

AMENDED IN SENATE AUGUST 21, 2012  
AMENDED IN SENATE JUNE 25, 2012  
AMENDED IN ASSEMBLY MAY 25, 2012  
AMENDED IN ASSEMBLY APRIL 17, 2012  
AMENDED IN ASSEMBLY MARCH 20, 2012  
CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

**ASSEMBLY BILL**

**No. 2266**

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**Introduced by Assembly Member Mitchell  
(Principal coauthor: Assembly Member Atkins)  
(Coauthors: Assembly Members Wieckowski and Williams)**

February 24, 2012

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An act to add Article 3.9 (commencing with Section 14127) to Chapter 7 of Part 3 of Division 9 of the Welfare and Institutions Code, relating to Medi-Cal.

LEGISLATIVE COUNSEL'S DIGEST

AB 2266, as amended, Mitchell. ~~Medi-Cal: Enhanced Health Homes for Frequent Hospital Users with Chronic Conditions.~~ *Health Homes for Medi-Cal Enrollees and 1115 Waiver Demonstration Populations with Chronic and Complex Conditions.*

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 federal law authorizes a state, subject to federal approval of a state plan amendment, to offer health

home services, as defined, to eligible individuals with chronic conditions.

~~This bill would require the department, upon approval of a state plan amendment and subject to the availability of specified funding, to establish a program to provide health home services to frequent hospital users, as prescribed. If federal matching funds are available, this bill would require the department to prepare, or contract for the preparation of, an evaluation of the program, and to complete the evaluation and submit a report to the appropriate policy and fiscal committees of the Legislature within 18 months after designated providers have been selected and have begun to seek payment.~~

*This bill would authorize the department, subject to federal approval, to create a health home program for enrollees with chronic conditions, as prescribed, as authorized under federal law. If the department exercises its authority to create a health home program for enrollees with chronic conditions, this bill would require the department to, subject to federal approval, also create an enhanced health home program for enrollees with complex conditions, as prescribed. This bill would require the department to ensure that an evaluation of the program is completed, if created by the department, and would require that the department submit a report to the appropriate policy and fiscal committees of the Legislature within 2 years after implementation of the program.*

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) The Health Homes for Enrollees with Chronic Conditions
- 4 option (Health Homes option) under Section 2703 of the federal
- 5 Patient Protection and Affordable Care Act (Affordable Care Act)
- 6 (42 U.S.C. Sec. 1396w-4) offers an opportunity for California to
- 7 address complex, ~~co-occurring,~~ *and* chronic, ~~and disabling~~ health
- 8 conditions, as well as social determinants of poor health outcomes
- 9 and high costs among Medi-Cal beneficiaries.
- 10 ~~(b) Almost half of the people who frequently use the emergency~~
- 11 ~~department for reasons that could have been avoided with earlier~~
- 12 ~~or primary care are homeless. People who are chronically homeless~~

1 are vulnerable to frequent hospitalization. Frequent users who are  
2 homeless face significant difficulties accessing regular or  
3 preventive care and complying with treatment protocols, having  
4 no place to store medications, an inability to adhere to a healthy  
5 diet or maintain appropriate hygiene, frequent victimization, and  
6 a lack of rest to recover from illness. Homeless Medi-Cal enrollees  
7 will, in fact, continue to use costly acute care services and actually  
8 increase their inpatient days, even if receiving medical home  
9 services to reduce their return to the hospital.

10 (b) For example, people who frequently use hospitals for reasons  
11 that could have been avoided with more appropriate care incur  
12 high Medi-Cal costs and suffer poor health outcomes due to the  
13 complexity of their conditions and, often, their negative social  
14 determinants of health. Frequent users have difficulties accessing  
15 regular or preventive care and complying with treatment protocols,  
16 and the significant number who are homeless have no place to  
17 store medications, cannot adhere to a healthy diet or maintain  
18 appropriate hygiene, face frequent victimization, and lack rest  
19 when recovering from illness.

