

AMENDED IN ASSEMBLY MARCH 19, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

**ASSEMBLY BILL**

**No. 498**

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**Introduced by Assembly Member Chávez**

February 20, 2013

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An act to amend Section ~~47601~~ of the Education Code, relating to ~~pupils~~ *14166.151 of the Welfare and Institutions Code, relating to Medi-Cal.*

LEGISLATIVE COUNSEL'S DIGEST

AB 498, as amended, Chávez. ~~Charter schools: operation. Medi-Cal.~~  
*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 law, subject to federal approval, modifies the inpatient fee-for-service reimbursement methodology for nondesignated public hospitals, as defined, under a specified demonstration project for services on or after July 1, 2012.*

*This bill would instead provide that these provisions apply to services provided on or after July 1, 2013.*

~~The Charter Schools Act of 1992 allows one or more persons seeking to establish a charter school within a school district to circulate a petition to that effect. The act provides for the establishment and operation of a charter school as prescribed. Existing law expresses the Legislature's intent to provide an opportunity for teachers, parents, pupils, and community members to establish and maintain schools that operate independently from the existing school district structure, as a method to accomplish specified goals.~~

~~This bill would make a nonsubstantive change to the latter provision.~~  
Vote: majority. 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. Section 14166.151 of the Welfare and Institutions  
2     Code is amended to read:

3     14166.151. (a) It is the intent of the Legislature to reform the  
4     inpatient fee-for-service reimbursement methodology for  
5     nondesignated public hospitals based on their public structure in  
6     order to provide new opportunities for nondesignated public  
7     hospitals to receive reimbursement under the successor  
8     demonstration project for care provided to the uninsured and to  
9     receive new incentive payments for achievement related to delivery  
10    system reform.

11    (b) Subject to subdivision (c), beginning with services provided  
12    on or after July 1, ~~2012~~ 2013, fee-for-service payments to  
13    nondesignated public hospitals for inpatient services shall be  
14    governed by this subdivision. Each nondesignated public hospital  
15    shall receive as payment for inpatient hospital services provided  
16    to Medi-Cal beneficiaries during any successor demonstration  
17    year, the federal financial participation claimed by the department  
18    based on the hospital's allowable costs incurred in providing those  
19    services, subject to all of the following:

20    (1) Nondesignated public hospitals shall comply with the  
21    requirements of Section 14166.152. The payments authorized in  
22    this section shall be subject to audit and a final reconciliation where  
23    an overpayment to the nondesignated public hospital shall result  
24    in a collection of the overpayment and an underpayment to the  
25    nondesignated public hospital shall result in a corrective payment.

26    (2) (A) Nondesignated public hospitals shall be eligible to  
27    receive safety net care pool payments for uncompensated care  
28    costs to the extent that additional federal funding is made available  
29    pursuant to the Special Terms and Conditions for the safety net  
30    care pool uncompensated care limit of the successor demonstration  
31    project and if they comply with the requirements set forth in  
32    Section 14166.154.

33    (B) The amount of funds that may be claimed pursuant to  
34    subparagraph (A) shall not exceed the additional federal funding

1 made available under the safety net care pool for nondesignated  
2 public hospital uncompensated care costs, and shall not reduce the  
3 amounts of federal funding for safety net care pool uncompensated  
4 care costs that would otherwise be made available to designated  
5 public hospitals in the absence of this paragraph, including the  
6 amounts available under the Special Terms and Conditions in effect  
7 as of April 1, 2012, and amounts available pursuant to Section  
8 15916.

9 (C) (i) Notwithstanding subparagraph (B), if the designated  
10 public hospitals do not have sufficient certified public expenditures  
11 to claim the full amount of federal funding made available to the  
12 designated public hospitals as referenced in subparagraph (B),  
13 including consideration of the potential for the designated public  
14 hospitals to have sufficient certified public expenditures in a  
15 subsequent year, the department may authorize the funding to be  
16 claimed by the nondesignated public hospitals.

