

AMENDED IN SENATE AUGUST 20, 2013  
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 amend Section 14166.151 of, *and to repeal Sections 14166.152, 14166.153, 14166.154, and 14166.155 of*, the Welfare and Institutions Code, relating to Medi-Cal.

LEGISLATIVE COUNSEL'S DIGEST

AB 498, as amended, Chávez. Medi-Cal.

**Existing**

(1) *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. *Existing law requires designated public hospitals to report and certify specified information for each successor demonstration year beginning with the 2012–13 fiscal year.*

*This bill would revise and recast those provisions.* 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 provisions~~, to retain ½ of the funds for Medi-Cal related expenditures.

*(2) Under existing law, nondesignated public hospitals may receive fee-for-service payments for inpatient services, as specified. Under existing law, beginning with the 2012–13 fiscal year, subject to federal approval and if specified conditions are met, nondesignated public hospitals may receive delivery system reform incentive pool funding, as specified.*

*This bill would eliminate those provisions.*

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 allow~~  
5 ~~for a voluntary process for~~ nondesignated public hospitals to claim  
6 reimbursement from the safety net care pool in the successor  
7 demonstration project based on their public structure ~~in order to~~  
8 ~~provide new opportunities for nondesignated public hospitals to~~  
9 ~~receive reimbursement under the successor demonstration project~~  
10 ~~for care provided to the uninsured and to receive new incentive~~  
11 ~~payments for achievement related to delivery system reform., to~~  
12 ~~the extent that there is funding available for nondesignated public~~  
13 ~~hospitals in that pool, as allowed by the federal government, which~~

1 *shall be allocated equally between the state and the nondesignated*  
 2 *public hospital, so that for every dollar of certified public*  
 3 *expenditure used by the nondesignated public hospital, the*  
 4 *nondesignated public hospital shall voluntarily allow the state to*  
 5 *use a corresponding certified public expenditure amount for*  
 6 *claiming purposes.*

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

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

22 ~~(2) (A) Nondesignated 2013, nondesignated public hospitals~~  
 23 ~~shall be eligible to receive safety net care pool payments for~~  
 24 ~~uncompensated care costs to the extent that additional federal~~  
 25 ~~funding is made available pursuant to the Special Terms and~~  
 26 ~~Conditions for the safety net care pool uncompensated care limit~~  
 27 ~~of the successor demonstration project and if they comply with~~  
 28 ~~the requirements set forth in Section 14166.154. this section.~~

29 ~~(B)~~

30 (2) The amount of funds that may be claimed pursuant to  
 31 ~~subparagraph (A) paragraph (1)~~ shall not exceed the additional  
 32 federal funding made available under the safety net care pool for  
 33 nondesignated public hospital uncompensated care costs, and shall  
 34 not reduce the amounts of federal funding for safety net care pool  
 35 uncompensated care costs that would otherwise be made available  
 36 to designated public hospitals in the absence of this paragraph,  
 37 including the amounts available under the Special Terms and  
 38 Conditions in effect as of April 1, ~~2012~~ 2013, and amounts  
 39 available pursuant to Section 15916.

40 ~~(C) (i)~~

1 (3) (A) Notwithstanding ~~subparagraph (B)~~ *paragraph (2)*, if  
 2 the designated public hospitals do not have sufficient certified  
 3 public expenditures to claim the full amount of federal funding  
 4 made available to the designated public hospitals as referenced in  
 5 ~~subparagraph (B)~~ *paragraph (2)*, including consideration of the  
 6 potential for the designated public hospitals to have sufficient  
 7 certified public expenditures in a subsequent year, the department  
 8 may authorize the funding to be claimed by the nondesignated  
 9 public hospitals.

10 (ii)  
 11 (B) The department may determine whether designated public  
 12 hospitals do not have sufficient certified public expenditures to  
 13 claim the full amount of federal funding pursuant to ~~clause (i)~~  
 14 *subparagraph (B)* no sooner than after the submission of the cost  
 15 reporting information required pursuant to Section 14166.8 for the  
 16 applicable successor demonstration year.

17 (iii)  
 18 (C) If the department makes the determination identified in  
 19 ~~clause (ii)~~ *subparagraph (B)* based on as-filed cost reporting  
 20 information submitted prior to a final audit, the department shall  
 21 make the determination in consultation with the designated public  
 22 hospitals and shall apply an audit cushion of at least 5 percent to  
 23 the as-filed cost information. If the department makes the  
 24 determination identified in ~~clause (ii)~~ *subparagraph (B)* based on  
 25 audited cost reporting information, no audit cushion shall be  
 26 applied.