20 (c) Increasingly, health providers are partnering with community  
21 behavioral health, and social services, and housing providers to  
22 offer a person-centered interdisciplinary system of care that  
23 includes intensive paraprofessional care coordination or case  
24 management, often in supportive housing. Programs that offer  
25 intensive and comprehensive care coordination to frequent hospital  
26 users integrate primary care, behavioral health care, and social  
27 services, and facilitate coordination of care among health systems,  
28 making this model an ideal health home that fosters a “whole  
29 person” orientation effectively addresses the needs of enrollees  
30 with multiple chronic or complex conditions, including frequent  
31 hospital users and people experiencing chronic homelessness.  
32 These health homes help people with chronic and complex  
33 conditions to access better care and better health, while decreasing  
34 costs.

35 (d) Data show that programs providing intensive case  
36 management and care coordination, including connecting to and  
37 sustaining people in housing, decrease Medicaid costs within a  
38 year by reducing avoidable emergency department visits, hospital  
39 admissions, and readmissions. A randomized study of chronically  
40 homeless frequent users receiving intensive case management in

1 housing demonstrated decreases in hospital admission rates of 46  
 2 percent, hospital days of 46 percent, and emergency department  
 3 visits of 36 percent after 18 months of intervention, compared to  
 4 a control group receiving usual care. Medi-Cal beneficiaries  
 5 participating in foundation-funded frequent user programs  
 6 experienced reductions in Medi-Cal costs of three thousand eight  
 7 hundred forty-one dollars (\$3,841) per beneficiary after one year  
 8 and seven thousand five hundred nineteen dollars (\$7,519) per  
 9 beneficiary per year after two years, while drastically improving  
 10 clinical outcomes.

11 (e) Additionally, the Massachusetts Office of Medicaid, as  
 12 another example, reported that its Medicaid Program offering  
 13 intensive interdisciplinary services and connecting chronically  
 14 homeless individuals to housing reduced Medicaid costs by 67  
 15 percent for a total cost decrease of nine thousand eight hundred  
 16 ten dollars (\$9,810) per resident, even when considering the costs  
 17 of housing.

18 (f)

19 (d) Federal guidelines allow the state to access enhanced federal  
 20 matching rates under the Health Homes option for multiple target  
 21 populations to achieve more than one policy goal.

22 SEC. 2. Article 3.9 (commencing with Section 14127) is added  
 23 to Chapter 7 of Part 3 of Division 9 of the Welfare and Institutions  
 24 Code, to read:

25

26 Article 3.9. ~~Enhanced Health Homes for Frequent Hospital~~  
 27 ~~Users with Chronic Conditions~~ *Health Homes for Medi-Cal*  
 28 *Enrollees and 1115 Waiver Demonstration Populations with*  
 29 *Chronic and Complex Conditions*  
 30

31 14127. For the purposes of this article, the following definitions  
 32 shall apply:

33 (a) “Department” means the State Department of Health Care  
 34 Services.

35 (b) “Eligible individual” means an individual who meets the  
 36 criteria defined by the department. *“Individual eligible for*  
 37 *enhanced health home services” means an individual who meets*  
 38 *the criteria defined by the department, consistent with subdivision*

39 (c) of Section ~~14127.1 for eligibility for enhanced health home~~  
 40 ~~services identified in subdivision (d) of Section 14127.2.~~

1 (c) (1) “Enhanced health home” means a designated provider,  
2 such as a physician, clinical practice or clinical group practice,  
3 rural health clinic, community health center, community mental  
4 health center, home health agency, or any other entity or provider,  
5 operating or proposing to operate in coordination with a team of  
6 health care professionals, such as physicians, nurse care  
7 coordinators, nutritionists, social workers, behavioral health  
8 professionals, and paraprofessionals; so designated by the  
9 department that satisfies all of the following:

10 (1)

11 (A) Meets the criteria described in federal guidelines.

12 (2)

13 (B) Offers a whole person approach, such as, but not limited to,  
14 coordinating services for all of the needs affecting the health of  
15 an individual eligible for enhanced health home services.

16 (3) Coordinates or proposes to coordinate services for all of the  
17 needs of eligible individuals.

18 (4)

19 (C) Elects to participate in the program pursuant to this article.

20 (5)

21 (D) Offers services in a range of settings, including the eligible  
22 individual’s home as appropriate to meet the needs of an individual  
23 eligible for enhanced health home services.

24 (2) An enhanced health home includes a lead provider that is  
25 a community clinic, a mental health plan, or a hospital, and may  
26 include a physician, clinical practice or clinical group practice,  
27 rural health clinic, community health center, community mental  
28 health center, home health agency, nurse care coordinators,  
29 nutritionists, social workers, behavioral health professionals, and  
30 paraprofessionals, or any other entity or provider.

