

AMENDED IN SENATE APRIL 26, 2011

SENATE BILL

No. 335

Introduced by Senators Hernandez and Steinberg

February 15, 2011

An act to amend Section 14166.115 of the Welfare and Institutions Code, relating to Medi-Cal, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 335, as amended, Hernandez. Medi-Cal: hospitals: quality assurance fee.

Existing law establishes the Medi-Cal program, administered by the State Department of Health Care Services, under which basic health care services are provided to qualified low-income individuals. The Medi-Cal program is, in part, governed and funded by federal Medicaid Program provisions. Existing law, subject to federal approval, imposes a quality assurance fee, as specified, on certain general acute care hospitals through and including ~~December 31, 2010~~ *June 30, 2011*. Existing law creates the Hospital Quality Assurance Revenue Fund in the State Treasury and requires that the money collected from the quality assurance fee be deposited into the fund. Existing law, subject to federal approval, requires the department to make supplemental payments for certain services, as specified, to private hospitals, ~~nondesignated public hospitals, and designated public hospitals, as defined, for subject fiscal years, as defined~~ *increased capitation payments to Medi-Cal managed health care plans, and increased payments to mental health plans*. Existing law provides that the moneys in the Hospital Quality Assurance Revenue Fund shall, upon appropriation by the Legislature, be available only for certain purposes, including *paying for health care coverage*

for children, as specified, and making these the supplemental payments to hospitals, increased capitation payments to Medi-Cal managed health care plans, and increased payments to mental health plans.

This bill would provide that it is the intent of the Legislature to consider legislation that would impose a quality assurance fee to be paid by hospitals, for the period of July 1, 2011, through June 30, 2012, which would be used to increase federal financial participation in order to make supplemental Medi-Cal payments to hospitals and pay for health care coverage for children, as specified. This bill would provide that it is the intent of the Legislature that the quality assurance fee be implemented only if specified conditions are met.

Existing law requires the department to seek a 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, the department is required to reduce disproportionate share hospital replacement payments to private hospitals by 10% for the 2009–10 fiscal year, as specified. Existing law also provides that, in addition to the 10% reduction, disproportionate share hospital replacement payments to private hospitals shall be reduced in the 2010–11 fiscal year by an additional \$30 million in General Fund moneys and by the corresponding federal financial participation, and in the 2011–12 fiscal year by an additional \$75 million in General Fund moneys and by the corresponding federal financial participation. Existing law provides that the additional room under the federal upper payment limit created by these reductions shall be used for specified purposes.

This bill would, in relation to the 2010–11 and 2011–12 fiscal year reductions, delete the requirement that the reductions be in addition to the 10% reduction for the 2009–10 fiscal year.

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

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: ~~no~~-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 both of the
2 following:

3 (a) The Legislature continues to recognize the essential role that
4 hospitals play in serving the state's Medi-Cal beneficiaries. To
5 that end, it has been, and remains, the intent of the Legislature to
6 preserve funding for hospitals and to obtain all available federal
7 funds to make supplemental Medi-Cal payments to hospitals.

8 (b) It is the intent of the Legislature that funding provided to
9 hospitals through a hospital quality assurance fee be explored with
10 the goal of increasing access to care and stabilizing hospital rates
11 through supplemental Medi-Cal payments to hospitals.

12 SEC. 2. (a) It is the intent of the Legislature to consider
13 legislation that would impose a quality assurance fee to be paid
14 by hospitals, which would be used to increase federal financial
15 participation in order to do both of the following:

16 (1) Make supplemental Medi-Cal payments to hospitals for the
17 period of July 1, 2011, through June 30, 2012.

18 (2) Pay for health care coverage for children in the amount of
19 ~~forty million dollars (\$40,000,000)~~ *eighty million dollars*
20 *(\$80,000,000)* for each quarter in which supplemental Medi-Cal
21 payments are made to hospitals.

