

AMENDED IN ASSEMBLY APRIL 23, 2013

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 14166.151 of~~ *add Section 14166.156* to the Welfare and Institutions Code, relating to Medi-Cal.

LEGISLATIVE COUNSEL'S DIGEST

AB 498, as amended, Chávez. 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.~~

*This bill would prohibit a payment made to a nondesignated public hospital pursuant to these provisions from being subject to payment limitations established by the department, unless otherwise required by federal law.*

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 14166.156 is added to the Welfare and  
2     Institutions Code, to read:

3     14166.156. If a payment to a nondesignated public hospital is  
4     made pursuant to Section 14166.151, the reimbursement shall not  
5     be subject to payment limitations established by the department,  
6     unless otherwise required by federal law.

7     SECTION 1. ~~Section 14166.151 of the Welfare and Institutions~~  
8     Code is amended to read:

9     ~~14166.151. (a) It is the intent of the Legislature to reform the~~  
10    ~~inpatient fee-for-service reimbursement methodology for~~  
11    ~~nondesignated public hospitals based on their public structure in~~  
12    ~~order to provide new opportunities for nondesignated public~~  
13    ~~hospitals to receive reimbursement under the successor~~  
14    ~~demonstration project for care provided to the uninsured and to~~  
15    ~~receive new incentive payments for achievement related to delivery~~  
16    ~~system reform.~~

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

26    ~~(1) Nondesignated public hospitals shall comply with the~~  
27    ~~requirements of Section 14166.152. The payments authorized in~~  
28    ~~this section shall be subject to audit and a final reconciliation where~~  
29    ~~an overpayment to the nondesignated public hospital shall result~~  
30    ~~in a collection of the overpayment and an underpayment to the~~  
31    ~~nondesignated public hospital shall result in a corrective payment.~~

32    ~~(2) (A) Nondesignated public hospitals shall be eligible to~~  
33    ~~receive safety net care pool payments for uncompensated care~~  
34    ~~costs to the extent that additional federal funding is made available~~  
35    ~~pursuant to the Special Terms and Conditions for the safety net~~  
36    ~~care pool uncompensated care limit of the successor demonstration~~  
37    ~~project and if they comply with the requirements set forth in~~  
38    ~~Section 14166.154.~~

1 ~~(B) The amount of funds that may be claimed pursuant to~~  
2 ~~subparagraph (A) shall not exceed the additional federal funding~~  
3 ~~made available under the safety net care pool for nondesignated~~  
4 ~~public hospital uncompensated care costs, and shall not reduce the~~  
5 ~~amounts of federal funding for safety net care pool uncompensated~~  
6 ~~care costs that would otherwise be made available to designated~~  
7 ~~public hospitals in the absence of this paragraph, including the~~  
8 ~~amounts available under the Special Terms and Conditions in effect~~  
9 ~~as of April 1, 2012, and amounts available pursuant to Section~~  
10 ~~15916.~~

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

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

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

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

1     ~~(B) The amount of funds that may be received shall not exceed~~  
2 ~~the additional federal funding made available for delivery system~~  
3 ~~reform incentive pool payments to nondesignated public hospitals,~~  
4 ~~and shall not reduce the amounts that would otherwise be made~~  
5 ~~available to designated public hospitals in the absence of this~~  
6 ~~paragraph, including the amounts that designated public hospitals~~  
7 ~~would be eligible to receive under their delivery system reform~~  
8 ~~incentive pool plans approved as of January 1, 2012.~~

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

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

30     ~~(B) Subject to paragraph (2), beginning January 1, 2014, the~~  
31 ~~reimbursement methodology developed pursuant to subdivision~~  
32 ~~(b), which shall be in effect July 1, 2013, through and including~~  
33 ~~December 31, 2013, shall continue for those nondesignated public~~  
34 ~~hospitals that certify voluntary participation as described in clause~~  
35 ~~(i), if the director executes a declaration on or before December~~  
36 ~~31, 2013, certifying all of the following:~~

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

1 ~~(ii) Any necessary federal approvals have been obtained.~~

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

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

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

29 ~~(1) The Nondesignated Public Hospital Medi-Cal Rate~~  
30 ~~Stabilization Act in Article 5.17 (commencing with Section~~  
31 ~~14165.55).~~

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

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

38 ~~(4) Section 14166.17.~~

39 ~~(e) Subject to the conditions in paragraph (2) of subdivision (c),~~  
40 ~~on January 1, 2014, the percentage of each intergovernmental~~

1 ~~transfer amount retained pursuant to subdivision (j) of Section~~  
2 ~~14165.57 shall be increased to 20 percent to reimburse the~~  
3 ~~department, or transferred to the General Fund, for the~~  
4 ~~administrative costs of operating the Nondesignated Public Hospital~~  
5 ~~Intergovernmental Transfer Program and for the benefit of the~~  
6 ~~Medi-Cal program.~~  
7 ~~(f) This section and Sections 14166.152, 14166.153, 14166.154,~~  
8 ~~and 14166.155 shall become operative on the date all necessary~~  
9 ~~federal approvals have been obtained to implement all of these~~  
10 ~~sections.~~

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