17 (ii) The department may determine whether designated public  
18 hospitals do not have sufficient certified public expenditures to  
19 claim the full amount of federal funding pursuant to clause (i) no  
20 sooner than after the submission of the cost reporting information  
21 required pursuant to Section 14166.8 for the applicable successor  
22 demonstration year.

23 (iii) If the department makes the determination identified in  
24 clause (ii) based on as-filed cost reporting information submitted  
25 prior to a final audit, the department shall make the determination  
26 in consultation with the designated public hospitals and shall apply  
27 an audit cushion of at least 5 percent to the as-filed cost  
28 information. If the department makes the determination identified  
29 in clause (ii) based on audited cost reporting information, no audit  
30 cushion shall be applied.

31 (3) (A) Nondesignated public hospitals shall be eligible to  
32 receive delivery system reform incentive pool payments to the  
33 extent additional federal funding is made available for this purpose  
34 under the delivery system reform incentive pool in the successor  
35 demonstration project and if the nondesignated public hospitals  
36 comply with the delivery system reform incentive pool funding  
37 requirements set forth in Section 14166.155.

38 (B) The amount of funds that may be received shall not exceed  
39 the additional federal funding made available for delivery system  
40 reform incentive pool payments to nondesignated public hospitals,

1 and shall not reduce the amounts that would otherwise be made  
2 available to designated public hospitals in the absence of this  
3 paragraph, including the amounts that designated public hospitals  
4 would be eligible to receive under their delivery system reform  
5 incentive pool plans approved as of January 1, 2012.

6 (C) Notwithstanding subparagraph (B), if the designated public  
7 hospitals are unable to claim the full amount of federal funding  
8 made available to the designated public hospitals pursuant to  
9 Section 14166.77 and the Special Terms and Conditions, including  
10 through reallocations made pursuant to paragraph (3) of subdivision  
11 (a) of Section 14166.77 as authorized by the Special Terms and  
12 Conditions, and the unused amount of federal funding made  
13 available to the designated public hospitals cannot be used in a  
14 later demonstration year, the department may authorize such  
15 unused funding to be made available to the nondesignated public  
16 hospitals.

17 (c) (1) (A) The reimbursement methodology developed  
18 pursuant to subdivision (b) shall be effective beginning July 1,  
19 ~~2012~~ 2013. If all necessary federal approvals have not been  
20 received by July 1, ~~2012~~ 2013, then the effective date shall be  
21 retroactive to July 1, ~~2012~~ 2013. Between July 1, ~~2012~~ 2013, and  
22 when all necessary federal approvals have been received, any  
23 payments made pursuant to any methodology replaced by  
24 subdivision (b) shall be deemed as interim payments subject to  
25 offsetting and recoupment against payments made under  
26 subdivision (b) pursuant to Section 51047 of Title 22 of the  
27 California Code of Regulations.

28 (B) Subject to paragraph (2), beginning January 1, 2014, the  
29 reimbursement methodology developed pursuant to subdivision  
30 (b), which shall be in effect July 1, ~~2012~~ 2013, through and  
31 including December 31, 2013, shall continue for those  
32 nondesignated public hospitals that certify voluntary participation  
33 as described in clause (i), if the director executes a declaration on  
34 or before December 31, 2013, certifying all of the following:

35 (i) The governmental entities that own or operate a  
36 nondesignated public hospital, or hospitals, have provided  
37 certifications of voluntary participation in the reimbursement  
38 methodology pursuant to subdivision (b).

39 (ii) Any necessary federal approvals have been obtained.

1 (iii) Continuation of the reimbursement methodology for those  
2 nondesignated public hospitals certifying voluntary participation  
3 would be cost beneficial to the state.