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

34 ~~(B) The amount of funds that may be received shall not exceed~~  
 35 ~~the additional federal funding made available for delivery system~~  
 36 ~~reform incentive pool payments to nondesignated public hospitals,~~  
 37 ~~and shall not reduce the amounts that would otherwise be made~~  
 38 ~~available to designated public hospitals in the absence of this~~  
 39 ~~paragraph, including the amounts that designated public hospitals~~

1 would be eligible to receive under their delivery system reform  
2 incentive pool plans approved as of January 1, 2012.

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

14 (e) (1) (A) The reimbursement methodology developed  
15 pursuant to subdivision (b) shall be effective beginning July 1,  
16 2012. If all necessary federal approvals have not been received by  
17 July 1, 2012, then the effective date shall be retroactive to July 1,  
18 2012. Between July 1, 2012, and when all necessary federal  
19 approvals have been received, any payments made pursuant to any  
20 methodology replaced by subdivision (b) shall be deemed as  
21 interim payments subject to offsetting and recoupment against  
22 payments made under subdivision (b) pursuant to Section 51047  
23 of Title 22 of the California Code of Regulations.

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

31 (i) The governmental entities that own or operate a  
32 nondesignated public hospital, or hospitals, have provided  
33 certifications of voluntary participation in the reimbursement  
34 methodology pursuant to subdivision (b).

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

36 (iii) Continuation of the reimbursement methodology for those  
37 nondesignated public hospitals certifying voluntary participation  
38 would be cost beneficial to the state.

39 (2) On December 31, 2013, if one or more of the nondesignated  
40 public hospitals subject to the reimbursement methodology

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

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

23 (1) The Nondesignated Public Hospital Medi-Cal Rate  
24 Stabilization Act in Article 5.17 (commencing with Section  
25 14165.55).

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

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

32 (4) Section 14166.17.

33 (e) Subject to the conditions in paragraph (2) of subdivision (c),  
34 on January 1, 2014, the percentage of each intergovernmental  
35 transfer amount retained pursuant to subdivision (j) of Section  
36 14165.57 shall be increased to 20 percent to reimburse the  
37 department, or transferred to the General Fund, for the  
38 administrative costs of operating the Nondesignated Public Hospital  
39 Intergovernmental Transfer Program and for the benefit of the  
40 Medi-Cal program.

1 ~~(f) (1) This section and Sections 14166.152, 14166.153,~~  
2 ~~14166.154, and 14166.155 shall become operative on the date all~~  
3 ~~necessary federal approvals have been obtained to implement all~~  
4 ~~of these sections.~~

5 ~~(2) Notwithstanding paragraph (1) of this subdivision and~~  
6 ~~Section 14166.154, if the necessary federal approvals are not~~  
7 ~~obtained to implement all of the sections set forth in paragraph~~  
8 ~~(1), the department may seek any necessary federal approvals or~~  
9 ~~waivers to separately implement the safety net care pool payments~~  
10 ~~for uncompensated care, as described in paragraph (2) of~~  
11 ~~subdivision (b) of this section and Section 14166.154, for the~~  
12 ~~2013–14 and 2014–15 fiscal years. If federal safety net care pool~~  
13 ~~funds for uncompensated care are received by the state for this~~  
14 ~~purpose, the state shall retain one-half of the funds for Medi-Cal~~  
15 ~~related expenditures.~~

16 *(c) Beginning in the 2013–14 fiscal year, within five months*  
17 *after the end of a successor demonstration year, nondesignated*  
18 *public hospitals shall submit to the department all of the following*  
19 *reports:*

20 *(1) The hospital's Medicare or Medicaid cost report for the*  
21 *successor demonstration year.*

22 *(2) Other cost reporting and statistical data necessary for the*  
23 *determination of amounts due to the hospital under the successor*  
24 *demonstration project, as requested by the department.*

25 *(d) For each successor demonstration year, the reports shall*  
26 *identify all of the costs incurred in providing hospital services to*  
27 *uninsured individuals.*

28 *(e) A nondesignated public hospital, or the governmental entity*  
29 *with which it is affiliated, that operates nonhospital clinics or*  
30 *provides physician, nonphysician practitioner, or other health*  
31 *care services that are not identified as hospital services under the*  
32 *Special Terms and Conditions for the successor demonstration*  
33 *project, shall report and certify all of the uncompensated uninsured*  
34 *costs of the services furnished.*

35 *(f) Reports submitted under this section shall include all*  
36 *allowable costs.*

37 *(g) The appropriate public official shall certify to all of the*  
38 *following:*

39 *(1) The accuracy of the reports required under this section.*

1 (2) That the expenditures to meet the reported costs comply with  
2 Section 433.51 of Title 42 of the Code of Federal Regulations.

