

AMENDED IN ASSEMBLY MAY 27, 2005
AMENDED IN ASSEMBLY APRIL 26, 2005
AMENDED IN ASSEMBLY MARCH 30, 2005
CALIFORNIA LEGISLATURE—2005—06 REGULAR SESSION

ASSEMBLY BILL

No. 688

Introduced by Assembly Member Matthews

February 17, 2005

An act to amend Sections 1324, 1324.2, and 1324.4 of, and to add Section 1324.15 to, *Section 1324.2* of the Health and Safety Code, relating to health facilities.

LEGISLATIVE COUNSEL'S DIGEST

AB 688, as amended, Matthews. Health facilities: quality assurance fees.

Existing law provides for the licensure and regulation of health facilities by the State Department of Health Services. Existing law provides for the imposition of a quality assurance fee upon designated intermediate care facilities each state fiscal year, as a condition of participation in the Medi-Cal program. ~~The fee is required to be imposed upon the entire gross receipts, as defined, of each designated facility with the amount determined each quarter of the state fiscal year by multiplying the facility's gross receipts in the preceding quarter by 6%.~~

~~This bill would provide that gross receipts shall pertain to payment for services provided on or after July 1, 2003.~~

~~The bill would provide that these quality assurance fee provisions shall be implemented only as long as 3 conditions are met. The bill would also specify procedures that would apply if there is a delay in~~

~~the implementation of the quality assurance fee provisions for any reason.~~

~~The bill would state the intent of the Legislature to offset the implementation of the quality assurance fee provisions by using projected annual savings realized and any annual increase in federal financial participation due to the implementation of a modified rate structure for intermediate care facilities for the developmentally disabled.~~

This bill would provide that certain designated intermediate care facilities shall not be subject to any universal payment delay for the purpose of a prepayment review imposed to detect fraud and abuse and implemented by the department on other Medi-Cal providers in the 2004-05, 2005-06, 2006-07, and 2007-08 rate years. The bill would also require the department to notify a county organized health system of its obligation to pay any rate increases to any designated intermediate care facility that is receiving payment for services through that county organized health system.

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 1324.2 of the Health and Safety Code is
2 amended to read:

3 1324.2. (a) As a condition for participation in the Medi-Cal
4 program, there shall be imposed each state fiscal year upon the
5 entire gross receipts of a designated intermediate care facility a
6 quality assurance fee, as calculated in accordance with
7 subdivision (b).

8 (b) The quality assurance fee to be paid pursuant to
9 subdivision (c) of Section 1324.4 shall be an amount determined
10 each quarter of the state fiscal year by multiplying the facility's
11 gross receipts in the preceding quarter by 6 percent. For reporting
12 purposes, the quality assurance fee is considered to be on a cash
13 basis of accounting.

14 (c) *A designated intermediate care facility that is a health*
15 *facility as defined in subdivision (e) or (h) of Section 1250, shall*
16 *not be subject to any universal payment delay for the purpose of*
17 *a prepayment review imposed to detect fraud and abuse and*
18 *implemented by the department on other Medi-Cal providers in*

1 *the 2004–05, 2005–06, 2006–07, and 2007–08 rate years. This*
2 *subdivision shall not preclude the department from conducting*
3 *reviews to detect fraud and abuse for individual designated*
4 *facilities in accordance with department policy and procedures.*

5 *(d) If a designated intermediate care facility is receiving*
6 *payment for services through a county organized health system,*
7 *the department shall notify the county organized health system of*
8 *its obligation to pay any rate increases to the designated*
9 *intermediate care facility. The department shall devise a method*
10 *to ensure that funding can be advanced to county organized*
11 *health systems for this purpose.*

12 ~~SECTION 1. Section 1324 of the Health and Safety Code is~~
13 ~~amended to read:~~

14 ~~1324. For purposes of this article, the following definitions~~
15 ~~shall apply:~~

16 ~~(a) (1) “Gross receipts” means gross receipts paid as~~
17 ~~compensation for services provided to residents of a designated~~
18 ~~intermediate care facility.~~

19 ~~(2) “Gross receipts” does not mean charitable contributions.~~

20 ~~(3) For state and local government owned facilities, “gross~~
21 ~~receipts” shall include any contributions from government~~
22 ~~sources or General Fund expenditures for the care of residents of~~
23 ~~a designated intermediate care facility.~~

24 ~~(4) “Gross receipts” shall pertain to payment for services~~
25 ~~provided on or after July 1, 2003, and not to receipts for any~~
26 ~~services provided prior to July 1, 2003.~~

27 ~~(b) “Eligible facility” means a designated intermediate care~~
28 ~~facility that has paid the fee as described in Section 1324.2, for a~~
29 ~~particular state fiscal year.~~

30 ~~(c) “Designated intermediate care facility” or “facility” means~~
31 ~~a facility as defined in subdivision (e), (g), or (h) of Section~~
32 ~~1250.~~

33 ~~SEC. 2. Section 1324.2 of the Health and Safety Code is~~
34 ~~amended to read:~~

35 ~~1324.2. (a) As a condition for participation in the Medi-Cal~~
36 ~~program, there shall be imposed each state fiscal year upon the~~
37 ~~entire gross receipts of a designated intermediate care facility a~~
38 ~~quality assurance fee, as calculated in accordance with~~
39 ~~subdivision (b).~~

1 ~~(b) The quality assurance fee to be paid pursuant to~~
2 ~~subdivision (d) of Section 1324.4 shall be an amount~~
3 ~~determined each quarter of the state fiscal year by multiplying~~
4 ~~the facility's gross receipts in the preceding quarter by 6 percent.~~
5 ~~For reporting purposes, the quality assurance fee is considered to~~
6 ~~be on a cash basis of accounting.~~

