

AMENDED IN SENATE JUNE 20, 2013

AMENDED IN ASSEMBLY MAY 7, 2013

AMENDED IN ASSEMBLY APRIL 23, 2013

AMENDED IN ASSEMBLY MARCH 19, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 498

Introduced by Assembly Member Chávez

February 20, 2013

An act to ~~add Section 14166.156 to~~ amend Section 14166.151 of 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. *Existing law provides that beginning with the 2012–13 fiscal year, and if specified conditions are met, nondesignated public hospitals, or governmental entities with which the hospitals are affiliated, shall be eligible to receive safety net care pool payments for uncompensated care from the Health Care Support Fund. Existing law provides that these provisions shall*

become operative on the date that all necessary federal approvals have been obtained to implement these and other related provisions.

~~This bill would prohibit a payment made to a nondesignated public hospital pursuant to these provisions from being subject to a peer grouping inpatient reimbursement limitation established by the department, unless otherwise required by federal law.~~

This bill would instead authorize the department to seek necessary federal approvals or waivers to separately implement the safety net care pool payments for uncompensated care provisions for the 2013–14 and 2014–15 fiscal years. The bill would require the state, if the state receives federal safety net care pool funds for uncompensated care under these provision, to retain 1/2 of the funds for Medi-Cal related expenditures.

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 14166.151 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, fee-for-service payments to nondesignated
- 13 public hospitals for inpatient services shall be governed by this
- 14 subdivision. Each nondesignated public hospital shall receive as
- 15 payment for inpatient hospital services provided to Medi-Cal
- 16 beneficiaries during any successor demonstration year, the federal
- 17 financial participation claimed by the department based on the
- 18 hospital’s allowable costs incurred in providing those services,
- 19 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

1 an overpayment to the nondesignated public hospital shall result
2 in a collection of the overpayment and an underpayment to the
3 nondesignated public hospital shall result in a corrective payment.

4 (2) (A) Nondesignated public hospitals shall be eligible to
5 receive safety net care pool payments for uncompensated care
6 costs to the extent that additional federal funding is made available
7 pursuant to the Special Terms and Conditions for the safety net
8 care pool uncompensated care limit of the successor demonstration
9 project and if they comply with the requirements set forth in
10 Section 14166.154.

11 (B) The amount of funds that may be claimed pursuant to
12 subparagraph (A) shall not exceed the additional federal funding
13 made available under the safety net care pool for nondesignated
14 public hospital uncompensated care costs, and shall not reduce the
15 amounts of federal funding for safety net care pool uncompensated
16 care costs that would otherwise be made available to designated
17 public hospitals in the absence of this paragraph, including the
18 amounts available under the Special Terms and Conditions in effect
19 as of April 1, 2012, and amounts available pursuant to Section
20 15916.

21 (C) (i) Notwithstanding subparagraph (B), if the designated
22 public hospitals do not have sufficient certified public expenditures
23 to claim the full amount of federal funding made available to the
24 designated public hospitals as referenced in subparagraph (B),
25 including consideration of the potential for the designated public
26 hospitals to have sufficient certified public expenditures in a
27 subsequent year, the department may authorize the funding to be
28 claimed by the nondesignated public hospitals.

29 (ii) The department may determine whether designated public
30 hospitals do not have sufficient certified public expenditures to
31 claim the full amount of federal funding pursuant to clause (i) no
32 sooner than after the submission of the cost reporting information
33 required pursuant to Section 14166.8 for the applicable successor
34 demonstration year.

35 (iii) If the department makes the determination identified in
36 clause (ii) based on as-filed cost reporting information submitted
37 prior to a final audit, the department shall make the determination
38 in consultation with the designated public hospitals and shall apply
39 an audit cushion of at least 5 percent to the as-filed cost
40 information. If the department makes the determination identified

1 in clause (ii) based on audited cost reporting information, no audit
2 cushion shall be applied.

3 (3) (A) Nondesignated public hospitals shall be eligible to
4 receive delivery system reform incentive pool payments to the
5 extent additional federal funding is made available for this purpose
6 under the delivery system reform incentive pool in the successor
7 demonstration project and if the nondesignated public hospitals
8 comply with the delivery system reform incentive pool funding
9 requirements set forth in Section 14166.155.

10 (B) The amount of funds that may be received shall not exceed
11 the additional federal funding made available for delivery system
12 reform incentive pool payments to nondesignated public hospitals,
13 and shall not reduce the amounts that would otherwise be made
14 available to designated public hospitals in the absence of this
15 paragraph, including the amounts that designated public hospitals
16 would be eligible to receive under their delivery system reform
17 incentive pool plans approved as of January 1, 2012.

