

AMENDED IN ASSEMBLY APRIL 9, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 579

Introduced by Assembly Member Obernolte

February 24, 2015

An act to amend ~~Section~~ Sections 1250.8 and 128700 of, and to add Section 1255.15 to, the Health and Safety Code, relating to health facilities.

LEGISLATIVE COUNSEL'S DIGEST

AB 579, as amended, Obernolte. Health facilities: physical plant location.

Existing law requires the State Department of Public Health to issue a single consolidated license to a general acute care hospital that includes more than one physical plant maintained and operated on separate premises if all applicable requirements of licensure, as specified, are satisfied. Under existing law, the physical plants maintained and operated under a general acute care hospital's single consolidated license must be located no more than 15 miles apart, unless a specified exception applies.

This bill would create an exception to permit a general acute care hospital to operate an emergency department located more than 15 miles from its main physical plant, if all applicable requirements of licensure are satisfied. *The bill would also permit a closing general acute care hospital's emergency department to continue to be operated at the same location or locations by an acquiring general acute care hospital, as specified. The bill would create an exception to permit the acquiring general acute care hospital to operate the closing general acute care hospital's emergency department at that location or locations, even if*

located more than 15 miles from the acquiring general acute care hospital's main physical plant, if all applicable requirements of licensure are satisfied.

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 1250.8 of the Health and Safety Code is
2 amended to read:
3 1250.8. (a) Notwithstanding subdivision (a) of Section 127170,
4 the department, upon application of a general acute care hospital
5 that meets all the criteria of subdivision (b), and other applicable
6 requirements of licensure, shall issue a single consolidated license
7 to a general acute care hospital that includes more than one physical
8 plant maintained and operated on separate premises or that has
9 multiple licenses for a single health facility on the same premises.
10 A single consolidated license shall not be issued where the separate
11 freestanding physical plant is a skilled nursing facility or an
12 intermediate care facility, whether or not the location of the skilled
13 nursing facility or intermediate care facility is contiguous to the
14 general acute care hospital unless the hospital is exempt from the
15 requirements of subdivision (b) of Section 1254, or the facility is
16 part of the physical structure licensed to provide acute care.
17 (b) The issuance of a single consolidated license shall be based
18 on the following criteria:
19 (1) There is a single governing body for all the facilities
20 maintained and operated by the licensee.
21 (2) There is a single administration for all the facilities
22 maintained and operated by the licensee.
23 (3) There is a single medical staff for all the facilities maintained
24 and operated by the licensee, with a single set of bylaws, rules,
25 and regulations, that prescribe a single committee structure.
26 (4) Except as provided otherwise in this paragraph, the physical
27 plants maintained and operated by the licensee which are to be
28 covered by the single consolidated license are located not more
29 than 15 miles apart. If an applicant provides evidence satisfactory
30 to the department that it can comply with all requirements of
31 licensure and provide quality care and adequate administrative and
32 professional supervision, the director may issue a single

1 consolidated license to a general acute care hospital that operates
2 two or more physical plants located more than 15 miles apart under
3 any of the following circumstances:

4 (A) One or more of the physical plants is located in a rural area,
5 as defined by regulations of the director.

6 (B) One or more of the physical plants provides only outpatient
7 services, as defined by the department.

8 (C) One or more of the physical plants is an emergency
9 department, as defined in subdivision (b) of Section 128700.

10 (D) If Section 14105.986 of the Welfare and Institutions Code
11 is implemented and the applicant meets all of the following criteria:

12 (i) The applicant is a nonprofit corporation.

13 (ii) The applicant is a children's hospital listed in Section 10727
14 of the Welfare and Institutions Code.

15 (iii) The applicant is affiliated with a major university medical
16 school and located adjacent thereto.

17 (iv) The applicant operates a regional tertiary care facility.

18 (v) One of the physical plants is located in a county that has a
19 consolidated and county government structure.

20 (vi) One of the physical plants is located in a county having a
21 population between 1,000,000 and 2,000,000.

22 (vii) The applicant is located in a city with a population between
23 50,000 and 100,000.

24 (c) In issuing the single consolidated license, the state
25 department shall specify the location of each supplemental service
26 and the location of the number and category of beds provided by
27 the licensee. The single consolidated license shall be renewed
28 annually.

29 (d) To the extent required by Chapter 1 (commencing with
30 Section 127125) of Part 2 of Division 107, a general acute care
31 hospital that has been issued a single consolidated license:

32 (1) Shall not transfer from one facility to another a special
33 service described in Section 1255 without first obtaining a
34 certificate of need.

35 (2) Shall not transfer, in whole or in part, from one facility to
36 another, a supplemental service, as defined in regulations of the
37 director pursuant to this chapter, without first obtaining a certificate
38 of need, unless the licensee, 30 days prior to the relocation, notifies
39 the Office of Statewide Health Planning and Development, the
40 applicable health systems agency, and the state department of the

licensee's intent to relocate the supplemental service, and includes with this notice a cost estimate, certified by a person qualified by experience or training to render the estimates, which estimates that the cost of the transfer will not exceed the capital expenditure threshold established by the Office of Statewide Health Planning and Development pursuant to Section 127170.

