

Senate Bill No. 1448

CHAPTER 76

An act to amend Section 14166.21 of, and to add and repeal Part 3.5 (commencing with Section 15900) of Division 9 of, the Welfare and Institutions Code, relating to health care, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor July 18, 2006. Filed with
Secretary of State July 18, 2006.]

LEGISLATIVE COUNSEL'S DIGEST

SB 1448, Kuehl. Health care: Medi-Cal: uninsured persons.

Existing law provides for the Medi-Cal program, which is administered by the State Department of Health Services and which provides health care services to qualified low-income recipients. The Medi-Cal program is partially governed and funded by federal Medicaid provisions. Existing law, the Hospital/Uninsured Care Demonstration Project Act, implements that portion of a specified federally approved Medicaid demonstration project waiver relating to hospital funding.

Existing law establishes the Health Care Support Fund, which is continuously appropriated to the department for specified purposes related to the implementation of the above demonstration project waiver.

This bill would implement that portion of the federally approved demonstration project waiver relating to the expansion of Medi-Cal managed care enrollment and the extension of health care coverage to individuals currently uninsured. The bill would, in implementation of that waiver and subject to federal financial participation, enact the Health Care Coverage Initiative for the purpose of extending health care coverage to those individuals. The bill would require that the initiative be designed and implemented to achieve specified outcomes, including expanding the number of Californians who have health care coverage. It would require the department to allocate the federal funds available to be claimed, and to select participating programs that best meet the requirements and desired outcomes of the initiative. The bill would provide that a county, city and county, consortium of more than one county, or health authority is eligible to apply for the initiative funds, would specify application requirements, and would require the department to select at least 5 entities and to seek to balance the allocations throughout geographic areas of the state. Allocations would be made for a 3-year period, and selected entities would be required to provide local funds or intergovernmental transfers necessary to claim federal funds. The bill would require that federal funds under the initiative supplement, and not supplant, funds that would otherwise be

used for health care services, and would limit the amount of funds that may be used for program administration.

The bill would require the department, in consultation with any of specified entities, to evaluate the initiative, and would require the department to monitor the programs funded under the initiative for compliance with applicable requirements.

The bill would provide that the provisions governing the initiative shall become inoperative on the date that the director executes a declaration stating that the federal demonstration project waiver has been terminated by the federal Centers for Medicare and Medicaid Services, and shall, 6 months after the date the declaration is executed, be repealed.

This bill would appropriate \$200,000 from the General Fund and \$200,000 from the Federal Trust Fund to the State Department of Health Services for these purposes.

This bill would declare that it is to take effect immediately as an urgency statute.

Appropriation: yes.

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

SECTION 1. Section 14166.21 of the Welfare and Institutions Code is amended to read:

14166.21. (a) The Health Care Support Fund is hereby established in the State Treasury. Notwithstanding Section 13340 of the Government Code, the fund shall be continuously appropriated to the department for the purposes specified in this article.

(b) Amounts in the Health Care Support Fund shall be paid in the following order of priority:

(1) To hospitals for services rendered to Medi-Cal beneficiaries and the uninsured in an amount necessary to meet the aggregate baseline funding amount, or the adjusted aggregate baseline funding amount for project years after the 2005-06 project year, as specified in subdivision (d) of Section 14166.5, subdivision (b) of Section 14166.13, and Section 14166.18, taking into account all other payments to each hospital under this article. If the amount in the Health Care Support Fund is inadequate to provide full aggregate baseline funding, or adjusted aggregate baseline funding, to all designated public hospitals, project year private DSH hospitals, and nondesignated public hospitals, each group's payments shall be reduced pro rata.

(2) To the extent necessary to maximize federal funding under the demonstration project and consistent with Section 14166.22, the department may obtain safety net care pool funds based on health care expenditures incurred by the department for uncompensated medical care costs of medical services provided to uninsured individuals, as approved by the federal Centers for Medicare and Medicaid Services.

(3) Stabilization funding, allocated and paid in accordance with Sections 14166.75, 14166.14, and 14166.19.

(c) Any amounts remaining after final reconciliation of all amounts due at the end of a project year shall remain available for payments in accordance with this section in the next project year.

(d) The fund shall include any interest that accrues on amounts in the fund.