31 (d) “Federal guidelines” means all federal statutory guidance,  
32 and all regulatory and policy guidelines issued by the federal  
33 Centers for Medicare and Medicaid Services regarding the Health  
34 Homes for Enrollees with Chronic Conditions option under Section  
35 2703 of the federal Patient Protection and Affordable Care Act  
36 (*Affordable Care Act*) (42 U.S.C. Sec. 1396w-4), including the  
37 State Medicaid Director Letter issued on November 16, 2010.

38 (e) “Health home” means a provider or team of providers the  
39 department designates that meets federal guidelines as a health  
40 home. The department may determine the model of health home

1 *it intends to create, including any entity, provider, or group of*  
2 *providers operating as a health team, as a team of health care*  
3 *professionals, or as a designated provider, as those terms are*  
4 *defined in Sections 3502(c)(2) and 1945(h)(5) and (h)(6) of the*  
5 *Affordable Care Act, respectively.*

6 (e)

7 (f) “Homeless” has the same meaning as that term is defined in  
8 Section 91.5 of Title 24 of the Code of Federal Regulations.  
9 “Chronic homelessness” means the state of an ~~adult~~ *individual*  
10 whose conditions limit his or her activities of daily living and who  
11 has experienced homelessness for longer than a year or for four  
12 or more episodes over three years.

13 ~~14127.1. (a) No later than January 1, 2014, the department~~  
14 ~~shall do all of the following:~~

15 ~~14127.1. Health homes for enrollees with chronic conditions.~~  
16 ~~Subject to federal approval, the department may do all of the~~  
17 ~~following to create a health home program, as authorized under~~  
18 ~~Section 2703 of the Affordable Care Act:~~

19 (a) *Design, with opportunity for public comment, a program to*  
20 *provide health home services to Medi-Cal beneficiaries and Section*  
21 *1115 waiver demonstration populations with chronic conditions.*

22 (b) *Contract with new providers, new managed care plans,*  
23 *existing Medi-Cal providers, existing managed care plans, or*  
24 *counties to provide health home services, as provided in Section*  
25 *14128.*

26 (c) *Submit any necessary applications to the federal Centers*  
27 *for Medicare and Medicaid Services for a state plan amendment*  
28 *and Section 1115 waiver demonstration amendment to provide*  
29 *health home services to Medi-Cal beneficiaries, to newly eligible*  
30 *Medi-Cal beneficiaries upon Medicaid expansion under the*  
31 *Affordable Care Act, and, if applicable, to Low Income Health*  
32 *Program (LIHP) enrollees in counties with LIHPs willing to match*  
33 *federal funds.*

34 (d) *Define the populations of eligible individuals.*

35 (e) *Develop a payment methodology, including, but not limited*  
36 *to, fee-for-service or per member, per month payment structures.*

37 (f) *Identify health home services, consistent with federal*  
38 *guidelines.*

39 ~~14127.2. Enhanced health homes for enrollees with complex~~  
40 ~~conditions. If the department creates a health home program~~

1 *pursuant to Section 14127.1, it shall include an enhanced health*  
2 *home program, subject to federal approval under Section 2703 of*  
3 *the Affordable Care Act.*

4 *(a) In creating an enhanced health home program, the*  
5 *department shall do all of the following:*

6 (1) Design, with opportunity for public comment, a program to  
7 provide enhanced health home services *identified in subdivision*  
8 *(g) to persons at high risk of avoidable and frequent use of hospital*  
9 *services due to complex co-occurring health and behavioral health*  
10 *conditions.*

11 ~~(2) Upon a request for proposals process, select providers in~~  
12 ~~accordance with subdivision (c) of Section 14127.2, as designated~~  
13 ~~providers working in coordination with health care providers under~~  
14 ~~the Health Homes option state plan amendment.~~

15 (2) *Contract with new and existing providers, new and existing*  
16 *managed care plans, or counties in accordance with the selection*  
17 *criteria identified in subdivision (h), as designated enhanced health*  
18 *homes.*