3 (3) That the sources of funds used to make the expenditures  
4 certified under this section do not include impermissible provider  
5 taxes or donations, as defined under Section 1396b(w) of Title 42  
6 of the United States Code, or other federal funds. For this purpose,  
7 federal funds do not include delivery system reform incentive pool  
8 payments or patient care revenue received as payment for services  
9 rendered under programs such as nondesignated state health  
10 programs, the Low Income Health Program, Medicare, or  
11 Medicaid.

12 (h) The certification of public expenditures made pursuant to  
13 this section shall be based on a schedule established by the  
14 department in accordance with federal requirements.

15 (1) The director may require nondesignated public hospitals to  
16 submit quarterly estimates of anticipated expenditures, if these  
17 estimates are necessary to obtain interim payments of federal  
18 Medicaid funds.

19 (2) All reported expenditures shall be subject to reconciliation  
20 to allowable costs, as determined in accordance with applicable  
21 implementing documents for the successor demonstration project.

22 (i) The timeframes for data submission and reporting periods  
23 may be adjusted as necessary in accordance with federal  
24 requirements.

25 (j) (1) Beginning in the 2013–14 fiscal year, safety net care  
26 pool payments for uncompensated care shall be allocated to  
27 nondesignated public hospitals as follows:

28 (A) The department shall determine the maximum amount of  
29 safety net care pool payments for uncompensated care that is  
30 available to nondesignated public hospitals for the successor  
31 demonstration year pursuant to this section. This determination  
32 shall be made solely with respect to allowable uncompensated  
33 care costs incurred by nondesignated public hospitals and reported  
34 pursuant to subdivisions (c) to (i), inclusive.

35 (B) The department shall establish, in consultation with the  
36 nondesignated public hospitals, an allocation methodology to  
37 determine the amount of safety net care pool payments to be made  
38 to the nondesignated public hospitals. The allocation methodology  
39 shall be implemented when the director issues a declaration stating

1 *that the methodology complies with all applicable federal*  
2 *requirements for federal financial participation.*

3 (2) *A safety net care pool payment amount may be paid to a*  
4 *nondesignated public hospital, or governmental entity with which*  
5 *it is affiliated, pursuant to this section independent of the amount*  
6 *of uncompensated uninsured costs that is certified as public*  
7 *expenditures pursuant to subdivisions (c) to (i), inclusive, provided*  
8 *that, in accordance with the Special Terms and Conditions for the*  
9 *successor demonstration project, the recipient hospital shall not*  
10 *return any portion of the funds received to any unit of government,*  
11 *excluding amounts recovered by the state or federal government.*

12 (3) *Nondesignated public hospitals, or governmental entities*  
13 *with which they are affiliated, shall receive the amount established*  
14 *pursuant to this subdivision, less the 50 percent retained by the*  
15 *state pursuant to subdivision (l), in quarterly interim payments*  
16 *during the successor demonstration year. The determination of*  
17 *the interim payments shall be made on an interim basis prior to*  
18 *the start of each successor demonstration year. The department*  
19 *shall use the cost and statistical data that is in subdivisions (c) to*  
20 *(i), inclusive.*

21 (k) (1) *No later than April 1 following the end of the relevant*  
22 *reporting period for the successor demonstration year, the*  
23 *department shall undertake an interim reconciliation of the*  
24 *payment amount established pursuant to subdivision (j) for*  
25 *nondesignated public hospitals using Medicare and other cost,*  
26 *payment, and statistical data submitted by the hospitals for the*  
27 *successor demonstration year, and shall adjust payments to the*  
28 *hospitals accordingly.*

29 (2) *All payments to nondesignated public hospitals are subject*  
30 *to a final reconciliation that is subject to final audits of all*  
31 *applicable Medicare and other cost, payment, discharge, and*  
32 *statistical data for the successor demonstration year.*