4 (2) On December 31, 2013, if one or more of the nondesignated  
5 public hospitals subject to the reimbursement methodology  
6 described in subdivision (b) have not provided written certification  
7 of voluntariness described in clause (i) of subparagraph (B) of  
8 paragraph (1), or if the director determines, for any reason, that  
9 the reimbursement methodology described in subdivision (b)  
10 cannot be implemented on or after January 1, 2014, then the  
11 director shall execute a declaration certifying that the  
12 reimbursement methodology described in subdivision (b) cannot  
13 continue to be implemented for all or one or more of the  
14 nondesignated public hospitals, in which case subdivision (e) shall  
15 be implemented on January 1, 2014.

16 (d) Upon implementation of subparagraph (A) of paragraph (1)  
17 of subdivision (c), implementation of the laws and regulations  
18 listed in paragraphs (1) to (4), inclusive, shall be suspended with  
19 respect to fee-for-service payments to all nondesignated public  
20 hospitals for inpatient services through and including December  
21 31, 2013. Implementation of the laws and regulations listed in  
22 paragraphs (1) to (4), inclusive, shall also be suspended with  
23 respect to fee-for-service payments to nondesignated public  
24 hospitals that certify voluntary participation if a declaration is  
25 executed pursuant to subparagraph (B) of paragraph (1) of  
26 subdivision (c), beginning on January 1, 2014, and until the  
27 expiration of the successor demonstration project.

28 (1) The Nondesignated Public Hospital Medi-Cal Rate  
29 Stabilization Act in Article 5.17 (commencing with Section  
30 14165.55).

31 (2) The inpatient fee-for-service per diem rate authorized in  
32 Article 2.6 (commencing with Section 14081).

33 (3) The reimbursement methodology for fee-for-service inpatient  
34 services in Sections 14105 and 14105.15, and Article 7.5  
35 (commencing with Section 51536) of Title 22 of the California  
36 Code of Regulations.

37 (4) Section 14166.17.

38 (e) Subject to the conditions in paragraph (2) of subdivision (c),  
39 on January 1, 2014, the percentage of each intergovernmental  
40 transfer amount retained pursuant to subdivision (j) of Section

1 14165.57 shall be increased to 20 percent to reimburse the  
2 department, or transferred to the General Fund, for the  
3 administrative costs of operating the Nondesignated Public Hospital  
4 Intergovernmental Transfer Program and for the benefit of the  
5 Medi-Cal program.

6 (f) This section and Sections 14166.152, 14166.153, 14166.154,  
7 and 14166.155 shall become operative on the date all necessary  
8 federal approvals have been obtained to implement all of these  
9 sections.

10 SECTION 1. ~~Section 47601 of the Education Code is amended~~  
11 ~~to read:~~

12 ~~47601. It is the intent of the Legislature, in enacting this part,~~  
13 ~~to provide an opportunity for teachers, parents, pupils, and~~  
14 ~~community members to establish and maintain schools that operate~~  
15 ~~independently from the existing school district structure, as a~~  
16 ~~method to accomplish all of the following:~~

- 17 ~~(a) Improve pupil learning.~~
- 18 ~~(b) Increase learning opportunities for all pupils, with special~~  
19 ~~emphasis on expanded learning experiences for pupils who are~~  
20 ~~identified as academically low achieving.~~
- 21 ~~(c) Encourage the use of different and innovative teaching~~  
22 ~~methods.~~
- 23 ~~(d) Create new professional opportunities for teachers, including~~  
24 ~~the opportunity to be responsible for the learning program at the~~  
25 ~~schoolsite.~~
- 26 ~~(e) Provide parents and pupils with expanded choices in the~~  
27 ~~types of educational opportunities that are available within the~~  
28 ~~public school system.~~
- 29 ~~(f) Hold the schools established under this part accountable for~~  
30 ~~meeting measurable pupil outcomes, and provide the schools with~~  
31 ~~a method to change from rule-based to performance-based~~  
32 ~~accountability systems.~~
- 33 ~~(g) Provide vigorous competition within the public school~~  
34 ~~system to stimulate continual improvements in all public schools.~~