19 ~~(3) Submit any necessary applications—Include an enhanced~~  
20 ~~health home program in an application to the federal Centers for~~  
21 ~~Medicare and Medicaid Services for a state plan amendment under~~  
22 ~~the Health Homes option to provide enhanced health home services~~  
23 ~~to Medi-Cal beneficiaries, to newly eligible Medi-Cal beneficiaries~~  
24 ~~upon Medicaid expansion under the Affordable Care Act, and to~~  
25 ~~Low Income Health Program (LIHP) enrollees, if applicable, in~~  
26 ~~counties with LIHPs willing to match federal funds.~~

27 (b) The program established pursuant to this ~~article~~ *section* shall  
28 provide services to Medi-Cal beneficiaries, to newly enrolled  
29 Medi-Cal beneficiaries upon implementation of Medicaid  
30 expansion under the Affordable Care Act, and, if applicable, in  
31 counties with a LIHP ~~established under California's Bridge to~~  
32 ~~Reform Section 1115(a) Medicaid Demonstration implemented~~  
33 ~~on November 1, 2010, willing to match federal funds, to enrollees~~  
34 ~~of the LIHP. The program established pursuant to this article shall~~  
35 ~~be designed to reduce a participating individual's avoidable use~~  
36 ~~of hospitals when more effective care, including primary and~~  
37 ~~specialty care, and social services, can be provided in less costly~~  
38 ~~settings.~~

39 ~~(e) The department shall seek, to the extent permitted by federal~~  
40 ~~law and to the extent federal approval is obtained, to define the~~

1 ~~population of eligible individuals experiencing both of the~~  
 2 ~~following:~~

3 *(c) Designated enhanced health home providers shall determine*  
 4 *whether an individual is eligible for enhanced health home*  
 5 *services. An individual is eligible for enhanced health home*  
 6 *services if the individual is a Medi-Cal beneficiary or, if applicable,*  
 7 *a LIHP beneficiary who meets both of the following criteria:*

8 (1) Two or more of the following current diagnoses:

9 (A) Mental health disorders identified by the department as  
 10 prevalent among frequent hospital users.

11 (B) Substance abuse or substance dependence disorders.

12 (C) Chronic or life-threatening medical conditions identified  
 13 by the department as prevalent among frequent hospital users.

14 (D) Significant cognitive impairments associated with traumatic  
 15 brain injury, dementia, or other causes.

16 (2) Two or more of the following indicators of severity:

17 (A) Frequent inpatient hospital admissions, including long-term  
 18 hospitalization for medical, psychiatric, or substance abuse related  
 19 conditions.

20 (B) Excessive use of crisis or emergency services or inpatient  
 21 hospital care with failed linkages to primary care or behavioral  
 22 health care.

23 (C) Chronic homelessness.

24 (D) History of inadequate followthrough, related to risk factors,  
 25 with elements of a treatment plan, including lack of followthrough  
 26 in taking medications, following a crisis plan, or achieving stable  
 27 housing.

28 (E) Two or more episodes of use of detoxification services.

29 (F) Medication resistance due to intolerable side effects, or  
 30 illness interfering with consistent self-management of medications.

31 (G) Self-harm or threats of harm to others.

32 (H) Evidence of significant complications in health conditions.

33 *(d) The department may establish other criteria to allow*  
 34 *additional Medi-Cal or LIHP beneficiaries to be eligible for*  
 35 *enhanced health home services.*

36 *(e) This section shall not be construed to permit providers to*  
 37 *determine whether an individual is eligible for Medi-Cal or LIHP.*

38 *(f) The department may develop a payment methodology other*  
 39 *than a fee-for-service payment, including, but not limited to, a per*  
 40 *member, per month payment to designated providers.*

1 (g) (1) Subject to federal approval for receipt of the enhanced  
2 federal match, services provided under the program established  
3 pursuant to this section shall include all of the following:

- 4 (A) Comprehensive and individualized case management.
- 5 (B) Care coordination and health promotion, including  
6 connection to medical, mental health, and substance abuse care.
- 7 (C) Comprehensive transitional care from inpatient to other  
8 settings, including appropriate followup.
- 9 (D) Individual and family support, including authorized  
10 representatives.
- 11 (E) If relevant, referral to other community and social services  
12 supports, including transportation to appointments needed to  
13 manage health needs, connection to housing for participants who  
14 are homeless or unstably housed, and peer and recovery support.
- 15 (F) Health information technology to identify eligible individuals  
16 and link services, if feasible and appropriate.