33 (l) *The process for supplemental payments made in subdivisions*  
34 *(j) and (k) is a voluntary process the implementation of which is*  
35 *limited by this subdivision. The department may submit for federal*  
36 *approval a proposed amendment to the successor demonstration*  
37 *project to implement this section.*

38 (1) *If a nondesignated public hospital voluntarily agrees to*  
39 *participate in a process that, up to the amount of safety net care*  
40 *pool funds available, allows the certified public expenditures for*

1 *uncompensated care under this section to be allocated equally*  
2 *between the state and the nondesignated public hospital, so that*  
3 *for every dollar of certified public expenditure used by the*  
4 *nondesignated public hospital, the nondesignated public hospital*  
5 *shall voluntarily allow the state to use a corresponding certified*  
6 *public expenditure amount for claiming purposes. Participation*  
7 *in the safety net care pool under this section is voluntary on the*  
8 *part of the nondesignated public hospital for the purposes of all*  
9 *applicable federal laws. If a nondesignated public hospital does*  
10 *not voluntarily agree to participate in this process, it shall not be*  
11 *eligible to receive safety net care pool funds.*

12 *(2) If the budget neutrality requirements established under*  
13 *Section XI of the Special Terms and Conditions of the successor*  
14 *demonstration project are exceeded, payments made under this*  
15 *section shall be reduced to achieve budget neutrality. The state's*  
16 *share of the federal financial participation shall be reduced after*  
17 *the provider's share has been exhausted.*

18 *(3) Notwithstanding any other provision of law, upon the receipt*  
19 *of a notice of disallowance or deferral from the federal government*  
20 *related to any certified public expenditures for uncompensated*  
21 *care incurred by the nondesignated public hospital that are used*  
22 *for federal claiming under the safety net care pool pursuant to the*  
23 *successor demonstration project after this section is implemented,*  
24 *and subject to the processes set forth in this section, the department*  
25 *and the nondesignated public hospitals shall each be responsible*  
26 *for one-half of the repayment of the federal portion of any federal*  
27 *disallowance or deferral for the applicable successor*  
28 *demonstration year, up to the amount claimed and allocated*  
29 *pursuant to this section for that particular year beginning with*  
30 *the 2013–14 fiscal year.*

31 *(4) This section shall be implemented only to the extent other*  
32 *federal financial participation is not jeopardized.*

33 *(m) Eligible providers, as a condition of receiving supplemental*  
34 *reimbursement pursuant to this section, shall enter into, and*  
35 *maintain, an agreement with the department for the purposes of*  
36 *implementing this section and reimbursing the department for the*  
37 *costs of administering this section, including, but not limited to,*  
38 *the state personnel costs. No General Fund moneys shall be*  
39 *expended for the implementation and administration of this section.*

1     ~~SEC. 2. Section 14166.152 of the Welfare and Institutions Code~~  
2     ~~is repealed.~~

3     ~~14166.152. (a) Pursuant to subdivision (b) of Section~~  
4     ~~14166.151, and notwithstanding any other law, fee-for-service~~  
5     ~~payments to nondesignated public hospitals for inpatient services~~  
6     ~~to Medi-Cal beneficiaries shall be governed by this section. The~~  
7     ~~hospitals' allowable costs shall be determined, certified, and~~  
8     ~~claimed in accordance with Section 14166.153. The Medicaid~~  
9     ~~federal financial participation received by the state for the certified~~  
10    ~~public expenditures of the hospital, or the governmental entity~~  
11    ~~with which the hospital is affiliated, for inpatient hospital services~~  
12    ~~rendered to Medi-Cal beneficiaries shall be paid to the hospital.~~

13    ~~(b) With respect to each successor demonstration year, each of~~  
14    ~~the nondesignated public hospitals shall receive an interim payment~~  
15    ~~for each day of inpatient hospital services rendered to Medi-Cal~~  
16    ~~beneficiaries based upon claims filed by the hospital in accordance~~  
17    ~~with the claiming process set forth in Division 3 (commencing~~  
18    ~~with Section 50000) of Title 22 of the California Code of~~  
19    ~~Regulations. The interim per diem payment amount shall be based~~  
20    ~~on estimated costs, which shall be derived from statistical data~~  
21    ~~from the following sources and which shall be multiplied by the~~  
22    ~~federal medical assistance percentage:~~