22 (b) It is the intent of the Legislature to consider legislation that
23 would require the State Department of Health Care Services to
24 obtain the necessary federal approvals to implement the quality
25 assurance fee described in subdivision (a) in order to make
26 supplemental Medi-Cal payments to hospitals for the period of
27 July 1, 2011, through June 30, 2012.

28 (c) It is the intent of the Legislature to consider legislation that
29 would require the quality assurance fee be implemented only if all
30 of the following conditions are met:

31 (1) The quality assurance fee is established in consultation with
32 the hospital community.

33 (2) The quality assurance fee, including any interest earned after
34 collection by the department, is deposited in a segregated fund
35 apart from the General Fund and used exclusively for supplemental
36 Medi-Cal payments to hospitals and for the direct costs of
37 administering the program by the State Department of Health Care
38 Services.

1 (3) No hospital shall be required to pay the quality assurance
2 fee to the department unless and until the state receives and
3 maintains federal approval of the quality assurance fee and related
4 supplemental payments to hospitals.

5 (4) The full amount of the quality assurance fee assessed and
6 collected remains available only for the purposes specified by the
7 Legislature.

8 *SEC. 3. Section 14166.115 of the Welfare and Institutions Code*
9 *is amended to read:*

10 14166.115. (a) Due to the state budget deficit and in order to
11 implement changes in the level of funding for health care services,
12 the department shall reduce disproportionate share hospital
13 replacement payments to private hospitals made pursuant to Section
14 14166.11 as specified in this section.

15 (b) (1) Disproportionate share hospital replacement payments
16 to private hospitals pursuant to Section 14166.11 shall be reduced
17 by 10 percent. The reductions shall be applied to all
18 disproportionate share hospital replacement payments to private
19 hospitals made for the 2009–10 fiscal year, including, but not
20 limited to, interim payments, tentative adjusted monthly payments,
21 data corrected payments, and the final adjusted payment.

22 (2) ~~In addition to the reduction provided for in paragraph (1),~~
23 ~~disproportionate~~ *Disproportionate* share hospital replacement
24 payments to private hospitals pursuant to Section 14166.11 shall
25 be reduced in the 2010–11 fiscal year by ~~an additional~~ thirty million
26 dollars (\$30,000,000) in General Fund moneys and by the
27 corresponding federal financial participation. To the extent
28 permitted by federal law, the additional room created by this
29 paragraph under the federal upper payment limit shall be used to
30 increase supplemental payments under Article 5.226 (commencing
31 with Section 14168.1) and Article 5.227 (commencing with Section
32 14168.31).

33 (3) ~~In addition to the reduction provided for in paragraph (1),~~
34 ~~disproportionate~~ *Disproportionate* share hospital replacement
35 payments to private hospitals pursuant to Section 14166.11 shall
36 be reduced in the 2011–12 fiscal year by ~~an additional~~ seventy-five
37 million dollars (\$75,000,000) in General Fund moneys and by the
38 corresponding federal financial participation. To the extent
39 permitted by federal law, the additional room created by this
40 paragraph under the federal upper payment limit shall be used to

1 increase supplemental payments under subsequent legislation
2 extending or creating a new supplemental hospital payment
3 program supported by a fee.

4 (c) Notwithstanding Chapter 3.5 (commencing with Section
5 11340) of Part 1 of Division 3 of Title 2 of the Government Code,
6 the department may implement and administer this section by
7 means of provider bulletins, or similar instructions, without taking
8 further regulatory action.

9 (d) The reductions described in this section shall apply only to
10 payments for services when the General Fund share of the payment
11 is paid with funds appropriated to the department in the annual
12 Budget Act.

13 (e) The department shall promptly seek any necessary federal
14 approvals for the implementation of this section.

15 ~~SEC. 3.~~

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

20 In order to make the necessary statutory changes to increase
21 Medi-Cal payments to hospitals and improve access at the earliest
22 possible time, so as to allow this act to be operative as soon as
23 approval from the federal Centers for Medicare and Medicaid
24 Services is obtained by the State Department of Health Care
25 Services, it is necessary that this act take effect immediately.