7 ~~(e) This article shall be implemented only as long as all of the~~
8 ~~following conditions are met:~~

9 ~~(1) The federal Centers for Medicare and Medicaid Services~~
10 ~~continues to allow the use of the provider assessment provided~~
11 ~~for in this article for purposes of this article.~~

12 ~~(2) The state has continued its maintenance of effort for the~~
13 ~~level of state funding of reimbursement of the designated~~
14 ~~intermediate care facilities for rate year 2004-05, and for every~~
15 ~~subsequent rate year, in an amount not less than the amount that~~
16 ~~the designated intermediate care facilities would have received~~
17 ~~under the rate methodology in effect on July 1, 2003, plus~~
18 ~~Medi-Cal's projected proportional costs for new state or federal~~
19 ~~mandates, not including the quality assurance fee.~~

20 ~~(3) The full amount of the quality assurance fee assessed and~~
21 ~~collected pursuant to this article remains available to enhance~~
22 ~~federal financial participation in the Medi-Cal program to~~
23 ~~provide support to designated intermediate care facilities for the~~
24 ~~developmentally disabled.~~

25 ~~(d) Designated intermediate care facilities as defined in~~
26 ~~subdivision (e) or (h) of Section 1250 shall not be subject to any~~
27 ~~universal payment delay for the purpose of a prepayment review~~
28 ~~imposed to detect fraud and abuse and implemented by the~~
29 ~~department on other Medi-Cal providers in the 2004-05 rate year~~
30 ~~or any rate year thereafter. This subdivision shall not preclude the~~
31 ~~department from conducting reviews to detect fraud and abuse~~
32 ~~for individual designated facilities in accordance with department~~
33 ~~policy and procedures.~~

34 ~~(e) If a designated intermediate care facility is receiving~~
35 ~~payment for services through a county organized health system,~~
36 ~~the department shall notify the county organized health system of~~
37 ~~its obligation to pay any rate increases to the designated~~
38 ~~intermediate care facility that are a result of increases made~~
39 ~~pursuant to subdivision (c). The department shall devise a~~

1 method to ensure that funding can be advanced to county
2 organized health systems for this purpose.

3 SEC. 3. Section 1324.4 of the Health and Safety Code is
4 amended to read:

5 1324.4. (a) On or before August 31 of each year, each
6 designated intermediate care facility subject to Section 1324.2
7 shall report to the department, in a prescribed form, the facility's
8 gross receipts for the preceding state fiscal year.

9 (b) On or before the last day of each calendar quarter, each
10 designated intermediate care facility shall file a report with the
11 department, in a prescribed form, showing the facility's gross
12 receipts for the preceding quarter.

13 (c) A newly licensed care facility, as defined by the
14 department, shall be exempt from the requirements of
15 subdivision (a) for its first year of operation, but shall complete
16 all requirements of subdivision (b) for any portion of the quarter
17 in which it commences operations.

18 (d) The quality assurance fee shall be paid to the department
19 on or before the last day of the quarter following the quarter for
20 which the fee is imposed, except as provided in subdivision (g).

21 (e) The payment of the quality assurance fee by a designated
22 intermediate care facility shall be reported as an allowable cost
23 for Medi-Cal reimbursement purposes.

24 (f) The department shall make retrospective adjustments, as
25 necessary, in order to assure that the facility's aggregate quality
26 assurance fee for any particular state fiscal year does not exceed
27 6 percent of the facility's aggregate annual gross receipts for that
28 year. In no case shall the aggregate fees collected annually
29 pursuant to this article exceed 6 percent of annual gross receipts
30 for all of the designated intermediate care facilities subject to the
31 fee.

32 (g) If there is a delay in the implementation of this article for
33 any reason, including a delay in the approval by the federal
34 Centers for Medicare and Medicaid of the quality assurance fee
35 or any state plan amendment necessary to implement this article
36 in the 2005-06 rate year or in any other rate year, all of the
37 following shall apply:

38 (1) Any facility subject to the fee may be assessed a fee by the
39 department, but the facility shall not be required to pay the fee
40 until both of the following has occurred:

1 ~~(A) The methodology and any state plan amendments have~~
2 ~~been approved.~~

3 ~~(B) The Medi-Cal rates are increased in accordance with~~
4 ~~subdivision (e) of Section 1324.2 and paid to facilities.~~

5 ~~(2) A facility that has been assessed a fee by the department~~
6 ~~shall pay the fee assessed within 60 days of the date rates are~~
7 ~~established in accordance with subdivision (e) of Section 1324.2~~
8 ~~and paid to facilities.~~

9 ~~(3) The department shall accept a facility's payment~~
10 ~~notwithstanding that the payment is submitted in a subsequent~~
11 ~~fiscal year than the fiscal year in which the fee is assessed.~~

12 ~~SEC. 4. Section 1324.15 is added to the Health and Safety~~
13 ~~Code, to read:~~

14 ~~1324.15. It is the intent of the Legislature to offset the cost of~~
15 ~~implementing this article by using the projected annual savings~~
16 ~~realized and any annual increase in federal financial participation~~
17 ~~received by the state due to the implementation of a modified rate~~
18 ~~structure for intermediate care facilities for the developmentally~~
19 ~~disabled that would broaden the definition of services that can be~~
20 ~~provided by these facilities to include supports and services, such~~
21 ~~as day programs and transportation, or any annual savings~~
22 ~~realized from the depopulation of the Agnews Developmental~~
23 ~~Center.~~