23    ~~(1) For allowable costs reflected in the Medicare cost report,~~  
24    ~~the cost report most recently audited by the hospital's Medicare~~  
25    ~~fiscal intermediary adjusted by a trend factor to reflect increased~~  
26    ~~costs, as approved by the federal Centers for Medicare and~~  
27    ~~Medicaid Services for the successor demonstration project.~~

28    ~~(2) For allowable costs not reflected in the Medicare cost report,~~  
29    ~~each hospital shall provide hospital-specific cost data requested~~  
30    ~~by the department. The department shall adjust the data by a trend~~  
31    ~~factor as necessary to reflect project year allowable costs.~~

32    ~~(c) Until the department commences making payments pursuant~~  
33    ~~to subdivision (b), the department may continue to make~~  
34    ~~fee-for-service per diem payments to the nondesignated public~~  
35    ~~hospitals pursuant to the selective provider contracting program~~  
36    ~~in accordance with Article 2.6 (commencing with Section 14081),~~  
37    ~~for services rendered on and after July 1, 2012. Per diem payments~~  
38    ~~shall be adjusted retroactively to the amounts determined under~~  
39    ~~the payment methodology prescribed in this section.~~

- 1 ~~(d) No later than April 1 following the end of the relevant~~  
2 ~~reporting period for the successor demonstration year, the~~  
3 ~~department shall undertake an interim reconciliation of payments~~  
4 ~~made pursuant to subdivisions (a) to (c), inclusive, based on~~  
5 ~~Medicare and other cost and statistical data submitted by the~~  
6 ~~hospital for the year and shall adjust payments to the hospital~~  
7 ~~accordingly.~~
- 8 ~~(e) (1) The nondesignated public hospitals shall receive~~  
9 ~~supplemental reimbursement for the costs incurred for physician~~  
10 ~~and nonphysician practitioner services provided to Medi-Cal~~  
11 ~~beneficiaries who are patients of the hospital, to the extent that~~  
12 ~~those services are not claimed as inpatient hospital services by the~~  
13 ~~hospital and the costs of those services are not otherwise recognized~~  
14 ~~under subdivision (a):~~
- 15 ~~(2) Expenditures made by the nondesignated public hospital,~~  
16 ~~or a governmental entity with which it is affiliated, for the services~~  
17 ~~identified in paragraph (1) shall be reduced by any payments~~  
18 ~~received pursuant to Article 7 (commencing with Section 51501)~~  
19 ~~of Title 22 of the California Code of Regulations. The remainder~~  
20 ~~shall be certified by the appropriate public official and claimed by~~  
21 ~~the department in accordance with Section 14166.153. These~~  
22 ~~expenditures may include any of the following:~~
- 23 ~~(A) Compensation to physicians or nonphysician practitioners~~  
24 ~~pursuant to contracts with the nondesignated public hospital.~~
- 25 ~~(B) Salaries and related costs for employed physicians and~~  
26 ~~nonphysician practitioners.~~
- 27 ~~(C) The costs of interns, residents, and related teaching physician~~  
28 ~~and supervision costs.~~
- 29 ~~(D) Administrative costs associated with the services described~~  
30 ~~in subparagraphs (A) to (C), inclusive, including billing costs.~~
- 31 ~~(3) Nondesignated public hospitals shall receive federal financial~~  
32 ~~participation based on the expenditures identified and certified in~~  
33 ~~paragraph (2):~~
- 34 ~~(4) The federal financial participation received by the department~~  
35 ~~for the certified public expenditures identified in paragraph (2)~~  
36 ~~shall be paid to the nondesignated public hospital, or a~~  
37 ~~governmental entity with which it is affiliated.~~
- 38 ~~(5) Supplemental reimbursement under this subdivision may~~  
39 ~~be distributed as part of the interim payments under subdivision~~

1 (b), on a per-visit basis, on a per-procedure basis, or on any other  
2 federally permissible basis.

