 related consultation services.

10 (5) Health care quality monitoring, management, and oversight  
11 consulting services.

12 (6) Physician and health care staff recruitment services.

13 (7) The design, construction, and operation of dedicated,  
14 secure, community-based health care facilities for the provision of  
15 inmate health *care* services.

16 ~~SEC. 3. Section 1367 of the Health and Safety Code is~~  
17 ~~amended to read:~~

18 ~~1367. A health care service plan and, if applicable, a~~  
19 ~~specialized health care service plan shall meet the following~~  
20 ~~requirements:~~

21 ~~(a) Facilities located in this state including, but not limited to,~~  
22 ~~clinics, hospitals, and skilled nursing facilities to be utilized by the~~  
23 ~~plan shall be licensed by the State Department of Health Services,~~  
24 ~~where licensure is required by law. Facilities not located in this~~  
25 ~~state shall conform to all licensing and other requirements of the~~  
26 ~~jurisdiction in which they are located.~~

27 ~~(b) Personnel employed by or under contract to the plan shall~~  
28 ~~be licensed or certified by their respective board or agency, where~~  
29 ~~licensure or certification is required by law.~~

30 ~~(c) Equipment required to be licensed or registered by law shall~~  
31 ~~be so licensed or registered, and the operating personnel for that~~  
32 ~~equipment shall be licensed or certified as required by law.~~

33 ~~(d) The plan shall furnish services in a manner providing~~  
34 ~~continuity of care and ready referral of patients to other providers~~  
35 ~~at times as may be appropriate consistent with good professional~~  
36 ~~practice.~~

37 ~~(e) (1) All services shall be readily available at reasonable~~  
38 ~~times to each enrollee consistent with good professional practice.~~  
39 ~~To the extent feasible, the plan shall make all services readily~~  
40 ~~accessible to all enrollees consistent with Section 1367.03.~~



1 ~~(2) To the extent that telemedicine services are appropriately~~  
2 ~~provided through telemedicine, as defined in subdivision (a) of~~  
3 ~~Section 2290.5 of the Business and Professions Code, these~~  
4 ~~services shall be considered in determining compliance with~~  
5 ~~Section 1300.67.2 of Title 28 of the California Code of~~  
6 ~~Regulations.~~

7 ~~(3) The plan shall make all services accessible and appropriate~~  
8 ~~consistent with Section 1367.04.~~

9 ~~(f) The plan shall employ and utilize allied health manpower~~  
10 ~~for the furnishing of services to the extent permitted by law and~~  
11 ~~consistent with good medical practice.~~

12 ~~(g) The plan shall have the organizational and administrative~~  
13 ~~capacity to provide services to subscribers and enrollees. The plan~~  
14 ~~shall be able to demonstrate to the department that medical~~  
15 ~~decisions are rendered by qualified medical providers, unhindered~~  
16 ~~by fiscal and administrative management.~~

17 ~~(h) (1) Contracts with subscribers and enrollees, including~~  
18 ~~group contracts, and contracts with providers, and other persons~~  
19 ~~furnishing services, equipment, or facilities to, or in connection~~  
20 ~~with, the plan, shall be fair, reasonable, and consistent with the~~  
21 ~~objectives of this chapter. All contracts with providers shall~~  
22 ~~contain provisions requiring a fast, fair, and cost-effective dispute~~  
23 ~~resolution mechanism under which providers may submit disputes~~  
24 ~~to the plan, and requiring the plan to inform its providers upon~~  
25 ~~contracting with the plan, or upon change to these provisions, of~~  
26 ~~the procedures for processing and resolving disputes, including the~~  
27 ~~location and telephone number where information regarding~~  
28 ~~disputes may be submitted.~~

29 ~~(2) A health care service plan shall ensure that a dispute~~  
30 ~~resolution mechanism is accessible to noncontracting providers~~  
31 ~~for the purpose of resolving billing and claims disputes.~~

32 ~~(3) On and after January 1, 2002, a health care service plan shall~~  
33 ~~annually submit a report to the department regarding its dispute~~  
34 ~~resolution mechanism. The report shall include information on the~~  
35 ~~number of providers who utilized the dispute resolution~~  
36 ~~mechanism and a summary of the disposition of those disputes.~~

37 ~~(i) A health care service plan contract shall provide to~~  
38 ~~subscribers and enrollees all of the basic health care services~~  
39 ~~included in subdivision (b) of Section 1345, except that the~~  
40 ~~director may, for good cause, by rule or order exempt a plan~~



1 contract or any class of plan contracts from that requirement. The  
2 director shall by rule define the scope of each basic health care  
3 service that health care service plans are required to provide as a  
4 minimum for licensure under this chapter. Nothing in this chapter  
5 shall prohibit a health care service plan from charging subscribers  
6 or enrollees a copayment or a deductible for a basic health care  
7 service or from setting forth, by contract, limitations on maximum  
8 coverage of basic health care services, provided that the  
9 copayments, deductibles, or limitations are reported to, and held  
10 unobjectionable by, the director and set forth to the subscriber or  
11 enrollee pursuant to the disclosure provisions of Section 1363.

12 (j) A health care service plan shall not require registration  
13 under the Controlled Substances Act of 1970 (21 U.S.C. Sec. 801  
14 et seq.) as a condition for participation by an optometrist certified  
15 to use therapeutic pharmaceutical agents pursuant to Section  
16 3041.3 of the Business and Professions Code.

17 Nothing in this section shall be construed to permit the director  
18 to establish the rates charged subscribers and enrollees for  
19 contractual health care services.

20 The director's enforcement of Article 3.1 (commencing with  
21 Section 1357) shall not be deemed to establish the rates charged  
22 subscribers and enrollees for contractual health care services.

23 The obligation of the plan to comply with this section shall not  
24 be waived when the plan delegates any services that it is required  
25 to perform to its medical groups, independent practice  
26 associations, or other contracting entities.

27 (k) The Legislative Analyst shall evaluate the contracted  
28 reimbursement rates paid to public hospitals by health care service  
29 plans to assess their compliance with paragraph (1) of subdivision  
30 (h) that provides that contracts be fair and reasonable. The results  
31 of this evaluation shall be completed and presented to the  
32 Legislature not later than July 1, 2005. In evaluating compliance,  
33 the Legislative Analyst shall examine all of the following:

34 (1) The contracted reimbursement rates paid to privately  
35 owned hospitals in California on a per-adjusted patient day basis,  
36 by level and type of care.

37 (2) The contracted reimbursement rates paid to privately  
38 owned hospitals in California on a per-diem basis, by level and type  
39 of care.



1     ~~(3) The comparative rates of reimbursement, by type and level~~  
2     ~~of care, paid to public and privately owned hospitals in California.~~  
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