18 (C) Notwithstanding subparagraph (B), if the designated public
19 hospitals are unable to claim the full amount of federal funding
20 made available to the designated public hospitals pursuant to
21 Section 14166.77 and the Special Terms and Conditions, including
22 through reallocations made pursuant to paragraph (3) of subdivision
23 (a) of Section 14166.77 as authorized by the Special Terms and
24 Conditions, and the unused amount of federal funding made
25 available to the designated public hospitals cannot be used in a
26 later demonstration year, the department may authorize such
27 unused funding to be made available to the nondesignated public
28 hospitals.

29 (c) (1) (A) The reimbursement methodology developed
30 pursuant to subdivision (b) shall be effective beginning July 1,
31 2012. If all necessary federal approvals have not been received by
32 July 1, 2012, then the effective date shall be retroactive to July 1,
33 2012. Between July 1, 2012, and when all necessary federal
34 approvals have been received, any payments made pursuant to any
35 methodology replaced by subdivision (b) shall be deemed as
36 interim payments subject to offsetting and recoupment against
37 payments made under subdivision (b) pursuant to Section 51047
38 of Title 22 of the California Code of Regulations.

39 (B) Subject to paragraph (2), beginning January 1, 2014, the
40 reimbursement methodology developed pursuant to subdivision

1 (b), which shall be in effect July 1, 2012, through and including
2 December 31, 2013, shall continue for those nondesignated public
3 hospitals that certify voluntary participation as described in clause
4 (i), if the director executes a declaration on or before December
5 31, 2013, certifying all of the following:

6 (i) The governmental entities that own or operate a
7 nondesignated public hospital, or hospitals, have provided
8 certifications of voluntary participation in the reimbursement
9 methodology pursuant to subdivision (b).

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

11 (iii) Continuation of the reimbursement methodology for those
12 nondesignated public hospitals certifying voluntary participation
13 would be cost beneficial to the state.

14 (2) On December 31, 2013, if one or more of the nondesignated
15 public hospitals subject to the reimbursement methodology
16 described in subdivision (b) have not provided written certification
17 of voluntariness described in clause (i) of subparagraph (B) of
18 paragraph (1), or if the director determines, for any reason, that
19 the reimbursement methodology described in subdivision (b)
20 cannot be implemented on or after January 1, 2014, then the
21 director shall execute a declaration certifying that the
22 reimbursement methodology described in subdivision (b) cannot
23 continue to be implemented for all or one or more of the
24 nondesignated public hospitals, in which case subdivision (e) shall
25 be implemented on January 1, 2014.

26 (d) Upon implementation of subparagraph (A) of paragraph (1)
27 of subdivision (c), implementation of the laws and regulations
28 listed in paragraphs (1) to (4), inclusive, shall be suspended with
29 respect to fee-for-service payments to all nondesignated public
30 hospitals for inpatient services through and including December
31 31, 2013. Implementation of the laws and regulations listed in
32 paragraphs (1) to (4), inclusive, shall also be suspended with
33 respect to fee-for-service payments to nondesignated public
34 hospitals that certify voluntary participation if a declaration is
35 executed pursuant to subparagraph (B) of paragraph (1) of
36 subdivision (c), beginning on January 1, 2014, and until the
37 expiration of the successor demonstration project.

38 (1) The Nondesignated Public Hospital Medi-Cal Rate
39 Stabilization Act in Article 5.17 (commencing with Section
40 14165.55).

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

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

7 (4) Section 14166.17.

8 (e) Subject to the conditions in paragraph (2) of subdivision (c),
9 on January 1, 2014, the percentage of each intergovernmental
10 transfer amount retained pursuant to subdivision (j) of Section
11 14165.57 shall be increased to 20 percent to reimburse the
12 department, or transferred to the General Fund, for the
13 administrative costs of operating the Nondesignated Public Hospital
14 Intergovernmental Transfer Program and for the benefit of the
15 Medi-Cal program.

16 (f) (1) This section and Sections 14166.152, 14166.153,
17 14166.154, and 14166.155 shall become operative on the date all
18 necessary federal approvals have been obtained to implement all
19 of these sections.

20 (2) *Notwithstanding paragraph (1) of this subdivision and*
21 *Section 14166.154, if the necessary federal approvals are not*
22 *obtained to implement all of the sections set forth in paragraph*
23 *(1), the department may seek any necessary federal approvals or*
24 *waivers to separately implement the safety net care pool payments*
25 *for uncompensated care, as described in paragraph (2) of*
26 *subdivision (b) of this section and Section 14166.154, for the*
27 *2013–14 and 2014–15 fiscal years. If federal safety net care pool*
28 *funds for uncompensated care are received by the state for this*
29 *purpose, the state shall retain one-half of the funds for Medi-Cal*
30 *related expenditures.*

31 ~~SECTION 1. Section 14166.156 is added to the Welfare and~~
32 ~~Institutions Code, to read:~~

33 ~~14166.156. If a payment to a nondesignated public hospital is~~
34 ~~made pursuant to Section 14166.151, the reimbursement shall not~~
35 ~~be subject to a peer grouping inpatient reimbursement limitation~~
36 ~~established by the department, unless otherwise required by federal~~
37 ~~law.~~

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