(3) Shall not transfer beds from one facility to another facility, without first obtaining a certificate of need unless, 30 days prior to the relocation, the licensee notifies the Office of Statewide Health Planning and Development, the applicable health systems agency, and the state department of the licensee's intent to relocate health facility beds, and includes with this notice both of the following:

(A) A cost estimate, certified by a person qualified by experience or training to render the estimates, which estimates that the cost of the relocation will not exceed the capital expenditure threshold established by the Office of Statewide Health Planning and Development pursuant to Section 127170.

(B) The identification of the number, classification, and location of the health facility beds in the transferor facility and the proposed number, classification, and location of the health facility beds in the transferee facility.

Except as otherwise permitted in Chapter 1 (commencing with Section 127125) of Part 2 of Division 107, or as authorized in an approved certificate of need pursuant to that chapter, health facility beds transferred pursuant to this section shall be used in the transferee facility in the same bed classification as defined in Section 1250.1, as the beds were classified in the transferor facility.

Health facility beds transferred pursuant to this section shall not be transferred back to the transferor facility for two years from the date of the transfer, regardless of cost, without first obtaining a certificate of need pursuant to Chapter 1 (commencing with Section 127125) of Part 2 of Division 107.

(e) Transfers pursuant to subdivision (d) shall satisfy all applicable requirements of licensure and shall be subject to the written approval, if required, of the state department. The state department may adopt regulations that are necessary to implement this section. These regulations may include a requirement that each facility of a health facility subject to a single consolidated license have an onsite full-time or part-time administrator.

1 (f) As used in this section, “facility” means a physical plant
2 operated or maintained by a health facility subject to a single,
3 consolidated license issued pursuant to this section.

4 (g) For purposes of selective provider contracts negotiated under
5 the Medi-Cal program, the treatment of a health facility with a
6 single consolidated license issued pursuant to this section shall be
7 subject to negotiation between the health facility and the California
8 Medical Assistance Commission. A general acute care hospital
9 that is issued a single consolidated license pursuant to this section
10 may, at its option, be enrolled in the Medi-Cal program as a single
11 business address or as separate business addresses for one or more
12 of the facilities subject to the single consolidated license.
13 Irrespective of whether the general acute care hospital is enrolled
14 at one or more business addresses, the department may require the
15 hospital to file separate cost reports for each facility pursuant to
16 Section 14170 of the Welfare and Institutions Code.

17 (h) For purposes of the Annual Report of Hospitals required by
18 regulations adopted by the state department pursuant to this part,
19 the state department and the Office of Statewide Health Planning
20 and Development may require reporting of bed and service
21 utilization data separately by each facility of a general acute care
22 hospital issued a single consolidated license pursuant to this
23 section.

24 (i) The amendments made to this section during the 1985–86
25 Regular Session of the Legislature pertaining to the issuance of a
26 single consolidated license to a general acute care hospital in the
27 case where the separate physical plant is a skilled nursing facility
28 or intermediate care facility shall not apply to the following
29 facilities:

30 (1) A facility that obtained a certificate of need after August 1,
31 1984, and prior to February 14, 1985, as described in this
32 subdivision. The certificate of need shall be for the construction
33 of a skilled nursing facility or intermediate care facility that is the
34 same facility for which the hospital applies for a single consolidated
35 license, pursuant to subdivision (a).

36 (2) A facility for which a single consolidated license has been
37 issued pursuant to subdivision (a), as described in this subdivision,
38 prior to the effective date of the amendments made to this section
39 during the 1985–86 Regular Session of the Legislature.

1 A facility that has been issued a single consolidated license
2 pursuant to subdivision (a), as described in this subdivision, shall
3 be granted renewal licenses based upon the same criteria used for
4 the initial consolidated license.

5 (j) If the state department issues a single consolidated license
6 pursuant to this section, the state department may take any action
7 authorized by this chapter, including, but not limited to, any action
8 specified in Article 5 (commencing with Section 1294), with
9 respect to a facility, or a service provided in a facility, that is
10 included in the consolidated license.

11 (k) The eligibility for participation in the Medi-Cal program
12 (Chapter 7 (commencing with Section 14000) of Part 3 of Division
13 9 of the Welfare and Institutions Code) of a facility that is included
14 in a consolidated license issued pursuant to this section, provides
15 outpatient services, and is located more than 15 miles from the
16 health facility issued the consolidated license shall be subject to a
17 determination of eligibility by the state department. This
18 subdivision shall not apply to a facility that is located in a rural
19 area and is included in a consolidated license issued pursuant to
20 subparagraphs (A), (B), and (C) of paragraph (4) of subdivision
21 (b). Regardless of whether a facility has received or not received
22 a determination of eligibility pursuant to this subdivision, this
23 subdivision shall not affect the ability of a licensed professional,
24 providing services covered by the Medi-Cal program to a person
25 eligible for Medi-Cal in a facility subject to a determination of
26 eligibility pursuant to this subdivision, to bill the Medi-Cal program
27 for those services provided in accordance with applicable
28 regulations.