3 (6) ~~The department shall submit for federal approval, by~~  
4 ~~September 30, 2012, a proposed amendment to the Medi-Cal state~~  
5 ~~plan to implement this subdivision, retroactive to July 1, 2012, to~~  
6 ~~the extent permitted by the federal Centers for Medicare and~~  
7 ~~Medicaid Services. If necessary to obtain federal approval, the~~  
8 ~~department may limit the application of this subdivision to costs~~  
9 ~~determined allowable by the federal Centers for Medicare and~~  
10 ~~Medicaid Services. If federal approval is not obtained, this~~  
11 ~~subdivision shall not be implemented.~~

12 (f) ~~This section shall become operative as provided in~~  
13 ~~subdivision (f) of Section 14166.151.~~

14 *SEC. 3. Section 14166.153 of the Welfare and Institutions Code*  
15 *is repealed.*

16 ~~14166.153. (a) Beginning in the 2012-13 fiscal year, within~~  
17 ~~five months after the end of a successor demonstration year, each~~  
18 ~~of the nondesignated public hospitals shall submit to the department~~  
19 ~~all of the following reports:~~

20 (1) ~~The hospital's Medicare cost report for the project year or~~  
21 ~~successor demonstration year.~~

22 (2) ~~Other cost reporting and statistical data necessary for the~~  
23 ~~determination of amounts due the hospital under the demonstration~~  
24 ~~project or successor demonstration project, as requested by the~~  
25 ~~department.~~

26 (b) ~~For each project year or successor demonstration year, the~~  
27 ~~reports shall identify all of the following:~~

28 (1) ~~To the extent applicable, the costs incurred in providing~~  
29 ~~inpatient hospital services to Medi-Cal beneficiaries on a~~  
30 ~~fee-for-service basis and physician and nonphysician practitioner~~  
31 ~~services costs, as identified in subdivision (c) of Section 14166.152.~~

32 (2) ~~The costs incurred in providing hospital services to uninsured~~  
33 ~~individuals.~~

34 (e) ~~Each nondesignated public hospital, or governmental entity~~  
35 ~~with which it is affiliated, that operates nonhospital clinics or~~  
36 ~~provides physician, nonphysician practitioner, or other health care~~  
37 ~~services that are not identified as hospital services under the Special~~  
38 ~~Terms and Conditions for the demonstration project and successor~~  
39 ~~demonstration project, shall report and certify all of the~~  
40 ~~uncompensated Medi-Cal and uninsured costs of the services~~

1 furnished. The amount of these uncompensated costs to be claimed  
2 by the department shall be determined by the department in  
3 consultation with the governmental entity so as to optimize the  
4 level of claimable federal Medicaid reimbursement.

5 (d) Reports submitted under this section shall include all  
6 allowable costs.

7 (e) The appropriate public official shall certify to all of the  
8 following:

9 (1) The accuracy of the reports required under this section.

10 (2) That the expenditures to meet the reported costs comply  
11 with Section 433.51 of Title 42 of the Code of Federal Regulations.

12 (3) That the sources of funds used to make the expenditures  
13 certified under this section do not include impermissible provider  
14 taxes or donations as defined under Section 1396b(w) of Title 42  
15 of the United States Code or other federal funds. For this purpose,  
16 federal funds do not include delivery system reform incentive pool  
17 payments or patient care revenue received as payment for services  
18 rendered under programs such as nondesignated state health  
19 programs, the Low Income Health Program, Medicare, or  
20 Medicaid.

21 (f) The certification of public expenditures made pursuant to  
22 this section shall be based on a schedule established by the  
23 department in accordance with federal requirements.

24 (1) The director may require the nondesignated public hospitals  
25 to submit quarterly estimates of anticipated expenditures, if these  
26 estimates are necessary to obtain interim payments of federal  
27 Medicaid funds.

28 (2) All reported expenditures shall be subject to reconciliation  
29 to allowable costs, as determined in accordance with applicable  
30 implementing documents for the demonstration project and  
31 successor demonstration project.

32 (g) The director shall seek Medicaid federal financial  
33 participation for all certified public expenditures reported by the  
34 nondesignated public hospitals and recognized under the successor  
35 demonstration project.

36 (h) The timeframes for data submission and reporting periods  
37 may be adjusted as necessary in accordance with federal  
38 requirements.

39 (i) This section shall become operative as provided in  
40 subdivision (f) of Section 14166.151.