17 (2) Beneficiaries may require less intensive services or graduate  
18 completely from the program upon stabilization.

19 (h) For purposes of implementing this section, the department  
20 shall ensure that designated providers, managed care organizations  
21 subcontracting with providers, or counties subcontracting with  
22 providers offer all of the following:

- 23 (1) A designated lead provider that is a community clinic, a  
24 mental health plan pursuant to Section 14712, or a hospital.
- 25 (2) Demonstrated experience working with frequent hospital  
26 users, with documentation of experience reducing emergency  
27 department visits and hospital inpatient days among the population  
28 served.
- 29 (3) Demonstrated experience working with people experiencing  
30 chronic homelessness.
- 31 (4) The capacity and administrative infrastructure to participate  
32 in the program, including the ability to meet requirements of  
33 federal guidelines.
- 34 (5) Documented ability to provide or to link clients with  
35 appropriate community-based services, including intensive  
36 individualized face-to-face care coordination, primary care,  
37 specialty care, mental health treatment, substance abuse treatment,  
38 peer and recovery support, permanent or transitional housing,  
39 and transportation.

- 1 (6) Experience working with supportive or other permanent
- 2 housing providers.
- 3 (7) Current partnership with essential community hospitals.
- 4 (8) A viable plan, with roles identified among providers of the
- 5 enhanced health home, to do all of the following:
- 6 (A) Reach out to and engage frequent hospital users and
- 7 chronically homeless eligible individuals.
- 8 (B) Connect eligible individuals who are homeless or
- 9 experiencing housing instability to permanent housing, including
- 10 supportive housing.
- 11 (C) Ensure eligible individuals receive integrated services
- 12 needed to access and maintain health stability.
- 13 (D) Track, maintain, and provide outcome data as required by
- 14 the department for purposes of the evaluation required pursuant
- 15 to Section 14127.4.
- 16 (E) Identify appropriate funding sources for the nonfederal
- 17 share of costs of services for the first eight quarters of
- 18 implementation of the program.
- 19 (F) Identify appropriate funding sources for the nonfederal
- 20 share of costs of services to sustain program funding beyond the
- 21 first eight quarters of implementation of the program. Identifying
- 22 sources may include a plan to partner with managed care
- 23 organizations, counties, hospitals, private funders, or others.
- 24 ~~14127.2.—(a) In accordance with federal guidelines, the state~~
- 25 ~~may limit the availability of services geographically, provided that~~
- 26 ~~providers meet criteria identified in subdivision (e) in each county~~
- 27 ~~designated.~~
- 28 ~~(b) The department may designate providers working under a~~
- 29 ~~managed care organization contract or as a fee-for-service provider.~~
- 30 ~~(c) The department may develop a payment methodology other~~
- 31 ~~than a fee-for-service payment, including a per member, per month~~
- 32 ~~payment to designated providers.~~
- 33 ~~(d) (1) Subject to federal approval for receipt of the enhanced~~
- 34 ~~federal match, services provided under the program established~~
- 35 ~~pursuant to this article shall include all of the following:~~
- 36 ~~(A) Comprehensive and individualized case management.~~
- 37 ~~(B) Care coordination and health promotion, including~~
- 38 ~~connection to medical, mental health, and substance abuse care.~~
- 39 ~~(C) Comprehensive transitional care from inpatient to other~~
- 40 ~~settings, including appropriate followup.~~