29 (l) Notwithstanding any other provision of law, the director may
30 issue a single consolidated license for a general acute care hospital
31 to Children's Hospital Oakland and San Ramon Regional Medical
32 Center.

33 (m) Notwithstanding any other provision of law, the director
34 may issue a single consolidated license for a general acute care
35 hospital to Children's Hospital Oakland and the John Muir Medical
36 Center, Concord Campus.

37 (n) (1) To the extent permitted by federal law, payments made
38 to Children's Hospital Oakland pursuant to Section 14166.11 of
39 the Welfare and Institutions Code shall be adjusted as follows:

1 (A) The number of Medi-Cal payment days and net revenues
2 calculated for the John Muir Medical Center, Concord Campus
3 under the consolidated license shall not be used for eligibility
4 purposes for the private hospital disproportionate share hospital
5 replacement funds for Children's Hospital Oakland.

6 (B) The number of Medi-Cal payment days calculated for
7 hospital beds located at *the* John Muir Medical Center, Concord
8 Campus that are included in the consolidated license beginning in
9 the 2007–08 fiscal year shall only be used for purposes of
10 calculating disproportionate share hospital payments authorized
11 under Section 14166.11 of the Welfare and Institutions Code at
12 Children's Hospital Oakland to the extent that the inclusion of
13 those days does not exceed the total Medi-Cal payment days used
14 to calculate Children's Hospital Oakland payments for the 2006–07
15 fiscal year disproportionate share replacement.

16 (2) This subdivision shall become inoperative in the event that
17 the two facilities covered under the consolidated license described
18 in subdivision (a) are located within a 15-mile radius of each other.

19 *SEC. 2. Section 1255.15 is added to the Health and Safety*
20 *Code, to read:*

21 *1255.15. (a) If a general acute care hospital (closing hospital)*
22 *that provides emergency medical services pursuant to Section 1255*
23 *is either scheduled for closure or has surrendered its license for*
24 *suspension or cancellation pursuant to Section 1300, the closing*
25 *hospital's emergency medical services may continue to be provided*
26 *at the same location or locations by another general acute care*
27 *hospital (acquiring hospital) that has a special permit to offer*
28 *emergency medical services pursuant to paragraph (3) of*
29 *subdivision (a) of Section 1255, notwithstanding that basic services*
30 *are not offered at the closing hospital's location or locations.*

31 *(b) Pursuant to subdivisions (a) and (b) of Section 1250.8, a*
32 *single consolidated license shall be issued to the acquiring hospital*
33 *to permit the continued provision of emergency medical services*
34 *at the closing hospital's location or locations if located not more*
35 *than 15 miles apart from the acquiring hospital.*

36 *(c) Notwithstanding paragraph (4) of subdivision (b) of Section*
37 *1250.8, the director shall issue a single consolidated license to*
38 *the acquiring hospital to permit the continued provision of*
39 *emergency medical services at the closing hospital's location or*
40 *locations, even if located more than 15 miles apart from the*

1 *acquiring hospital, if the acquiring hospital provides evidence*
2 *satisfactory to the department that it can comply with all*
3 *requirements of licensure and provide quality care and adequate*
4 *administrative and professional supervision.*

5 SEC. 3. Section 128700 of the Health and Safety Code is
6 amended to read:

7 128700. As used in this chapter, the following terms mean:

8 (a) “Ambulatory surgery procedures” mean those procedures
9 performed on an outpatient basis in the general operating rooms,
10 ambulatory surgery rooms, endoscopy units, or cardiac
11 catheterization laboratories of a hospital or a freestanding
12 ambulatory surgery clinic.

13 (b) “Emergency department” means, ~~in~~ *with respect to* a hospital
14 licensed to provide emergency medical services, the location in
15 which those services are provided.

16 (c) “Encounter” means a face-to-face contact between a patient
17 and the provider who has primary responsibility for assessing and
18 treating the condition of the patient at a given contact and exercises
19 independent judgment in the care of the patient.

20 (d) “Freestanding ambulatory surgery clinic” means a surgical
21 clinic that is licensed by the state under paragraph (1) of
22 subdivision (b) of Section 1204.

23 (e) “Health facility” or “health facilities” means all health
24 facilities required to be licensed pursuant to Chapter 2
25 (commencing with Section 1250) of Division 2.

26 (f) “Hospital” means all health facilities except skilled nursing,
27 intermediate care, and congregate living health facilities.

28 (g) “Office” means the Office of Statewide Health Planning and
29 Development.

30 (h) “Risk-adjusted outcomes” means the clinical outcomes of
31 patients grouped by diagnoses or procedures that have been
32 adjusted for demographic and clinical factors.