1     ~~SEC. 4. Section 14166.154 of the Welfare and Institutions Code~~  
2     ~~is repealed.~~

3     ~~14166.154. (a) (1) Beginning in the 2012-13 fiscal year, if~~  
4     ~~the reimbursement methodology in subdivision (b) of Section~~  
5     ~~14166.151 is in effect and federal approval is obtained for an~~  
6     ~~amendment to the successor demonstration project that was~~  
7     ~~submitted pursuant to subdivision (d), then, with respect to each~~  
8     ~~successor demonstration year, nondesignated public hospitals, or~~  
9     ~~governmental entities with which they are affiliated, shall be~~  
10    ~~eligible to receive safety net care pool payments for uncompensated~~  
11    ~~care from the Health Care Support Fund established pursuant to~~  
12    ~~Section 14166.21. Safety net care pool payments for~~  
13    ~~uncompensated care shall be allocated to nondesignated public~~  
14    ~~hospitals as follows:~~

15    ~~(A) The department shall determine the maximum amount of~~  
16    ~~safety net care pool payments for uncompensated care that is~~  
17    ~~available to nondesignated public hospitals for the successor~~  
18    ~~demonstration year pursuant to paragraph (2) of subdivision (b)~~  
19    ~~of Section 14166.151. This determination shall be made solely~~  
20    ~~with respect to allowable uncompensated care costs incurred by~~  
21    ~~nondesignated public hospitals and reported pursuant to Section~~  
22    ~~14166.153.~~

23    ~~(B) The department shall establish, in consultation with the~~  
24    ~~nondesignated public hospitals, an allocation methodology to~~  
25    ~~determine the amount of safety net care pool payments to be made~~  
26    ~~to each hospital. The allocation methodology shall be implemented~~  
27    ~~when the director issues a declaration stating that the methodology~~  
28    ~~complies with all applicable federal requirements for federal~~  
29    ~~financial participation.~~

30    ~~(2) A safety net care pool payment amount may be paid to a~~  
31    ~~nondesignated public hospital, or governmental entity with which~~  
32    ~~it is affiliated, pursuant to this section independent of the amount~~  
33    ~~of uncompensated Medi-Cal and uninsured costs that is certified~~  
34    ~~as public expenditures pursuant to Section 14166.153, provided~~  
35    ~~that, in accordance with the Special Terms and Conditions for the~~  
36    ~~successor demonstration project, the recipient hospital does not~~  
37    ~~return any portion of the funds received to any unit of government,~~  
38    ~~excluding amounts recovered by the state or federal government.~~

39    ~~(3) In establishing the amount to be paid to each nondesignated~~  
40    ~~public hospital under this subdivision, the department shall~~

1 minimize to the extent possible the redistribution of federal funds  
2 that are based on certified public expenditures as described in  
3 paragraph (2):

4 (b) ~~Each nondesignated public hospital, or governmental entity~~  
5 ~~with which it is affiliated, shall receive the amount established~~  
6 ~~pursuant to subdivision (a) in quarterly interim payments during~~  
7 ~~the successor demonstration year. The determination of the interim~~  
8 ~~payments shall be made on an interim basis prior to the start of~~  
9 ~~each successor demonstration year. The department shall use the~~  
10 ~~same cost and statistical data that is used in determining the interim~~  
11 ~~payments for Medi-Cal inpatient hospital services under Section~~  
12 ~~14166.152.~~

13 (e) ~~(1) No later than April 1 following the end of the relevant~~  
14 ~~reporting period for the successor demonstration year, the~~  
15 ~~department shall undertake an interim reconciliation of the payment~~  
16 ~~amount established pursuant to subdivision (a) for each~~  
17 ~~nondesignated public hospital using Medicare and other cost,~~  
18 ~~payment, and statistical data submitted by the hospital for the~~  
19 ~~successor demonstration year, and shall adjust payments to the~~  
20 ~~hospital accordingly.~~

21 ~~(2) The final payment to a nondesignated public hospital, for~~  
22 ~~purposes of subdivision (b) and paragraph (1) of this subdivision,~~  
23 ~~shall be subject to final audits of all applicable Medicare and other~~  
24 ~~cost, payment, discharge, and statistical data for the successor~~  
25 ~~demonstration year.~~

26 (d) ~~The department shall submit for federal approval a proposed~~  
27 ~~amendment to the successor demonstration project to implement~~  
28 ~~this section.~~

29 (e) ~~This section shall become operative as provided in~~  
30 ~~subdivision (f) of Section 14166.151.~~

31 *SEC. 5. Section 14166.155 of the Welfare and Institutions Code*  
32 *is repealed.*