SEC. 2. Part 3.5 (commencing with Section 15900) is added to Division 9 of the Welfare and Institutions Code, to read:

PART 3.5. HEALTH CARE COVERAGE INITIATIVE

15900. The Legislature finds and declares the following:

(a) Approximately 21 percent of nonelderly Californians lack health insurance coverage. Many are low-income individuals who are not eligible for existing public health coverage programs.

(b) One hundred eighty million dollars (\$180,000,000) in federal funds will be available for three years to reimburse for public expenditures made under a Health Care Coverage Initiative for uninsured individuals. These funds are to be provided pursuant to the Special Terms and Conditions of California's Section 1115 Medicaid demonstration project waiver number 11-W-00193/9 relating to hospital financing and health coverage expansion.

(c) California's health care safety net system plays an essential role in delivering critical health services to low-income individuals.

(d) Local governments have the unique ability to design health service delivery models that meet the needs of their diverse populations and build on local infrastructures.

15901. (a) There is hereby established the Health Care Coverage Initiative to expand health care coverage to low-income uninsured individuals in California.

(b) The Health Care Coverage Initiative shall operate pursuant to the Special Terms and Conditions of California's Section 1115 Medicaid demonstration project waiver number 11-W-00193/9 relating to hospital financing and health coverage expansion that became effective September 1, 2005. The initiative shall be implemented only to the extent that federal financial participation is available.

15902. (a) Persons eligible to be served by the Health Care Coverage Initiative are low-income uninsured individuals who are not currently eligible for the Medi-Cal program, Healthy Families Program, or Access for Infants and Mothers program.

(b) Funding for the Health Care Coverage Initiative shall be used to expand health care coverage for eligible uninsured individuals.

(c) Any expansion of health care coverage for uninsured individuals shall not diminish access to health care available for other uninsured

individuals, including access through disproportionate share hospitals, county clinics, or community clinics.

(d) Services provided under the Health Care Coverage Initiative shall be available to those eligible uninsured individuals enrolled in a Health Care Coverage program, and nothing in this part shall be construed to create an entitlement program of any kind.

(e) No state General Fund moneys shall be used to fund the Health Care Coverage Initiative, nor to fund any related administrative costs provided to counties.

15903. The Health Care Coverage Initiative shall be designed and implemented to achieve all of the following outcomes:

(a) Expand the number of Californians who have health care coverage.

(b) Strengthen and build upon the local health care safety net system, including disproportionate share hospitals, county clinics, and community clinics.

(c) Improve access to high quality health care and health outcomes for individuals.

(d) Create efficiencies in the delivery of health services that could lead to savings in health care costs.

(e) Provide grounds for long-term sustainability of the programs funded under the initiative.

(f) Implement programs in an expeditious manner in order to meet federal requirements regarding the timing of expenditures.

15904. (a) The State Department of Health Services shall issue a request for applications for funding the Health Care Coverage Initiative.

(b) The department shall allocate federal funds available to be claimed under the Health Care Coverage programs.

(c) The department shall select the Health Care Coverage programs that best meet the requirements and desired outcomes set forth in this part.

(d) The following elements shall be used in evaluating the proposals to make selections and to determine the allocation of the available funds:

(1) Enrollment processes, with an identification system to demonstrate enrollment of the uninsured into the program.

(2) Use of a medical record system, which may include electronic medical records.

(3) Designation of a medical home and assignment of eligible individuals to a primary care provider. For purposes of this paragraph, “medical home” means a single provider or facility that maintains all of an individual’s medical information. The primary care provider shall be a provider from which the enrollee can access primary and preventive care.

(4) Provision of a benefit package of services, including preventive and primary care services, and care management services designed to treat individuals with chronic health care conditions, mental illness, or who have high costs associated with their medical conditions, to improve their health and decrease future costs. Benefits may include case management services.

(5) Quality monitoring processes to assess the health care outcomes of individuals enrolled in the Health Care Coverage program.

(6) Promotion of the use of preventive services and early intervention.

(7) The provision of care to Medi-Cal beneficiaries by the applicant and the degree to which the applicant coordinates its care with services provided to Medi-Cal beneficiaries.

(8) Screening and enrollment processes for individuals who may qualify for enrollment into Medi-Cal, the Healthy Families Program, and the Access for Infants and Mothers Program prior to enrollment into the Health Care Coverage program.

(9) The ability to demonstrate how the Health Care Coverage program will promote the viability of the existing safety net health care system.

(10) Documentation to support the applicant's ability to implement the Health Care Coverage program by September 1, 2007, and to use its allocation for each project year.