- 1     ~~(D) Individual and family support, including authorized~~  
2 ~~representatives.~~
- 3     ~~(E) If relevant, referral to other community and social services~~  
4 ~~supports, including transportation to appointments needed to~~  
5 ~~manage health needs, connection to housing for participants who~~  
6 ~~are homeless or unstably housed, and peer and recovery support.~~
- 7     ~~(F) Health information technology to identify eligible individuals~~  
8 ~~and link services, if feasible and appropriate.~~
- 9     ~~(2) Beneficiaries may require less intensive services or graduate~~  
10 ~~completely from the program upon stabilization.~~
- 11     ~~(e) The department shall select designated providers operating~~  
12 ~~with a team of health care professionals that have all of the~~  
13 ~~following:~~
- 14         ~~(1) A designated lead provider that is a community clinic, a~~  
15 ~~provider of mental health services pursuant to the Adult and Older~~  
16 ~~Adult Mental Health System of Care Act (Part 3 (commencing~~  
17 ~~with Section 5800) of Division 5), or a hospital.~~
- 18         ~~(2) Demonstrated experience working with frequent hospital~~  
19 ~~users, with documentation of experience reducing emergency~~  
20 ~~department visits and hospital inpatient days among the population~~  
21 ~~served.~~
- 22         ~~(3) Demonstrated experience working with people experiencing~~  
23 ~~chronic homelessness.~~
- 24         ~~(4) The capacity and administrative infrastructure to participate~~  
25 ~~in the program, including the ability to meet requirements of federal~~  
26 ~~guidelines.~~
- 27         ~~(5) Documented ability to provide or to link clients with~~  
28 ~~appropriate community-based services, including intensive~~  
29 ~~individualized face-to-face care coordination, primary care,~~  
30 ~~specialty care, mental health treatment, substance abuse treatment,~~  
31 ~~peer and recovery support, permanent or transitional housing, and~~  
32 ~~transportation.~~
- 33         ~~(6) Experience working with supportive or other permanent~~  
34 ~~housing providers.~~
- 35         ~~(7) Current partnership with essential community hospitals,~~  
36 ~~particularly the hospital or hospitals serving a high proportion of~~  
37 ~~Medi-Cal patients, such as disproportionate share hospitals.~~
- 38         ~~(8) A viable plan, with roles identified among providers of the~~  
39 ~~enhanced health home, to do all of the following:~~

1 ~~(A) Reach out to and engage frequent hospital users and~~  
2 ~~chronically homeless eligible individuals.~~

3 ~~(B) Connect eligible individuals who are homeless or~~  
4 ~~experiencing housing instability to permanent housing, including~~  
5 ~~supportive housing.~~

6 ~~(C) Ensure eligible individuals receive whatever integrated~~  
7 ~~services are needed to access and maintain health stability,~~  
8 ~~including medical, mental health, and substance abuse care and~~  
9 ~~social services to address social determinants of health.~~

10 ~~(D) Track, maintain, and provide outcome data to the evaluator~~  
11 ~~described in Section 14127.4.~~

12 ~~(E) Identify appropriate funding sources for the nonfederal share~~  
13 ~~of costs of services for the first eight quarters of implementation~~  
14 ~~of the program.~~

15 ~~(F) Identify appropriate funding sources for the nonfederal share~~  
16 ~~of costs of services to sustain program funding beyond the first~~  
17 ~~eight quarters of implementation of the program. Identifying~~  
18 ~~sources may include a plan to partner with managed care~~  
19 ~~organizations, counties, hospitals, private funders, or others.~~

20 14127.3. (a) *The department shall administer this article in a*  
21 *manner that attempts to maximize federal financial participation,*  
22 *consistent with federal law.*

23 (b) This article shall not be construed to preclude local  
24 governments, health plans, or foundations from contributing the  
25 nonfederal share of costs for services provided under this program.  
26 *The department may also enter into risk-sharing and social impact*  
27 *bond program agreements to fund services under this article.*

28 ~~(b) This article shall not be construed to limit the department~~  
29 ~~in targeting additional populations or creating additional programs~~  
30 ~~under the Health Homes option.~~

31 ~~(c) Notwithstanding Chapter 3.5 (commencing with Section~~  
32 ~~11340) of Part 1 of Division 3 of Title 2 of the Government Code,~~  
33 ~~the department may implement this article through provider~~  
34 ~~bulletins or similar instructions, without taking regulatory action.~~

35 (c) *In accordance with federal guidelines, the state may limit*  
36 *availability of health home or enhanced health home services*  
37 *geographically.*

38 14127.4. (a) ~~If federal matching funds are available, the~~  
39 ~~department implements a health home or enhanced health home~~  
40 ~~program, the department shall prepare, or contract for the~~

1 ~~preparation of~~, *ensure that* an evaluation of the program identified  
2 in this article. ~~The department shall seek out and utilize only~~  
3 ~~nonstate public funds or private funds to fund the nonfederal share~~  
4 ~~of costs of the evaluation. The department, within 18 months after~~  
5 ~~designated providers have been selected and have begun to seek~~  
6 ~~payment, shall complete the evaluation and is completed and shall,~~  
7 *within two years after implementation*, submit a report to the  
8 appropriate policy and fiscal committees of the Legislature.