33 ~~14166.155. (a) (1) Beginning in the 2012-13 fiscal year, if~~  
34 ~~the reimbursement methodology in subdivision (b) of Section~~  
35 ~~14166.151 is in effect and federal approval is obtained for an~~  
36 ~~amendment to the successor demonstration project that was~~  
37 ~~submitted pursuant to subdivision (c), then nondesignated public~~  
38 ~~hospitals may receive payments pursuant to this section. The~~  
39 ~~amount of delivery system reform incentive pool funding,~~  
40 ~~consisting of both the federal and nonfederal share of payments,~~

1 that is made available to each nondesignated public hospital system  
2 in the aggregate for the term of the successor demonstration project  
3 shall be based initially on the delivery system reform proposals  
4 that are submitted by the nondesignated public hospitals to the  
5 department for review and submission to the federal Centers for  
6 Medicare and Medicaid Services for final approval. The initial  
7 percentages of delivery system reform incentive pool funding  
8 among the nondesignated public hospitals for each successor  
9 demonstration year shall be determined based on the annual  
10 components as contained in the approved proposals.

11 (2) ~~The actual receipt of funds shall be conditioned on the~~  
12 ~~nondesignated public hospital's progress toward, and achievement~~  
13 ~~of, the specified milestones and other metrics established in its~~  
14 ~~approved delivery system reform incentive pool proposal. A~~  
15 ~~nondesignated public hospital may carry forward available~~  
16 ~~incentive pool funding associated with milestones and metrics~~  
17 ~~from one year to a subsequent period as authorized by the Special~~  
18 ~~Terms and Conditions and the final delivery system reform~~  
19 ~~incentive pool protocol.~~

20 (3) ~~The department may reallocate the incentive pool funding~~  
21 ~~available under this section pursuant to conditions specified, and~~  
22 ~~as authorized by, the Special Terms and Conditions and the final~~  
23 ~~delivery system reform incentive pool protocol.~~

24 (b) ~~Each nondesignated public hospital shall be individually~~  
25 ~~responsible for progress toward, and achievement of, milestones~~  
26 ~~and other metrics in its proposal, as well as other applicable~~  
27 ~~requirements specified in the Special Terms and Conditions and~~  
28 ~~the final delivery system reform incentive pool protocol, in order~~  
29 ~~to receive its specified allocation of incentive pool funding under~~  
30 ~~this section.~~

31 (1) ~~The nondesignated public hospital shall submit semiannual~~  
32 ~~reports and requests for payment to the department by March 31~~  
33 ~~and the September 30 following the end of the second and fourth~~  
34 ~~quarters of the successor demonstration year, or comply with any~~  
35 ~~other process as approved by the federal Centers for Medicare and~~  
36 ~~Medicaid Services.~~

37 (2) ~~Within 14 days after the semiannual report due date, the~~  
38 ~~nondesignated public hospital system or its affiliated governmental~~  
39 ~~entity shall make an intergovernmental transfer of funds equal to~~  
40 ~~the nonfederal share that is necessary to claim the federal funding~~

1 for the pool payment related to the achievement or progress metric  
2 that is certified. The intergovernmental transfers shall be deposited  
3 into the Public Hospital Investment, Improvement, and Incentive  
4 Fund, established pursuant to Section 14182.4.  
5 (3) The department shall claim the federal funding and pay both  
6 the nonfederal and federal shares of the incentive payment to the  
7 nondesignated public hospital system or other affiliated  
8 governmental provider, as applicable. If the intergovernmental  
9 transfer is made within the appropriate 14-day timeframe, the  
10 incentive payment shall be disbursed within seven days with the  
11 expedited payment process as approved by the federal Centers for  
12 Medicare and Medicaid Services, otherwise the payment shall be  
13 disbursed within 20 days of when the transfer is made.  
14 (4) The nondesignated public hospital system or other affiliated  
15 governmental provider is responsible for any fee or cost required  
16 to implement the expedited payment process in accordance with  
17 Section 8422.1 of the State Administrative Manual.  
18 (e) The department shall submit for federal approval an  
19 amendment to the successor demonstration project to implement  
20 this section.  
21 (d) In the event of a conflict between any provision of this  
22 section and the Special Terms and Conditions for the successor  
23 demonstration project and the final delivery system reform  
24 incentive pool protocol, the Special Terms and Conditions and the  
25 final delivery system reform incentive pool protocol shall control.  
26 (e) This section shall become operative as provided in  
27 subdivision (f) of Section 14166.151.