(11) Demonstration of how the program will provide consumer assistance to individuals applying to, participating in, or accessing services in the program.

(e) Entities eligible to apply for the initiative funds are a county, city and county, consortium of counties serving a region consisting of more than one county, or health authority. No entity shall submit more than one proposal.

(f) The department shall rank the program applications based on the criteria in this section. The amount of federal funding available to be claimed shall be allocated based upon the ranking of the applications. The department shall allocate the available federal funding to the highest ranking applications until all of the funding is allocated. The department shall select at least five programs, and no single program shall receive an allocation greater than 30 percent of the total federal allotment. The department is not required to fund the entire amount requested in a program application.

(g) The department shall seek to balance the allocations throughout geographic areas of the state.

(h) Each county, city and county, consortium of counties, or health authority that is selected to receive funding shall provide the necessary local funds for the nonfederal share of the certified public expenditures, or intergovernmental transfers to the extent allowable under the demonstration project, required to claim the federal funds made available from the federal allotment. The certified public expenditures, or intergovernmental transfers to the extent allowable under the demonstration project, shall meet the requirements of the Special Terms and Conditions of California's Section 1115 Medicaid demonstration project waiver number 11-W-00193/9 relating to hospital financing and health coverage expansion that became effective September 1, 2005.

(i) The federal allocation shall be available to the selected programs for the three-year period covering the Health Care Coverage program pursuant to the Special Terms and Conditions of California's Section 1115

Medicaid demonstration project waiver number 11-W-00193/9 relating to hospital financing and health coverage expansion, unless the selected programs do not incur expenditures sufficient to claim the allocation of federal funds in the particular program year. Selected programs shall expend the funds according to an expenditure schedule determined by the department.

(j) The department may reallocate the available federal funds among selected programs or other program applicants that were previously not selected for funding, if necessary to meet federal requirements regarding the timing of expenditures, notwithstanding subdivision (f). If a selected program fails to substantially comply with the requirements of this article, the department may reallocate the available federal funds from that selected program to other selected programs or other program applications that previously were not selected for funding. If a selected program is unable to meet its spending targets, determined at the end of the second quarter of each program year, the department may reallocate funds to other selected programs or other program applications that previously were not selected for funding, to ensure that all available federal funds are claimed. Selected programs receiving reallocated funds must have the ability to make the certified public expenditures necessary to claim the reallocated federal funds.

(k) Federal funds provided for the initiative shall supplement, and not supplant, any county, city and county, health authority, state, or federal funds that would otherwise be spent on health care services in the county, city and county, consortium of counties, or a health authority region. Federal funds allocated under the initiative shall reimburse the selected county, city and county, consortium of counties, or health authority for the benefits and services provided under subdivision (d) of Section 15904. Administrative costs associated with the development and management of the initiative shall not be paid from the Health Care Coverage program allocation, and any allocations for administrative funds shall be in addition to the allocations made for the initiative.

15905. Applications submitted to the department shall include, but not be limited to, each of the following:

(a) A description of the proposed Health Care Coverage program, including, but not limited to, all of the following:

- (1) Eligibility criteria.
- (2) Screening and enrollment processes that include an identification system to demonstrate enrollment into the Health Care Coverage program.
- (3) Screening processes to identify individuals who may qualify for enrollment into Medi-Cal, the Healthy Families Program, or the Access for Infants and Mothers Program.

(b) A description of the quality monitoring system to be implemented with the Health Care Coverage program.

(c) A description of the population to be served.

(d) A list of health care providers who have agreed to participate in the Health Care Coverage program.

(e) A description of the organized health care delivery systems to be used for the Health Care Coverage program, including, but not limited to, designation of a medical home and processes used to assign eligible individuals to a primary care provider.

(f) A list of the health benefits to be provided, including the preventive and primary care services and how they will be promoted.

(g) A description of the care management services to be provided, and the providers of those services.

(h) A calculation of the average cost per individual served.

(i) The number of individuals to be served.

(j) The mechanism under which the proposed Health Care Coverage Initiative will make expenditures to, or on behalf of, providers and other entities, including, but not limited to, documentation to support the ability to implement the Health Care Coverage program by September 1, 2007, and to claim the full amount of the allocation for each program year.

(k) A description of the source of the local nonfederal share of funds.

(l) A description of how the proposed Health Care Coverage program will strengthen the local health care safety net system.