9 (b) The requirement for submitting the report imposed under  
10 subdivision (a) is inoperative four years after the date the report  
11 is due, pursuant to Section 10231.5 of the Government Code.

12 14127.5. (a) This article shall be implemented only if federal  
13 financial participation is available and the federal Centers for  
14 Medicare and Medicaid Services approves the state plan  
15 amendment sought pursuant to ~~subdivision (a) of Section 14127.1~~  
16 *this article, and the department expects the programs to be cost*  
17 *neutral to the state.*

18 (b) Except as provided in subdivision (c), this article shall be  
19 implemented only if nonstate public funds or private funds are  
20 available to fully fund the ~~creation, implementation, administration,~~  
21 ~~and service costs during the first eight quarters of implementation,~~  
22 ~~and thereafter.~~

23 (c) Notwithstanding subdivision (b), if the department finds,  
24 after the first eight quarters of implementation, that Medi-Cal costs  
25 avoided by the participants of the *enhanced health home* program  
26 are adequate to fully fund the program costs, the department may  
27 use state funds to fund the program costs.

28 (d) The department may revise or terminate the enhanced health  
29 home program any time after the first eight quarters of  
30 implementation if the department finds that the program fails to  
31 result in improved health outcomes or ~~fails to decrease total~~  
32 ~~Medi-Cal costs, including managed care organization costs, if~~  
33 ~~applicable, for the population it is serving. The department may~~  
34 ~~also designate additional providers, with federal approval, or may~~  
35 ~~remove providers operating under the program if those providers~~  
36 ~~are unable to provide the nonfederal matching funds or do not meet~~  
37 ~~the department's guidelines results in substantial General Fund~~  
38 ~~expense without commensurate decreases in Medi-Cal costs among~~  
39 *program participants.*

1 14128. (a) *In the event of a judicial challenge of the provisions*  
2 *of this article, this article shall not be construed to create an*  
3 *obligation on the part of the state to fund any payment from state*  
4 *funds due to the absence or shortfall of federal funding.*

5 (b) *For the purposes of implementing this article, the department*  
6 *shall establish and use a competitive process to select or amend*  
7 *existing contracts to provide or arrange for services under this*  
8 *article. Contracts may be statewide or on a more limited*  
9 *geographic basis. Contracts entered into or amended under this*  
10 *section shall be exempt from the provisions of Chapter 2*  
11 *(commencing with Section 10290) of Part 2 of Division 2 of the*  
12 *Public Contract Code and Chapter 6 (commencing with Section*  
13 *14825) of Part 5.5 of Division 3 of the Government Code, and*  
14 *shall be exempt from the review or approval of any division of the*  
15 *Department of General Services.*

16 (c) (1) *Notwithstanding Chapter 3.5 (commencing with Section*  
17 *11340) of Part 1 of Division 3 of Title 2 of the Government Code,*  
18 *the department may implement, interpret, or make specific this*  
19 *article by means of all-county letters, plan letters, plan or provider*  
20 *bulletins, or similar instructions, without taking regulatory action,*  
21 *until such time as regulations are adopted. It is the intent of the*  
22 *Legislature that the department is allowed temporary authority*  
23 *as necessary to implement program changes until completion of*  
24 *the regulatory process.*

25 (2) *The department shall adopt emergency regulations no later*  
26 *than two years after implementation of this article. The department*  
27 *may readopt, up to two times, any emergency regulation authorized*  
28 *by this section that is the same as or substantially equivalent to*  
29 *an emergency regulation previously adopted pursuant to this*  
30 *section.*

31 (3) *The adoption of emergency regulations implementing this*  
32 *article authorized by this subdivision shall be deemed an*  
33 *emergency and necessary for the immediate preservation of the*  
34 *public peace, health, safety, or general welfare. Emergency*  
35 *regulations authorized by this section shall be exempt from review*  
36 *by the Office of Administrative Law. The emergency regulations*  
37 *authorized by this section shall be submitted to the Office of*  
38 *Administrative Law for filing with the Secretary of State and shall*

- 1 *remain in effect for no more than 180 days, by which time final*
- 2 *regulations may be adopted.*

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