(m) A consent form signed by the applicant to provide requested data elements as required per the Special Terms and Conditions of California's Section 1115 Medicaid demonstration project waiver number 11-W-00193/9 relating to hospital financing and health coverage expansion.

(n) Use of a reliable medical record system, that may include, but need not be limited to, existing electronic medical records.

(o) A complete description of health care services currently provided to Medi-Cal beneficiaries and a description as to how the proposed Health Care Coverage program will coordinate its Health Care Coverage program with services provided to Medi-Cal beneficiaries.

15906. (a) The department shall seek partnership with an independent, nonprofit group or foundation, an academic institution, or a governmental entity providing grants for health-related activities, to evaluate the programs funded under the initiative.

(b) The evaluation shall, at a minimum, include an assessment of the extent to which the programs have met the outcomes listed in Section 15903.

(c) The department and the selected programs shall provide the data for the evaluation.

(d) The evaluation shall be submitted concurrently to the appropriate policy and fiscal committees of the Legislature and to the Secretary of Health and Human Services.

15907. (a) The department shall monitor the programs funded under the initiative for compliance with applicable federal requirements and the requirements under this part, and pursuant to the Special Terms and Conditions of California's Section 1115 Medicaid demonstration project waiver number 11-W-00193/9 relating to hospital financing and health coverage expansion.

(b) To the extent necessary to implement this part, the department shall submit, by September 1, 2006, to the federal Centers for Medicare and Medicaid Services, proposed waiver amendments on the structure of, and eligibility and benefits under, the Health Care Coverage Initiative.

(c) The department shall monitor the allocations to selected programs at least quarterly for spending levels.

(d) No funds made available from the Health Care Support Fund for the Health Care Coverage Initiative shall be used by the department for administration.

(e) The request for applications, including any part of the process described herein for selecting entities to operate the Health Care Coverage programs, and any agreements entered into with a county, city and county, consortium of counties, or health authority pursuant to this part shall not be subject to Part 2 (commencing with Section 10100) of Division 2 of the Public Contract Code.

(f) The department may adopt regulations to implement this part. These regulations may initially be adopted as emergency regulations in accordance with the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code). For purposes of this part, the adoption of regulations shall be deemed an emergency and necessary for the immediate preservation of the public peace, health, and safety or general welfare. Any emergency regulations adopted pursuant to this section shall not remain in effect subsequent to the date that this part is repealed pursuant to Section 15908.

(g) As an alternative to subdivision (f), and notwithstanding the rulemaking provisions of Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, or any other provision of law, the department may implement and administer this part by means of provider bulletins, county letters, manuals, or other similar instructions, without taking regulatory action. The department shall notify the fiscal and appropriate policy committees of the Legislature of its intent to issue a provider bulletin, county letter, manual, or other similar instruction, at least five days prior to issuance. In addition, the department shall provide a copy of any provider bulletin, county letter, manual, or other similar instruction issued under this paragraph to the fiscal and appropriate policy committees of the Legislature.

(h) The department shall consult with interested parties and appropriate stakeholders regarding the implementation and ongoing administration of this part.

15908. This part shall become inoperative on the date that the director executes a declaration, which shall be retained by the director and provided to the fiscal and appropriate policy committees of the Legislature, stating that the federal demonstration project provided for in this part has been terminated by the federal Centers for Medicare and Medicaid Services, and shall, six months after the date the declaration is executed, be repealed.

SEC. 3. There is hereby appropriated the sum of two hundred thousand dollars (\$200,000) from the General Fund and the sum of two hundred thousand dollars (\$200,000) from the Federal Trust Fund, to the State Department of Health Services for expenditure purposes for the Health Care Coverage Initiative established pursuant to Part 3.5 (commencing with Section 15900) of Division 9 of the Welfare and Institutions Code, to fund State Department of Health Services staff positions to support activities related to the implementation, monitoring, and continuous operation, oversight and reporting on financial and other components of the Health Care Coverage Initiative in compliance with federal requirements, and the requirements of the Special Terms and Conditions of California's Section 1115 Medi-Cal Hospital/Uninsured Care Demonstration, Number 11-W-00193/9.

SEC. 4. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to implement the federal Medicaid demonstration project waiver number 11-W-00193/9 and to ensure that uninsured individuals who need health care receive that care at the earliest possible time, it is necessary that this act take effect immediately.